

Cipherpoint Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Cipherpoint Limited
ABN:	61 120 658 497
Reporting period:	For the period ended 30 September 2022
Previous period:	For the period ended 30 September 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	100.0% to	2,252,989
Loss from ordinary activities after tax attributable to the owners of Cipherpoint Limited	down	789.9% to	(2,171,162)
Loss for the period attributable to the owners of Cipherpoint Limited	down	789.9% to	(2,171,162)
		30 Sep 2022	30 Sep 2021
		Cents	Cents
Basic earnings per share		(0.52)	0.14
Diluted earnings per share		(0.52)	0.14

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to \$2,171,162 (30 September 2021: profit of \$314,697).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.05</u>	<u>0.01</u>

Net tangible assets per ordinary security has been calculated by excluding the net right-of-use assets and leases liabilities of (\$1,551).

4. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

6. Attachments

Details of attachments (if any):

The Interim Report of Cipherpoint Limited for the period ended 30 September 2022 is attached.

7. Signed

Signed  _____

Date: 30 November 2022

Steven Bliim
Chairman
Sydney

Cipherpoint Limited

ABN 61 120 658 497

Interim Report - 30 September 2022

Cipherpoint Limited
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30 September 2022

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Cipherpoint Limited
Directors' report
30 September 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Cipherpoint Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 September 2022.

Directors

The following persons were directors of the Company during the whole of the financial period and up to the date of this report, unless otherwise stated:

Steven Bliim - Non-Executive Director and Chairman
Bryan Saba - Managing Director (appointed 23 November 2022)
Ken Benson - Non-Executive Director (appointed 10 November 2022)
Graham Mirabito - Non-Executive Director
Edward (Ted) Pretty - Managing Director and Chairman (retired 10 November 2022)

Principal activities

The principal activity of the Group is the provision of cyber security services development and data security technology to the enterprise and government sectors.

Review of operations

The loss for the Group after providing for income tax amounted to \$2,171,162 (30 September 2021: profit of \$314,697).

During the period the Group suffered the loss of a key customer and implemented a cost reduction regime with the aim of minimizing expenditure in areas that were non-revenue generating. As part of the strategy, the Board has reduced overheads, including director costs, as well as taking a more active role in the operations of the business to ensure that all opportunities are aggressively pursued.

At an operational level, Management has taken action to remove inefficient sales resources as well as areas aligning capacity to demand for delivery and customer support. Group overhead costs not essential for compliance obligations were also reduced, with the role of CFO outsourced to the professional services arm of the Company's share registry, Automic. As part of this program, approximately \$2 million of annualized cost has been identified and removed from the business, with the Board's intended aim of bringing the business as close to cashflow breakeven as soon as possible. These changes have been made without further loss of managed services customers.

In April 2022, divestment of the Group's software division to archTIS Limited was finalised, with the group receiving a further \$107,000 in cash proceeds in settlement of the final milestone component of the software division divestment. This has delivered divestment proceeds in excess of \$1.5 million to the Group as well as removing the cost of engineering and business development associated with the software business. Disposal proceeds and cost savings have been further applied to enhancing the capability of the Group's cyber security services businesses.

In July 2022, the Company announced its intention to acquire the business of Excite IT. This will extend Group's capabilities in the areas of IT and Cloud solutions as well as a greatly expand the Group's operating footprint in the Australian cyber security and IT services market. With Excite IT already an existing channel partner to Cipherpoint's subsidiary Brace168, onboarding and go to market activities are expected to be swift.

This acquisition was subsequently completed in November 2022. As part of the acquisition, Bryan Saba joined the Board of Cipherpoint Limited and will steer the business through its next expansionary phase in the Australian market as Executive Director and CEO.

The Company received on-going support from existing and new investors through the issue of \$2.327 million in new securities. These funds will be applied to the financing of the Excite IT Transaction as well as being applied to supporting go to market initiatives to capitalise on the current market opportunity for cyber services.

The Company continues to see positive tailwinds in the growing market for cyber security services as the Federal Government and the private sector ramp up their investment in cyber protection. Linked together with ongoing, high-profile data breaches and malware attacks, The Company is now well placed to continue to build out its managed security and IT services business with specific focus on driving organic revenue growth and becoming cash flow positive.

Significant changes in the state of affairs

In April 2022, the Company completed the sale of selected assets and products from its software division to archTIS Limited. The Company retained a right to resell the products.

Cipherpoint Limited
Directors' report
30 September 2022

During the period the Company raised \$2.33m (before costs) by way of placement, convertible notes and rights issue to be applied to completion of the upgrade to its security operations centre, further investment into business development and the pursuit of potential acquisition opportunities.

