



## ASX ANNOUNCEMENT (ASX: CPT)

31 JANUARY 2023

### QUARTERLY ACTIVITIES REPORT AND BUSINESS UPDATE AND APPENDIX 4C FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 2022.

#### Quarterly Financial Highlights

The results for the Cipherpoint group (the **Group**), include revenues and cashflows from both of our Brace168 (**Brace**) and VIT Cyber Security (**VIT**) services divisions as well as cashflows from ExciteIT (**Excite**) since the date of its acquisition being 23 November 2022.

The key financial highlights for the quarter were:

- The Group held \$509K in cash as of 31 December 2022 with a further \$165K available via a business loan facility provided by an entity controlled by Managing Director Bryan Saba.
- Customer receipts were \$1.29M compared to the September quarter receipts of \$933K, increasing by \$360K. Indicating stronger underlying growth following a substantial sales team restructure earlier in the year.
- Phase II of business cost reductions was completed during the quarter, with operating cash outflows decreasing to \$1.68M compared to \$1.99M in the September quarter. The decrease of \$307K was the result of admin cost reductions as the business further streamlined overhead costs associated with the Group.
- Completion of the acquisition of Excite and appointment of Bryan Saba as Managing Director and CEO.
- Major customer wins deliver Lend Lease Retirement Living and Healius to growing customer portfolio, attributing to a total invoice amount for the group of approximately \$2.3m inc. GST in December 2022.

Cipherpoint Non-Executive Chairman Mr Steven Bliim added: *“The December quarter has seen the Company undergo a significant period of renewal. With Bryan Saba and Ken Benson recently joining the Board as well as the integration of the Excite business into the group, I believe the Company is well positioned to enter 2023 lean and ready to deliver. I would like to thank our shareholders for their patience and continued commitment as we enter the next phase of our turnaround journey.”*

#### Activities Report and Business Update

##### Sales and Marketing

Cyber and IT services continue to remain active markets, with high profile data breaches continuing to make front page news. Boards and IT Professionals remain cognizant of the challenges remote working and external cyber threats make to the IT landscape, which translates into pipeline opportunities for the team. During the quarter the Company welcomed Lend Lease Retirement Living as a new major customer with a deal valued at \$1.73M to deliver hardware, software, discovery, security and design services in the next 6 months. In addition, new customer Healius Ltd inked its first deal with the Company for the roll out of new telephony infrastructure across Australia. These new customer wins are the strongest indicator yet, of the group’s ability to secure and deliver on important client projects.

### Delivery and Operations

In parallel with resetting the cost base the Company also focussed on customer service improvements with the aim of continuing our track record of referral business and retention. The SOC in Tasmania is operational and upgraded SOC platform is in final testing. The program also includes onboarding improvements and an uplift to customer facing operations. From a product and services perspective we have introduced standard packages for Incident Response which will make it easier for customers to order and consume these type of services. The current threat environment means that the Company (like its customers) needs to be vigilant on our own security. We have a proactive program to improve our security measures and extend them across the broader group. This includes maintaining our ISO27001 certification, which is a validation of our continuous improvement on measures to protect the Company and its customers.

### **Outlook**

The Company has spent much of 2022 resetting its cost base and looking for ways to enhance the efficiency of sales resources. Remote and hybrid working are ongoing sources of demand for IT services and data protection solutions. The Excite business brings with it new customers and renewed energy. With already measurable improvement in business performance during the quarter, the Board looks forward to providing further updates to Shareholders and the market in this coming year.

--Ends--

This announcement has been approved for release by the Board.

## **About Cipherpoint Group**

Cipherpoint, through its wholly owned subsidiaries provides focused managed cyber security, cloud and IT services. Our best of breed security operations centre and highly trained operations teams monitor customer environments to allow quick and effective response to cyber security incidents.

## **Further information**

For further information, please visit [cipherpoint.com](https://cipherpoint.com)

## **Cipherpoint investor relations contact:**

Steven Bliim  
Non-Executive Director and Chairman  
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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")**

