



ASX ANNOUNCEMENT (ASX: CPT)

30 July 2021

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

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

Acquisition of Brace168 Pty Limited

As first announced to the ASX on 21 January 2021, the Company acquired 100% of the shares in cyber security services platform Brace168 Pty Limited (**Brace168**). This transaction was settled on 1 April 2021. The results for the Group (the **Group**) for the quarter ended 30 June 2021, include a full quarter of revenues and cashflows for Cipherpoint and Brace168, as reflected in the Appendix 4C attached.

Quarter Financial Highlights

Financial highlights for the quarter were:

- Customer receipts of \$739K for the quarter compared to \$105K for the March 2021 quarter.
- Operating costs were \$1.64M, compared to \$737K in the March 2021 quarter.
- \$1.98M was paid in settlement of the acquisition of Brace168
- Plant and equipment was acquired for \$32K along with \$16K invested in enhancements to the Sydney-based Security Operations Centre (SOC).
- \$90K was paid in settlement of brokerage and underwriting fees in connection with the previous quarter's capital raise.
- A facility of \$300K was accessed during the period to meet short term capex requirements to support growth
- The Group held \$1.24M in cash as of 30 June 2021.

During the quarter, the Company made payments to related parties of \$154K, which were comprised of usual executive and non-executive director fees, salaries and consultancy payments.

Activities Report and Business Update

Our sales pipeline is strong and continues to grow each quarter, reflecting the increasing demand for cyber security and data protection solutions and services.

During the June quarter:

- The Company continued to build and convert pipeline opportunities for our software business in the European and Asian Pacific markets. Management remains committed to converting pipeline leads to sales at the earliest possible opportunity.
- The Brace168 business continued to grow its sales pipeline and customer base for recurring and project revenues. The Company has provided direct management support on site to assist with business activities and growth plans. Recruitment of new sales, delivery and technical staff has been given significant attention and remains a key priority of the business growth plans into the next quarter.

In response to the lockdown situation in the Greater Sydney Region, the Sydney-based team reverted to a combination of office and remote working arrangements. This has resulted in some initial disruption for site access with some customers. A critical response effort and staff overtime has ensured the continuity of all security services.

Key customer updates

During the June quarter, the Group has secured and signed:

- a new US customer, Acronym Media, Inc for its cp.Discover product on 19 April 2021 for \$97K (US\$75K).
- two (2) software licences for cp.Protect and our partner Nucleus Cyber's nc.Protect software totalling \$42K;
- six (6) purchase orders for services (for 5 new customers and 1 existing customer) covering penetration testing, network and application monitoring and code security reviews totalling \$103K;
- two (2) renewals effective 11 May 2021 and 1 June 2021 respectively, under a master service agreement with an existing customer, for both security analysis and associated services with an estimated value (based on minimum requirements specified by the customer) over 12 months totalling \$607K;
- selected as sole provider for the upgrade of a large data centre for a consumer business, with two (2) signed purchase orders for \$175K of hardware and services in Q3.
- extended scope of works with two (2) contracted property customers for \$56K project work across June and July 2021; and
- two (2) signed contracts for CISOaaS, with a property business for \$52k contract value across H2'21 and a consumer business for \$75k across H2'21.

The Group operates in the dynamically changing and competitive cyber security marketplace. We have previously announced relationships with NTT DATA Deutschland GmbH (Germany), dataglobal GmbH, Nucleus Cyber Inc (US) and mostly recently XM Cyber (Israel). We intend to continue this approach of leveraging third party relationships as part of our growth strategy.

September 2021 Quarter and Beyond

The Company's Brace168 business continues to grow the sales and delivery teams, to capitalise on the strong sales pipeline, good partner relationships and new market opportunities. The refresh and expansion of the Security Operations Centre commenced in late June 2021 and will be completed in Q2/early Q3.

The Company also remains focussed on delivering its unique discovery, classification and cyber protection solutions to new customers and markets. The Company will look to expand its channel offerings in Asia Pacific through new relationships with major tech integrators in Singapore.

--Ends--

This announcement has been approved for release by the Board.

About Cipherpoint Group

Cipherpoint empowers businesses to discover, protect and control sensitive information across multiple platforms and repositories, including industry best security for Microsoft SharePoint. Our customers and partners span the public sector, defence, utilities, health, logistics, finance and education. Cipherpoint, through its wholly owned subsidiary Brace 168 Pty Limited, also offers managed cyber security services for large and medium enterprises.

Further information

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

Cipherpoint investor relations contacts:

Steven Bliim
Cipherpoint Limited
Chief Operating Officer and Executive Director
steven.bliim@cipherpoint.com
Level 8, 171 Clarence Street, Sydney NSW 2000
+61 2 8412 8200
+49 152 3625 7821

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 June 2021

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	739	739
1.2	Payments for		
	(a) research and development	(82)	(82)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(67)	(67)
	(d) leased assets	-	-
	(e) staff costs	(606)	(606)
	(f) administration and corporate costs	(844)	(844)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(34)	(34)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	(8)	(8)
1.9	Net cash from / (used in) operating activities	(902)	(902)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	(1,977)	(1,977)
	(c) property, plant and equipment	(32)	(32)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(16)	(16)

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
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	-	-
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	-	-
2.6	Net cash from / (used in) investing activities	(2,025)	(2,025)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	300	300
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)	(90)
3.10	Net cash from / (used in) financing activities	210	210

4.	Net increase / (decrease) in cash and cash equivalents for the period	Current quarter \$A'000	Year to date (3 months) \$A'000
4.1	Cash and cash equivalents at beginning of period	3,962	3,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(902)	(902)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,025)	(2,025)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	210	210
4.5	Effect of movement in exchange rates on cash held	(4)	(4)
4.6	Cash and cash equivalents at end of period	1,240	1,240

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	790	3,962
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Note 1 below)	450	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,240	3,962

Note 1 This represents cash held on trust with the Company's lawyers. 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 the Company's 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	(154)
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. 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)	300	300
7.4	Total financing facilities	300	300
7.5	Unused financing facilities available at quarter end		-
7.6	<p>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.</p> <p>In June the Company entered into a short-term unsecured loan for the purchase of supplying equipment in connection with a customer contract expected to be delivered in the September 2021 quarter, with an interest rate of 7% and repayable by December 2021.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(902)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,240
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	790
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.9
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>Net operating cash flows are expected to decrease. The June quarter included costs of \$28K related to the holding of the extraordinary general meeting to approve the Brace168 acquisition, \$39K in legal fees connected to the transaction; \$160K in corporate advisor fees associated with the acquisition</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>The Company is currently in trading halt pending an announcement of a capital raising which is expected to be released prior to the commencement of trading on Monday, 3 August 2021.</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> <p>Yes, the Company will continue to carefully manage expenditure in line with available resources and remains confident of the outcome of its current capital raising.</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: 30 July 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.