There were no other significant changes in the state of affairs of the Group during the financial period.

Matters subsequent to the end of the financial period

On 23 November 2022, the Company acquired 100% of the share capital of Excite IT Pty Limited, a leading focused provider of managed IT and security services, cloud solutions and automation, for a purchase consideration of \$1,150,000 upfront cash consideration, scrip consideration shares of 100,000,000 shares, being the equivalent of \$1,000,000 shares at an issue price of \$0.01 per share, which shall be voluntarily escrowed for a period of six months from issue and finally a \$100,000 cash payment which will be deferred for a period of 12 months from completion. The acquisition is part of the Group's overall strategy of expanding IT and cyber security solutions that work seamlessly across enterprises and government agencies.

On 29 November 2022, the Company entering to a short-term loan agreement with a director related entity for an amount of \$315,000 at commercial terms.

No other matter or circumstance has arisen since 30 September 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Steven Bliim
Chairman

30 November 2022
Sydney

**CIPHERPOINT LIMITED
ABN 61 120 658 497 AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CIPHERPOINT LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Cipherpoint Limited. As the lead audit partner for the audit of the financial report of Cipherpoint Limited for the half-year ended 30 September 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Hall Chadwick Melbourne Audit
Chartered Accountants
Level 14, 440 Collins Street
MELBOURNE VIC 3000

S. Kumar

Sandeep Kumar
Partner

Date: 30 November 2022

Cipherpoint Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 30 September 2022

	Note	Consolidated 30 Sep 2022 \$	30 Sep 2021 \$
Revenue from continuing operations			
Revenue - technology related products and services	4	2,251,625	1,632,890
Other income - including COVID-19 stimulus grants		1,364	100,000
Fair value gain on financial liability		-	40,633
		<u>2,252,989</u>	<u>1,773,523</u>
Expenses			
Software and hardware for resale		(383,873)	(671,231)
Employee benefits expense		(2,855,454)	(1,748,067)
Consultancy fees expense		(111,649)	(212,089)
Depreciation expense	5	(100,323)	(71,519)
Impairment of receivables		(32,564)	-
Legal and professional fees expense		(126,776)	(311,113)
Marketing and promotion expense		(48,387)	(120,878)
Travel and accommodation expense		(58,408)	(28,679)
Office and administration expense		(317,119)	(180,187)
Other expenses		<u>(373,521)</u>	<u>(209,775)</u>
Total expenses		<u>(4,408,074)</u>	<u>(3,553,538)</u>
Operating loss		(2,155,085)	(1,780,015)
Finance income calculated using the effective interest method		176	1,574
Finance costs		<u>(16,253)</u>	<u>(11,539)</u>
Loss before income tax expense from continuing operations		(2,171,162)	(1,789,980)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense from continuing operations		(2,171,162)	(1,789,980)
Profit after income tax expense from discontinued operations	6	<u>-</u>	<u>2,104,677</u>
Profit/(loss) after income tax expense for the period attributable to the owners of Cipherpoint Limited	13	(2,171,162)	314,697
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>89,296</u>	<u>(5,644)</u>
Other comprehensive income for the period, net of tax		<u>89,296</u>	<u>(5,644)</u>
Total comprehensive income for the period attributable to the owners of Cipherpoint Limited		<u>(2,081,866)</u>	<u>309,053</u>
Total comprehensive income for the period is attributable to:			
Continuing operations		(2,081,866)	309,053
Discontinued operations		<u>-</u>	<u>-</u>
		<u>(2,081,866)</u>	<u>309,053</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Cipherpoint Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 30 September 2022

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	17	(0.52)	(0.78)
Diluted earnings per share	17	(0.52)	(0.78)
Earnings per share for profit from discontinued operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	17	-	0.91
Diluted earnings per share	17	-	0.91
Earnings per share for profit/(loss) attributable to the owners of Cipherpoint Limited			
Basic earnings per share	17	(0.52)	0.14
Diluted earnings per share	17	(0.52)	0.14

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Cipherpoint Limited
Consolidated statement of financial position
As at 30 September 2022

