



ASX ANNOUNCEMENT (ASX: CPT)

28 OCTOBER 2022

QUARTERLY ACTIVITIES REPORT AND BUSINESS UPDATE AND APPENDIX 4C FOR THE QUARTER ENDED 30 SEPTEMBER 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 30 September 2022.

Quarterly Financial Highlights

The results for the Cipherpoint group (the **Group**), include revenues and cashflows from both of our Brace168 and VIT Cyber Security services divisions.

They are yet to include any revenues from the proposed acquisition of ExciteIT.

The key financial highlights for the quarter were:

- The Group held \$1.773M in cash as of 30 September 2022 and has no debt.
- Customer receipts were \$933,000 compared to the June quarter receipts of \$1.305M, reflecting the restructure of the business. However, revenues were up on the corresponding period from last financial year. There was solid underlying growth in accounts despite the cost reduction activity noted which saw the sales team reduced by more than 60%. We are seeing better sales performance for substantially lower cost.
- Restructuring to reduce our cost base was a key focus for the last quarter. Substantial improvements have been seen with overall reduction and alignment of costs to revenue. The Group has now outsourced its accounting, accounting support, audit, tax and related consulting fees as part of its cost reduction program.
- During the quarter, the Company made payments to related parties of \$45K down from \$168K. As previously advised to the market each of the existing non-executive directors had agreed not to take directors fees. As additional or replacement directors, be appointed this practice may be reviewed.

Cipherpoint Non-Executive Chairman Mr Ted Pretty said “While the September quarter was particularly challenging the reset of the business is going very well and we are seeing the benefit of the market being very focused on cyber security in particular data protection. Our team expects quarterly revenues to scale back over \$1m before the positive addition of the ExciteIT business. Our cost reduction measures will also be even more evident in coming quarters.”

Activities Report and Business Update

Sales and Marketing

The security services market was busy during the quarter and this has picked up further since the end of the quarter due to the number of highly publicised security breaches in October. This is translating into a solid and well qualified sales pipeline. During the quarter we signed deals with 10 new logos and a continuing stream of project and scope increases with existing customers. Our investment in channel partners is bearing fruit with 45% of new business coming via partners. New business has come from a wide range of industries including online startups, critical infrastructure providers, energy generators, information technology and financial services.



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 now largely complete and the program also includes is continuing and includes a platform upgrade, onboarding improvements and an uplift to customer facing operations. The current threat environment means that the Company (like its customers) needs to be vigilant on our own security. We were recertified as ISO27001 compliant during the quarter which is a validation of our continuous improvement on measures to protect the Company and its customers.

Outlook

The demand for cyber security and data protection solutions and services continues to increase with the recent data loss events at Optus and Medicare. As a result the outlook is promising for the Company with cyber security being topical and a key consideration from the board level down. There is a solid pipeline of projects and services in delivery from September quarter sales and the opportunity pipeline should see this increase into the December quarter.

The Company is also expecting to move forward with the integration of ExciteIT (subject to shareholder approval on 4 November). The ability to offer a wider range of services is expected to be a differentiator and preliminary work has identified a range of opportunities to uplift services to existing customers and provide more value to new customers. The focus on cost will continue, including consolidation of common services and systems across the group.

--Ends--

This announcement has been approved for release by the Board.



About Cipherpoint Group

Cipherpoint through its wholly owned subsidiaries Brace168 and VITCS 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. It 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>

Ted Pretty
Managing Director and Executive Chairman
Ted.pretty@cipherpoint.com

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 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		933	2,238
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		-	(186)
(c) advertising and marketing		(24)	(49)
(d) leased assets		(60)	(19)
(e) staff costs		(1,373)	(2,713)
(f) administration and corporate costs		(516)	(1,172)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	-
1.5 Interest and other costs of finance paid		(15)	(16)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(1,055)	(2,077)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	(1,000)
(c) property, plant, and equipment		-	(23)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	14

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant, and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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)	-	-
2.6	Net cash from / (used in) investing activities	-	(904)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,034	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	-	-
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)	-	126
3.10	Net cash from / (used in) financing activities	2,034	2,471

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	794	2,283
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,055)	(2,077)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(904)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,034	2,471
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	1,773	1,773

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	1,773	794
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,773	794

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	45
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>		

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)	(1,055)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,773
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,773
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.7
<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?	
	No, CPT has already taken steps to remove more than \$1m annualised cost from the business.	
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?	
	Yes, we successful raised \$2.034M in the quarter for both working capital and a potential; accretive acquisition.	

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?

Yes, based on the operating expense reduction, and the capital raise both outlined above and in our statement to the market on 26th July 2022 and indications of future shareholder support.

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.

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: 28 October 2022

Authorised by: Edward 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.