



ASX ANNOUNCEMENT

1 July 2022

UPDATE ON OPERATIONAL REVIEW AND CAPITAL RAISE

Further to its announcement on 15 June 2022, the Board of Cipherpoint Limited [ASX:CPT] (**CPT** or **the Company**) provides the following update.

Strategic and Operational Review

The Board has completed an extensive strategic and operational review of the businesses of the Company and has:

- secured commitments for additional capital to support the core businesses;
- started to implement a plan to reduce costs to seek to execute on a plan to achieve a cashflow breakeven position; and
- identified, and is exploring, a number of strategic options for the businesses, including potential acquisition opportunities.

Further details are set out below.

Capital Raise

As noted in CPT's 15 June 2022 announcement, based on expected revenues, the CPT group will require additional funding for the next 12 months to support ongoing operations.

The Company has, in a very difficult market, successfully:

- Secured commitments to a placement of \$150,000 with our Advisors Peak Asset Management and Cumulus Wealth (**Placement Managers**) of 30M shares at \$0.005 per share (to be issued without shareholder approval under ASX Listing Rule 7.1) (**Placement**). It is proposed that each new share issued under the Placement to be issued together with 1 free-attaching option having an exercise price of \$0.01 and an expiry date of which is 4 years from the issue of the options. The issue of the options is subject to shareholder approval.
- Secured commitments to the issue of convertible notes to clients of the Placement Managers (a summary of the terms of which are set out in Annexure A) to raise a further \$800,000 (**Note**). The conversion of the Note is subject to shareholder approval; however, conversion is mandatory upon that approval being obtained.

In addition, the Company intends to seek further funding to provide additional working capital and/or fund potential complementary acquisitions by way of a proposed rights issue to shareholders. It is anticipated that the proposed rights issue will involve an offer of 2 new shares for every 3 shares held at the relevant record date with accompanying options (on the same terms as the Placement) to raise

up to a further \$1.226m. This approach is to ensure all shareholders have the right to participate in the capital raising on the same terms as the Placement and Note issue.

Acquisition Opportunities

The Board has held a number of discussions to seek to identify a new value accretive and complementary acquisition. Discussions, while ongoing, remain at an indicative stage and pending further assessment, negotiation and due diligence by the Company. The Company will provide further updates in due course however there can be no guarantee that the Company will identify or pursue a transaction on any particular terms or at all.

Cost Reduction

In the current economic environment growth cannot come at any cost. The Board has started a process of reducing costs with a focus on doing so without damaging capability. Group overhead costs not essential for compliance obligations have been reduced. At an operational level CPT will be seeking efficiencies by focusing the effectiveness of our sales resources and removing any duplication in delivery. The Company may also seek to forgo low margin business in order to drive profitability.

Board and Management Team

The Board also notes that it intends to undertake both some Board and management renewal. As a first step Mr Graham Mirabito has agreed to work in an executive director capacity for no cash remuneration, to focus his extensive experience skills and sales and marketing knowledge into the business. Any further Board or management changes will be advised in due course.

Annual Financial Statements

The Company is in the process of finalising its audited annual financial statements for the year ended 31 March 2022, which the Company notes were due by 30 June 2022. The Company expects to finalise and lodge the audited annual financial statements by Wednesday, 6 July 2022.

Voluntary Suspension

The Company will remain suspended until lodgement of its audited annual financial statements and therefore, at this point in time, expects that trading in its securities on ASX will recommence on Thursday, 7 July 2022.

This release has been authorised by the Board.

Cipherpoint Limited (ASX:CPT)

Further information

For further information, please visit <https://cipherpoint.com>

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ANNEXURE A – NOTE TERMS SUMMARY

- Each Note has a face value of \$0.005.
- Interest accrues daily on the face value of each Note at 8.0% per annum (on a simple interest basis) and is payable monthly in cash.
- Notes have a maturity date which is 12 months from issue.
- Conversion of the Notes is subject to shareholder approval.
- Notes convert automatically within 5 days of the Company obtaining shareholder approval at a conversion price of \$0.005 per share. Each share will be accompanied by one free-attaching option with an exercise price of \$0.01 and expiring on the same date as options issued under the placement.
- In the event shareholder approval is not obtained, then subject to compliance with relevant laws, regulations and directives the face value and accrued interest is redeemable on:
 - The occurrence of an event of insolvency in respect of the Company within 90 business days of the relevant event of insolvency occurring (or as soon as reasonably practicable in accordance with applicable law); or
 - The occurrence of an event of default (being an event of insolvency or a material breach of the Note terms which is not rectified within 10 business days).
- Unless converted or redeemed earlier, the face value and interest on Notes are repayable on the maturity date.
- Notes otherwise contain terms typical for securities of this nature, including warranties from the Company and the Note holders for the benefit of each other and governing law provisions.