	Note	Consolidated 30 Sep 2022 \$	31 Mar 2022 \$
Assets			
Current assets			
Cash and cash equivalents		1,761,973	1,893,936
Trade and other receivables	7	489,538	1,054,674
Prepayments		83,728	66,958
Total current assets		<u>2,335,239</u>	<u>3,015,568</u>
Non-current assets			
Property, plant and equipment		248,995	278,952
Right-of-use assets	8	418,700	279,517
Intangibles	9	2,142	2,142
Other		96,567	92,501
Total non-current assets		<u>766,404</u>	<u>653,112</u>
Total assets		<u>3,101,643</u>	<u>3,668,680</u>
Liabilities			
Current liabilities			
Trade and other payables	10	846,243	1,007,753
Contract liabilities		182,537	268,520
Lease liabilities		135,043	181,743
Employee benefits		161,953	213,106
Deferred Consideration		900,000	1,450,000
Other provisions		128,198	-
Total current liabilities		<u>2,353,974</u>	<u>3,121,122</u>
Non-current liabilities			
Lease liabilities		267,590	94,798
Employee benefits		13,911	14,458
Deferred Consideration		-	400,000
Total non-current liabilities		<u>281,501</u>	<u>509,256</u>
Total liabilities		<u>2,635,475</u>	<u>3,630,378</u>
Net assets		<u>466,168</u>	<u>38,302</u>
Equity			
Issued capital	11	105,431,541	103,122,025
Reserves	12	4,379,647	4,090,135
Accumulated losses	13	<u>(109,345,020)</u>	<u>(107,173,858)</u>
Total equity		<u>466,168</u>	<u>38,302</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Cipherpoint Limited
Consolidated statement of changes in equity
For the period ended 30 September 2022

Consolidated	Share capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2021	98,468,154	3,557,850	(98,282,280)	3,743,724
Profit after income tax expense for the period	-	-	314,697	314,697
Other comprehensive income for the period, net of tax	-	(5,644)	-	(5,644)
Total comprehensive income for the period	-	(5,644)	314,697	309,053
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	3,874,376	-	-	3,874,376
Share based payments – share options	-	90,000	-	90,000
Share based payments – employee loan shares	-	101,513	-	101,513
Share based payments - performance rights	-	324,625	-	324,625
Share based payments - performance rights conversion	116,497	(130,000)	13,503	-
Share options lapsed	-	(29,470)	-	(29,470)
Balance at 30 September 2021	<u>102,459,027</u>	<u>3,908,874</u>	<u>(97,954,080)</u>	<u>8,413,821</u>
Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 April 2022	103,122,027	4,090,135	(107,173,858)	38,304
Loss after income tax expense for the period	-	-	(2,171,162)	(2,171,162)
Other comprehensive income for the period, net of tax	-	89,296	-	89,296
Total comprehensive income for the period	-	89,296	(2,171,162)	(2,081,866)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 11)	2,309,514	-	-	2,309,514
Share-based payments (note 18)	-	200,216	-	200,216
Balance at 30 September 2022	<u>105,431,541</u>	<u>4,379,647</u>	<u>(109,345,020)</u>	<u>466,168</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Cipherpoint Limited
Consolidated statement of cash flows
For the period ended 30 September 2022

	Note	Consolidated 30 Sep 2022 \$	30 Sep 2021 \$
Cash flows from operating activities			
Profit/(loss) before income tax expense for the period		(2,171,162)	314,697
Adjustments for:			
Depreciation and amortisation		100,323	71,519
Impairment of receivables		32,564	-
Onerous lease provision		128,198	-
Share-based payments		200,216	396,668
Foreign exchange differences		89,296	(5,644)
Fair value adjustment		50,000	-
Gain on sale of business		-	(2,282,057)
		(1,736,290)	(1,504,817)
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		565,136	(887,710)
Increase in prepayments		(16,770)	(218,340)
Increase/(decrease) in trade and other payables		(161,510)	421,401
Decrease in contract liabilities		(85,983)	(155,887)
Increase in employee benefits		(51,700)	15,352
Increase in other provisions		128,198	-
		(1,193,194)	(2,330,001)
Income taxes refunded		-	1,011
Net finance costs		(16,077)	9,965
Net cash used in operating activities		(1,209,271)	(2,319,025)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(1,000,000)	(1,921,528)
Payments for property, plant and equipment		(70,366)	(183,280)
Payments for security deposits		-	(86,922)
Proceeds from disposal of business		-	1,200,000
Net cash used in investing activities		(1,070,366)	(991,730)
Cash flows from financing activities			
Proceeds from issue of shares	11	2,309,516	3,117,332
Share issue transaction costs		-	(265,206)
Repayment of lease liabilities		(161,842)	(50,197)
Net cash from financing activities		2,189,886	2,801,929
Net decrease in cash and cash equivalents		(131,963)	(508,826)
Cash and cash equivalents at the beginning of the financial period		1,893,936	3,971,549
Cash and cash equivalents at the end of the financial period		<u>1,761,973</u>	<u>3,462,723</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 1. General information

The financial statements of the Group cover Cipherpoint Limited as a Consolidated entity consisting of Cipherpoint Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Cipherpoint Limited's functional and presentation currency.