31 December 2022

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(9 months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                    |  |
| 1.1 Receipts from customers                               | 1,293                              | 3,531  |
| 1.2 Payments for  |                                    |  |
| (a) research and development                              | -                                  | -  |
| (b) product manufacturing and operating costs             | -                                  | (185)  |
| (c) advertising and marketing                             | (2)                                | (52)   |
| (d) leased assets   | (49)                               | (228)  |
| (e) staff costs   | (893)                              | (3,606)  |
| (f) administration and corporate costs                    | (734)                              | (1,906)  |
| 1.3 Dividends received (see note 3)                       | -                                  | -  |
| 1.4 Interest received                                     | -                                  | -  |
| 1.5 Interest and other costs of finance paid              | (3)                                | (19)   |
| 1.6 Income taxes paid                                     | -                                  | -  |
| 1.7 Government grants and tax incentives                  | -                                  | -  |
| 1.8 Other (provide details if material)                   | -                                  | -  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(388)</b>                       | <b>(2,465)</b>                                 |
| <b>2. Cash flows from investing activities</b>            |                                    |  |
| 2.1 Payments to acquire or for:                           |                                    |  |
| (a) entities  | (936)                              | (1,936)  |
| (b) businesses  | -                                  | -  |
| (c) property, plant and equipment                         | (18)                               | (41)   |
| (d) investments   | -                                  | -  |
| (e) intellectual property                                 | -                                  | -  |
| (f) other non-current assets                              | -                                  | 14   |

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(9 months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| 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  |
| 2.3   | Cash flows from loans to other entities               | -                                  | -  |
| 2.4   | Dividends received (see note 3)                       | -                                  | -  |
| 2.5   | Other (provide details if material)                   | -                                  | -  |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b> | <b>(954)</b>                       | <b>(1,858)</b>                                 |

|             |   |           |              |
|-------------|---|-----------|--------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>   |           |              |
| 3.1         | Proceeds from issues of equity securities (excluding convertible debt securities)       | -         | 2,184        |
| 3.2         | Proceeds from issue of convertible debt securities                                      | -         | 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  | 150       | 150          |
| 3.6         | Repayment of borrowings   | (72)      | (72)         |
| 3.7         | Transaction costs related to loans and borrowings                                       | -         | -            |
| 3.8         | Dividends paid  | -         | -            |
| 3.9         | Other (provide details if material)   | -         | 126          |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                                   | <b>78</b> | <b>2,549</b> |

|           |  |       |         |
|-----------|--|-------|---------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |       |         |
| 4.1       | Cash and cash equivalents at beginning of period                             | 1,773 | 2,284   |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (388) | (2,466) |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | (954) | (1,858) |

| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(9 months)<br/>\$A'000</b> |
|---|--|------------------------------------|--|
| 4.4   | Net cash from / (used in) financing activities (item 3.10 above) | 78                                 | 2,549  |
| 4.5   | Effect of movement in exchange rates on cash held                | -                                  | -  |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of period</b>                | <b>509</b>                         | <b>509</b>                                     |

| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|------------|---|------------------------------------|-------------------------------------|
| 5.1        | Bank balances   | 509                                | 1,773                               |
| 5.2        | Call deposits   | -                                  | -                                   |
| 5.3        | Bank overdrafts   | -                                  | -                                   |
| 5.4        | Other (provide details)   | -                                  | -                                   |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>509</b>                         | <b>1,773</b>                        |

| <b>6.</b>   | <b>Payments to related parties of the entity and their associates</b>                   | <b>Current quarter<br/>\$A'000</b> |
|---|---|------------------------------------|
| 6.1   | Aggregate amount of payments to related parties and their associates included in item 1 | -                                  |
| 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> |   |                                    |

| <b>7. Financing facilities</b>  | <b>Total facility amount at quarter end<br/>\$A'000</b> | <b>Amount drawn at quarter end<br/>\$A'000</b> |
|---|---|--|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.<br/>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>   |   |  |
| 7.1 Loan facilities   | -   | -  |
| 7.2 Credit standby arrangements   | -   | -  |
| 7.3 Other (please specify)  | 315   | 150  |
| <b>7.4 Total financing facilities</b>   | <b>315</b>  | <b>150</b>                                     |
| <b>7.5 Unused financing facilities available at quarter end</b>   |   | <b>165</b>                                     |
| 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. |   |  |
| Other financing facilities include an unsecured Director loan with a maturity date of 30 November 2023 at an interest rate of 8% per annum.   |   |  |

| <b>8. Estimated cash available for future operating activities</b>   | <b>\$A'000</b> |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9)  | (388)          |
| 8.2 Cash and cash equivalents at quarter end (item 4.6)  | 509            |
| 8.3 Unused finance facilities available at quarter end (item 7.5)  | 165            |
| <b>8.4 Total available funding (item 8.2 + item 8.3)</b>   | <b>674</b>     |
| <b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>  | <b>1.74</b>    |
| <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?  |                |
| Answer: The Company is making adjustments to operating cashflows where possible to bring these into line with available cash reserves.   |                |
| 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? |                |
| Answer: A capital raise was completed on 27 January 2023, these funds will boost available funds and continue to support the business as operating cashflow performance improves.                                      |                |
| 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?  |                |
| Answer: Yes.   |                |
| <i>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.</i>   |                |

**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:  .....

Authorised by: Steven Bliim  
(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.