



ASX ANNOUNCEMENT

13 October 2021

CIPHERPOINT TO ACQUIRE VIT CYBER SECURITY

Cipherpoint Limited (ASX:CPT), Sydney, Australia 13 October 2021 - Cipherpoint is pleased to announce that it has entered into a binding term sheet to acquire 100% of the issued capital in cyber security services business Virtual Information Technology Pty Limited (**VIT Cyber Security**).

VIT Cyber Security was established in 2016, by its founder Mark Hitchcock, to provide managed IT and security solutions and services to agencies of the Tasmanian Government and enterprise businesses including digital forensics and incident response services, provision of Identity Protection solutions and security, Citrix and Red Hat Consulting.

VIT Cyber Security's FY21 revenues were A\$703,000¹ and, under the terms of the proposed transaction, the parties have agreed to the issue of milestone shares subject to achievement of revenue targets for FY22 and FY23 which are set out below.

Acquisition Terms

The consideration for the acquisition of 100% of the issued capital of VIT Cyber Security from the shareholder of VIT Cyber Security (**VIT Vendor**) is a mix of cash and CPT securities, initially being \$750,000 cash and 10.2M shares. Up to a further \$1,000,000 of ordinary CPT shares are to be issued on achieving FY22 and FY23 financial milestones described below. Shareholder approval will be sought for the issue of the earn-out shares. Further details are set out below:

Up-Front Cash Consideration. At completion, the VIT Vendor will receive A\$750,000 cash consideration (less any working capital and other balance sheet adjustments).

Up-Front Consideration Shares. At completion, the VIT Vendor will receive 10.2M shares (representing, on the basis of the current capital structure, approximately 2.9% of the current issued capital of CPT). The up-front consideration shares shall be voluntarily escrowed for a period of 6 months from completion of the acquisition.

Performance Based Consideration: Further share issues will be made to the VIT Vendor on meeting certain earn-out milestones:

- **2022 Earn Out:** If at the conclusion of VIT Cyber Security's FY2022 (12 months to 30 June 2022), the revenue for VIT Cyber Security is \$900,000 or more, then CPT shall allot a further \$500,000 shares to the VIT Vendor. If the milestone is not met shares will be allotted on a pro-rata basis provided that no milestone shares will be issued unless revenue of \$750,000 is achieved. The pricing of the shares to be calculated on the 15-day VWAP prior to 30 June 2022.

¹ Unaudited

- **2023 Earn Out:** If at the conclusion of VIT Cyber Security's FY2023 (12 months to 30 June 2023), the revenue for VIT Cyber Security is \$1.2M or more, then CPT shall allot a further \$500,000 shares to the VIT Vendor. If the milestone is not met shares will be allotted on a pro-rata basis provided that no milestone shares will be issued unless revenue of \$900,000 is achieved. The pricing of the shares to be calculated on the 15-day VWAP prior to 30 June 2023.

CPT will also execute an executive agreement for the for the VIT Cyber Security founder comprising:

- market based salary;
- the issue of an initial 1.25M performance rights with vesting when CPT trades above 10c per share for 5 consecutive trading days or where market capitalisation exceeds \$22 million for any 5 consecutive trading days; and
- a further 1.25 performance rights to be issued to the VIT Cyber Security subject to the revenue for VIT Cyber Security achieving a minimum of \$900,000 in revenue for the 12 months to 30 June 2022.

CPT also intends to issue VIT Cyber Security employees share based incentives under its existing employee security ownership plans.

CPT is seeking to complete the transaction by 31 October 2021 or shortly thereafter. The terms sheet is subject to certain conditions precedent usual for transactions of this nature, including the execution of formal documentation, confirmatory due diligence and CPT obtaining any shareholder and regulatory approvals and waivers (if any are required). Certain conditions will be able to be waived by either or both parties.

Following completion of the transaction, CPT will work with VIT Cyber Security to focus on the following:

- Continuing to build out VIT Cyber Security's presence in the Tasmanian cyber security market via the investment in its sales team and the development of its Security Operations Centre in Hobart; and
- Leveraging the capabilities of its subsidiary Brace168 Pty Limited to cross-sell their solutions in the Tasmanian market that VIT Cyber Security currently is not able to provide.

CPT Executive Chairman Ted Pretty said:

"The Cipherpoint team are excited that VIT Cyber Security will be joining us on the journey to offer best of breed solutions to the business and enterprise market both locally and internationally. Our focus is to acquire a business complementary to the Brace168 business operating in different markets and adjacencies which can leverage the skills and capabilities of the Brace168 team. VIT Cyber Security gives CPT the opportunity to leverage their capabilities into the Tasmanian market. It will enable us to continue to scale with an integrated offering and build on its increasing momentum in the cyber security market."

VIT Cyber Security spokesperson, Mark Hitchcock said:

"We are excited about the prospect of joining the Cipherpoint team at this critical stage of our growth journey. In our opinion, together we have the potential to set new standards in cyber security including providing managed detection and response services, security analytics and data protection. The ability to leverage this capability to service our customers will allow us to continue to provide best in class service to our clients in the Tasmanian market."

This announcement has been approved for release by the Board.

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About Cipherpoint

Cipherpoint through its wholly owned subsidiary Brace168 Pty Limited 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. Brace168 provides innovative IT and cyber security solutions to a broad range of enterprise sectors and government.

Further information

For further information, please visit www.cipherpoint.com

About VIT Cyber Security

VIT Cyber Security provides a range of cyber security services to its customers including digital forensics and incident response services, provision of Identity Protection solutions and a range of consulting services including security, Citrix and Red Hat Consulting.

See: <https://www.vitcs.com.au>

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