Cipherpoint Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2.01, 157 Walker Street
North Sydney, NSW 2060

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 November 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 September 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 March 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going concern

The financial statements of the Group have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

The Group is in the revenue growth stage of its cyber security services in order to achieve scale. During the year ended 31 March 2022, the Group incurred a loss after tax from continuing operations of \$2,171,162 (2021: \$1,789,980) and incurred net cash outflows from operating activities of \$1,209,271 (2021: \$2,319,025). At 30 September 2022, the Group had cash and cash equivalents of \$1,761,973. The Group has prepared cash flow forecasts as at 30 September 2022 to determine the appropriateness of the going concern assumption. The key assumptions underlying these forecasts are as follows:

- The Group's ability to raise further debt or equity funding from new and existing investors, planned for December 2022;
- The continuation of renewals in service contracts from existing customers;
- Management continuing to reduce costs in line with available resources; and

The inability to complete the above key assumptions would have a material impact on the anticipated trading results and cash flows, which gives rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. In this event the Group may not be able to realise its assets and settle its liabilities in the normal course of operations and at the amounts stated in the financial statements.

The Group expects to remain well-resourced to meet the challenges of growing scale in its cyber security services and products. The acquisition of Brace168, and recent acquisition of Virtual Information Technology, combined with the divestiture of its software assets, will enable the business to narrow its focus on core services and scale revenues and improve financial performance. Accordingly the directors remain confident the Group will be able to realise its assets and settle liabilities in the normal course of operations. Consequently, the directors believe the going concern assumption is appropriate for the Group.

However, forecast events may not occur as expected as many external and internal factors impact on future events. The financial statements do not contain any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

Note 2. Significant accounting policies (continued)

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Accounting policy for goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed

Accounting policy for patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 2. Significant accounting policies (continued)

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into three operating segments based on acquisition entity: Brace168 Pty Ltd (Brace168), Virtual Information Technology Pty Ltd (VIT) and the Corporate entities. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Brace168	the provision of cybersecurity services predominantly in NSW
VIT	the provision of cybersecurity services predominantly in Tasmania
Corporate	management of the Group, acquisitions and divestiture, and previously the security software development and sales.

Intersegment transactions

There were no intersegment transactions during the period.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

Consolidated - 30 Sep 2022	Brace168 \$	VIT \$	Corporate \$	Total \$
Revenue				
Sales to external customers	1,564,949	530,226	156,450	2,251,625
Other income - including COVID-19 stimulus grants	1,364	-	-	1,364
Total revenue	<u>1,566,313</u>	<u>530,226</u>	<u>156,450</u>	<u>2,252,989</u>
EBITDA	(587,432)	(392,467)	(1,042,316)	(2,022,215)
Depreciation and amortisation	(94,268)	(764)	(5,273)	(100,305)
Impairment of assets	-	-	(32,564)	(32,564)
Interest revenue	30	26	117	173
Finance costs	(4,556)	-	(11,695)	(16,251)
Loss before income tax expense	<u>(686,226)</u>	<u>(393,205)</u>	<u>(1,091,731)</u>	<u>(2,171,162)</u>
Income tax expense				-
Loss after income tax expense				<u>(2,171,162)</u>
Assets				
Segment assets	677,629	84,581	11,527,819	12,290,029
Intersegment eliminations				(9,188,386)
Total assets				<u>3,101,643</u>
Liabilities				
Segment liabilities	2,788,763	583,911	9,242,247	12,614,921
Intersegment eliminations				(9,979,446)
Total liabilities				<u>2,635,475</u>

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 4. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	30 Sep 2022	30 Sep 2021
	\$	\$
<i>Major product lines</i>		
Maintenance and Support Services	48,753	58,598
	<u>2,204,236</u>	<u>1,574,292</u>
	<u>2,252,989</u>	<u>1,632,890</u>
<i>Geographical regions</i>		
Australia	<u>2,252,989</u>	<u>1,632,890</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	48,753	134,269
Services transferred over time	<u>2,204,236</u>	<u>1,498,621</u>
	<u>2,252,989</u>	<u>1,632,890</u>

Other income

During the half-year the Company received payments from the Australian Government amounting to \$1,364 (2021: \$100,000) in response to the Covid-19 pandemic.

