



ASX ANNOUNCEMENT (ASX: CPT)

26 October 2021

APPENDIX 4C FOR THE QUARTER ENDED 30 SEPTEMBER 2021 AND ACTIVITIES REPORT

- \$990,000 in quarterly revenues with a record month in September of \$376,000 from Brace168
- \$895,000 in customer receipts vs. \$739,000 for the June Quarter
- Brace168 continues to grow its sales pipeline and customer base for recurring and project revenues
- \$1.2M in cash received from the sale of software business to archTIS Limited (AR9)
- Operating costs were \$1.9M, compared to \$1.6M in the June 2021 quarter.
- \$3.9M cash at bank – a strong cash position

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

Key Developments

The results for the Cipherpoint group (the **Group**) for the quarter ended 30 September 2021, include the second quarter of revenues and cashflows for our cyber security services platform division operated through Brace168 Pty Limited (**Brace168**) (acquired on 1 April 2021).

Quarter Financial Highlights

Financial highlights for the quarter were:

- Customer receipts of \$895K for the quarter compared to \$739K for the June 2021 quarter.
- The loan facility of \$300K accessed during the June quarter has been repaid.
- The Group held \$3.9M in cash as of 30 September 2021.

During the quarter, the Company made payments to related parties of \$152K, which were comprised of usual executive and non-executive director fees, salaries, and consultancy payments.

Activities Report and Business Update

The Company's sales pipeline is strong and continues to grow, reflecting the increased sales and marketing efforts of the Company and an increasing demand for cyber security and data protection solutions and services.

During the September quarter:

- The Company completed the sale of certain intellectual property assets receiving \$1.2M upfront in cash with another \$200K escrowed pending the novation of certain contracts. The elimination of operating expenses consequent on the sale of these assets will be partially offset by an increase in staff in Brace168.
- Brace168 continued to grow its sales pipeline and customer base for recurring and project revenues.
- The Company undertook the recruitment of new sales, delivery and technical staff and the Sydney-based team continued a combination of office and remote working arrangements.

- The refresh and expansion of the Company's Security Operations Centre was substantially completed.

December 2021 Quarter and Beyond

The Company's Brace168 business continues to seek to capitalise on the strong sales pipeline, good partner relationships and new market opportunities by hiring more resources.

As outlined in the Executive Chairman's AGM speech on 24 September, Cipherpoint intends to deploy our cash to scale the business by both chasing organic growth and pursuing bolt on acquisitions. The post quarter announcement regarding the proposed acquisition of Virtual Information Technology Pty Ltd in Tasmania is an example of this strategy.

--Ends--

This announcement has been approved for release by the Board.

About Cipherpoint Group

Cipherpoint through its wholly owned subsidiary Brace 168 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 <https://cipherpoint.com>

Cipherpoint investor relations contacts:

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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 September 2021

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	895	1,634
1.2	Payments for		
	(a) research and development	(137)	(219)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(66)	(133)
	(d) leased assets	-	-
	(e) staff costs	(940)	(1,546)
	(f) administration and corporate costs	(760)	(1,604)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(6)	(40)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	(11)	(19)
1.9	Net cash from / (used in) operating activities	(1,024)	(1,926)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	(0)	(1,977)
	(c) property, plant, and equipment	(154)	(186)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(0)	(16)

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	1,320	1,320
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – return of credit card facility deposit	(32)	(32)
2.6	Net cash from / (used in) investing activities	1,134	(891)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,170	2,170
3.2	Proceeds from issue of convertible debt securities	-	-
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	366	666
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)	-	(90)
3.10	Net cash from / (used in) financing activities	2,536	2,746

4.	Net increase / (decrease) in cash and cash equivalents for the period	Current quarter \$A'000	Year to date (6 months) \$A'000
4.1	Cash and cash equivalents at beginning of period	1,240	3,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,024)	(1,926)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,134	(891)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,536	2,746
4.5	Effect of movement in exchange rates on cash held	1	(4)
4.6	Cash and cash equivalents at end of period	3,887	3,887

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	3,487	790
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Note # below)	450	450
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,887	1,240

Note # This represents cash held on trust with our solicitor. It is restricted, and not available for general use. This relates to the consideration payable for acquisition of Brace168 due 12 months post completion, as per our ASX announcement 21st January 2021.

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	(152)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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)	(1,024)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,887
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	3,887
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.8
8.6	<p>If Item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer</p> <p>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?</p> <p>Answer:</p> <p>3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?</p> <p>Answer:</p>	

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: 26 October 2021

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.