Note 5. Expenses

	Consolidated	
	30 Sep 2022	30 Sep 2021
	\$	\$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	48,575	19,771
Office equipment right-of-use assets	<u>51,748</u>	<u>51,748</u>
Total depreciation	<u>100,323</u>	<u>71,519</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	16,253	7,118
Interest and finance charges paid/payable on lease liabilities	<u>-</u>	<u>4,421</u>
Finance costs expensed	<u>16,253</u>	<u>11,539</u>
<i>Employee Benefit expense</i>		
Wages and Salaries expense	2,451,654	1,252,881
Defined contribution superannuation expense	204,084	98,518
Share-based payments expense	<u>199,716</u>	<u>396,668</u>
Total employee benefits	<u>2,855,454</u>	<u>1,748,067</u>

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 6. Discontinued operations

In September 2021, the Company entered into an agreement to sell select assets and products from its software division to archTIS Limited for a purchase price of \$1,400,000 in cash (\$1,200,000 at execution and \$200,000 as cash contingent on the novation of five contracts by 31 March 2022) . Additional archTIS (AR9) share consideration was settled on the 27 April 2022 in cash for \$107,265, bringing total consideration to \$1,507,265. The Company retained the right to resell the products.

Financial performance information

	Consolidated	
	30 Sep 2022	30 Sep 2021
	\$	\$
Revenue - technology related products and services	-	190,328
Employee benefit expense	-	(257,666)
Software and hardware for resale	-	(6,859)
Recovery of receivables	-	34,548
Other expenses	-	(137,731)
Total expenses	<u>-</u>	<u>(367,708)</u>
Loss before income tax expense	-	(177,380)
Income tax expense	-	-
Loss after income tax expense	<u>-</u>	<u>(177,380)</u>
Gain on disposal after income tax expense	-	2,282,057
Income tax expense	-	-
Gain on disposal after income tax expense	<u>-</u>	<u>2,282,057</u>
Profit after income tax expense from discontinued operations	<u><u>-</u></u>	<u><u>2,104,677</u></u>

Cash flow information

	Consolidated	
	30 Sep 2022	30 Sep 2021
	\$	\$
Net cash used in operating activities	-	(643,749)
Net cash from investing activities	-	1,200,000
Net increase in cash and cash equivalents from discontinued operations	<u>-</u>	<u>556,251</u>

Details of the disposal

	Consolidated	
	30 Sep 2022	30 Sep 2021
	\$	\$
Total sale consideration	-	1,200,000
Contingent consideration	-	900,000
Liabilities disposed	-	182,057
Gain on disposal before income tax	<u>-</u>	<u>2,282,057</u>
Gain on disposal after income tax	<u><u>-</u></u>	<u><u>2,282,057</u></u>

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 7. Current assets - trade and other receivables

	Consolidated	
	30 Sep 2022	31 Mar 2022
	\$	\$
Trade receivables	489,538	457,350
Other receivables	-	39,993
Deferred consideration receivable	-	557,331
<i>Total Other Receivables</i>	-	597,324
	<u>489,538</u>	<u>1,054,674</u>

The deferred consideration above refers to \$450,043 of a deposit which was in escrow as a part of the Brace168 acquisition made in the prior year and \$107,288 receivable from the sale of software assets to archTIS. Both of these transactions were settled during the period and as a result there were no deferred consideration amounts owing at period end.

Note 8. Non-current assets - right-of-use assets

	Consolidated	
	30 Sep 2022	31 Mar 2022
	\$	\$
Office right-of-use	550,812	359,881
Less: Accumulated depreciation	(169,784)	(118,036)
	<u>381,028</u>	<u>241,845</u>
Motor vehicles - right-of-use	45,207	45,207
Less: Accumulated depreciation	(7,535)	(7,535)
	<u>37,672</u>	<u>37,672</u>
	<u>418,700</u>	<u>279,517</u>

The Group leases office space under agreements of between 2 to 4 years with, options to extend. The lease have various escalation clauses. On renewal, the terms of the leases are renegotiated.

During the period as part of the purchase of VIT, the Group took on a new office lease in Hobart, Tasmania. The lease for this office does not does terminate until June 2024.

For other right-of-use related disclosures, refer to the following:

- note 4 for details of depreciation on right-of-use assets ; and
- consolidated statement of cash flows for repayment of lease liabilities.

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 9. Non-current assets - intangibles

	Consolidated	
	30 Sep 2022	31 Mar 2022
	\$	\$
Goodwill - at cost	7,035,208	7,035,208
Less: Impairment	<u>(7,035,208)</u>	<u>(7,035,208)</u>
	-	-
Patents and trademarks - at cost	<u>2,142</u>	<u>2,142</u>
Domain names - at cost	-	15,209
Less: Impairment	<u>-</u>	<u>(15,209)</u>
	-	-
	<u>2,142</u>	<u>2,142</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	Goodwill \$	Parents and trademarks \$	Domain names \$	Total \$
Balance at 1 April 2022	-	2,142	-	2,142
Balance at 30 September 2022	<u>-</u>	<u>2,142</u>	<u>-</u>	<u>2,142</u>

Note 10. Current liabilities - trade and other payables

	Consolidated	
	30 Sep 2022	31 Mar 2022
	\$	\$
Trade payables	65,480	266,471
Other payables and accrued expenses	<u>780,763</u>	<u>741,282</u>
	846,243	1,007,753

Other payables includes certain compliance payments agreed to be paid in instalments within 12 months.

Note 11. Equity - issued capital

	Consolidated			
	30 Sep 2022	31 Mar 2022	30 Sep 2022	31 Mar 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>829,533,627</u>	<u>354,776,234</u>	<u>105,431,541</u>	<u>103,122,025</u>

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 11. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 April 2022	354,776,234		103,122,025
Placement of new shares (a)	3 August 2022	30,000,000	\$0.005	150,000
Issuance on conversion of convertible bond shares (b)	5 September 2022	169,330,000	\$0.005	846,650
Rights Issue (c)	8 September 2022	136,487,297	\$0.005	682,437
Shortfall shares from above Rights issue (d)	30 September 2022	138,940,096	\$0.000	694,700
Share issue costs		-	\$0.000	(64,271)
Balance	30 September 2022	<u>829,533,627</u>		<u>105,431,541</u>

During the period ended 30 September 2022, the Group completed the following transactions in respect of the issue of ordinary shares with the exception of transaction (a) which took place in the prior year:

- (a) The Group issued 30,000,000 ordinary shares in the Company totalling \$150,000 to participants in a private placement.
(b) - The Group issued 160,000,000 ordinary shares in the company totalling \$846,650 as a result of the conversion of convertible bond notes, and a further 9,330,000 issued to brokers in lieu of fees in connection with capital raising.
(c) The Group issued 136,487,297 ordinary shares in the Company totalling \$682,437 to participants in a non-renounceable pro-rata rights issue of 2 shares for every 3.
(d) The Group issued 138,940,096 ordinary shares in the Company totalling \$694,700 as part of the non-renounceable rights issue noted above in (c). These were shortfall shares and were issued by the company to ensure that the Company meets its fundraising conditions in order to proceed with the acquisition of Excite IT.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options:

- In relation to the share placement (b, c and d), 1:1 attaching free options totalling 474,757,393 were issued with an exercise price of 0.01 cents and an expiry date of 5 September 2026.
- At period end there were also 87,320,374 attaching free options which were issued in prior periods with an exercise price of 0.08 cents and an expiry date of 15 February 2023.

Share buy-back

There is no current on-market share buy-back.

Note 12. Equity - reserves

	Consolidated	
	30 Sep 2022	31 Mar 2022
	\$	\$
Foreign currency reserve	(251,091)	(340,387)
Share-based payments reserve	4,630,738	4,430,522
	<u>4,379,647</u>	<u>4,090,135</u>

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 12. Equity - reserves (continued)

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current financial period are set out below:

Consolidated	Foreign currency \$	Share-based payments \$	Total \$
Balance at 1 April 2022	(340,387)	4,430,522	4,090,135
Foreign currency translation	89,296	-	89,296
Share based payments -performance rights	-	16,400	16,400
Share based payments - options	-	183,816	183,816
	<u>(251,091)</u>	<u>4,630,738</u>	<u>4,379,647</u>
Balance at 30 September 2022	<u>(251,091)</u>	<u>4,630,738</u>	<u>4,379,647</u>

Note 13. Equity - accumulated losses

	Consolidated	
	30 Sep 2022	31 Mar 2022
	\$	\$
Accumulated losses at the beginning of the financial period	(107,173,858)	(98,282,280)
Loss after income tax expense for the period	(2,171,162)	(13,004,585)
Dividends paid	-	4,002,775
Transfer from foreign currency reserve	-	119,229
Transfer from options reserve	-	(8,997)
	<u>(109,345,020)</u>	<u>(107,173,858)</u>
Accumulated losses at the end of the financial period	<u>(109,345,020)</u>	<u>(107,173,858)</u>

Note 14. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 Sep 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Deferred consideration payable	-	900,000	-	900,000
Total liabilities	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>900,000</u>

The deferred consideration related to contingent consideration of shares, which are contingent on the achievement of revenue performance targets being achieved.

There were no transfers between levels during the financial period.

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 14. Fair value measurement (continued)

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 15. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2022 or 30 September 2022.

Note 16. Related party transactions

Parent entity

Cipherpoint Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	Consolidated
	30 Sep 2022	30 Sep 2021
	\$	\$
Sale of goods and services:		
Sale of goods to other related party	-	10,175
Payment for goods and services:		
Purchase of goods and services from other related party	(123,000)	44,440

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 17. Earnings per share

	Consolidated	Consolidated
	30 Sep 2022	30 Sep 2021
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Cipherpoint Limited	<u>(2,171,162)</u>	<u>(1,789,980)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>420,899,814</u>	<u>230,903,722</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>420,899,814</u>	<u>230,903,722</u>
	Cents	Cents
Basic earnings per share	(0.52)	(0.78)
Diluted earnings per share	(0.52)	(0.78)

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 17. Earnings per share (continued)

	Consolidated	Consolidated
	30 Sep 2022	30 Sep 2021
	\$	\$
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of Cipherpoint Limited	-	2,104,677
	<u> </u>	<u> </u>
	Consolidated	Consolidated
	30 Sep 2022	30 Sep 2021
	\$	\$
<i>Earnings per share for profit/(loss)</i>		
Profit/(loss) after income tax attributable to the owners of Cipherpoint Limited	(2,171,162)	314,697
	<u> </u>	<u> </u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	420,899,814	230,903,722
Weighted average number of ordinary shares used in calculating diluted earnings per share	420,899,814	230,903,722
	<u> </u>	<u> </u>
	Cents	Cents
Basic earnings per share	(0.52)	0.14
Diluted earnings per share	(0.52)	0.14

The 604,715,597 (2021: 48,192,692) options, employees loan shares and performance rights could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

Note 18. Share-based payments

Share option programme

The Group has a share option programme that entitles non-Australian directors, employees and contractors to purchase shares in the Company. In accordance with this programme, holders of vested options are entitled to purchase shares in the Company at a price per share as detailed below. Awarding of options is at the discretion of the Directors under approved provisions granted at General Meetings.

Set out below are summaries of options granted under the plan:

Employee Share Option Plan

30 Sep 2022

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Lapsed	Balance at the end of the period
04/05/2017	04/05/2022	\$4.000	40,000	-	-	(40,000)	-
22/06/2017	21/06/2022	\$1.000	14,000	-	-	(14,000)	-
17/08/2017	17/08/2022	\$0.900	50,000	-	-	(50,000)	-
17/08/2017	23/11/2022	\$0.900	278,480	553,200	-	-	831,680
07/09/2018	06/09/2023	\$0.560	580,600	395,550	-	-	976,150
28/10/2020	28/10/2025	\$0.048	4,000,000	500,000	-	-	4,500,000
			4,963,080	1,448,750	-	(104,000)	6,307,830
Weighted average exercise price			\$0.490	\$0.000	\$0.000	\$0.000	\$0.000

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 18. Share-based payments (continued)

The weighted average remaining contractual life of options outstanding at the end of the financial period was 4 years.

The options that expired during the period relate to the options of entitled employees deciding not to proceed in purchasing their options at the pre-determined exercise price. As the expiry date passed during the period, these options are now lapsed and can no longer be taken up.

Employee Loan Share Plan ('ELSP')

30 Sep 2022

Grant date	Expiry date	Exercise Price	Balance at the start of period	Granted	Exercised	Lapsed	Balance at the end of period
02/12/2013	01/12/2023	\$2.94	376,345	-	-	-	376,345
20/08/2014	19/08/2024	\$4.00	22,193	-	-	-	22,193
11/03/2015	10/03/2025	\$5.70	46,667	-	-	-	46,667
12/03/2015	11/03/2025	\$5.70	6,847	-	-	-	6,847
08/12/2015	07/12/2025	\$6.60	6,609	-	-	-	6,609
27/01/2017	26/01/2027	\$2.40	8,750	-	-	-	8,750
04/05/2017	03/05/2027	\$0.58	200,000	-	-	-	200,000
04/05/2017	03/05/2027	\$0.54	300,000	-	-	-	300,000
23/06/2017	22/06/2027	\$4.00	225,941	-	-	-	225,941
24/11/2017	23/11/2027	\$1.10	1,384,905	-	-	-	1,384,905
06/03/2017	05/03/2027	\$1.00	111,953	-	-	-	111,953
07/09/2018	06/09/2028	\$0.56	1,403,177	-	-	-	1,403,177
19/10/2018	18/10/2028	\$0.56	383,925	-	-	-	383,925
01/11/2019	31/10/2029	\$0.30	133,300	-	-	-	133,300
28/10/2020	28/10/2025	\$0.05	2,250,000	-	-	-	2,250,000
22/07/2021	21/07/2026	\$0.03	9,869,000	-	-	-	9,869,000
03/05/2022	03/05/2027	\$0.03	-	11,580,000	-	-	11,580,000
			16,729,612	11,580,000	-	-	28,309,612

The weighted average remaining contractual life of Employee Loan Shares outstanding at the end of the financial period was 5 years.

Performance rights

Sept 2022

Tranche	Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/forfeited/other	Balance at the end of the period
Class A	11/09/2020	07/09/2025	0.060	3,125,000	-	-	-	-
Class B	11/09/2020	07/09/2025	0.080	1,562,500	-	-	-	-
Class C	11/09/2020	07/09/2025	0.100	1,562,500	-	-	-	-
Class C (Type 1)	21/05/2021	20/05/2026	0.028	11,250,000	-	-	-	-
Class C (Type 2)	18/11/2021	18/11/2026	0.036	1,000,000	-	-	-	-
Class C (Type 3)	16/03/2022	16/05/2027	0.022	3,000,000	-	-	-	-
Class C (Type 3)	02/05/2022	02/05/2027	0.028	1,000,000	-	-	-	-
			0.354	22,500,000	-	-	-	-

Cipherpoint Limited
Notes to the consolidated financial statements
30 September 2022

Note 18. Share-based payments (continued)

The weighted average remaining contractual life of Performance Rights outstanding at the end of the financial period was 5 years.

Consultant options

The Company issued options to brokers for their assistance in the placements.

30 Sep 2022

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/forfeited/other	Balance at the end of the period
30/09/2021	15/02/2023	\$0.080	30,000,000	-	-	-	30,000,000
			30,000,000	-	-	-	30,000,000

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
02/05/2022	02/05/2027	\$0.020	\$0.028	120.40%	-	3.16%	\$0.016

Share-based payment expense recognised in profit or loss

	Consolidated	Consolidated
	30 Sep 2022	30 Sep 2021
	\$	\$
Options (lapsed)/vested	-	(29,470)
Employee loan share plan shares granted	183,816	101,513
Performance rights granted	16,400	324,625
Total recognised as employee benefits expense	<u>200,216</u>	<u>396,668</u>

Note 19. Events after the reporting period

On 23 November 2022, the Company acquired 100% of the share capital of Excite IT Pty Limited, a leading focused provider of managed IT and security services, cloud solutions and automation, for a purchase consideration of \$1,150,000 upfront cash consideration, scrip consideration shares of 100,000,000 shares, being the equivalent of \$1,000,000 shares at an issue price of \$0.01 per share, which shall be voluntarily escrowed for a period of six months from issue and finally a \$100,000 cash payment which will be deferred for a period of 12 months from completion. The acquisition is part of the Group's overall strategy of expanding IT and cyber security solutions that work seamlessly across enterprises and government agencies.

On 29 November 2022, the Company entering to a short-term loan agreement with a director related entity for an amount of \$315,000 at commercial terms.

No other matter or circumstance has arisen since 30 September 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Cipherpoint Limited
Directors' declaration
30 September 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 September 2022 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Steven Bliim
Chairman

30 November 2022
Sydney

CIPHERPOINT LIMITED
ABN 61 120 658 497

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF CIPHERPOINT LIMITED**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Cipherpoint Limited, which comprises the statement of financial position as at 30 September 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cipherpoint Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 30 September 2022 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities section of our report. We are independent of the Group in accordance with the auditor independence requirement of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including independence standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of the Group.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the half-year financial report, which indicates that the group has incurred a net loss of \$2,171,162 during the half-year ended 30 September 2022 and as of that date; has a negative operating cash flow of \$1,209,271. These conditions along with the other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast a significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report. Our conclusion is not modified in this respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 September 2022 and its performance for the half-year ended as at that date; and complying with *Accounting Standard AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Hall Chadwick

Hall Chadwick Melbourne Audit
Chartered Accountants
Level 14, 440 Collins Street
MELBOURNE VIC 3000

S. Kumar

Sandeep Kumar
Partner

Date: 30 November 2022