

ASX ANNOUNCEMENT (ASX: CPT)

28 APRIL 2022

QUARTERLY ACTIVITIES REPORT AND BUSINESS UPDATE AND APPENDIX 4C FOR THE QUARTER ENDED 31 MARCH 2022

Cipherpoint Limited (**Cipherpoint** or the **Company**) (ASX:CPT) is pleased to provide the following quarterly activities report and business update and Appendix 4C for the quarter ended 31 March 2022.

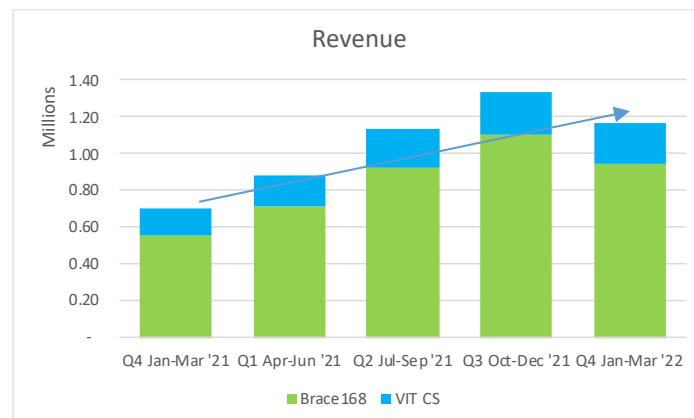
- ✓ **Record Customer Receipts**
- ✓ **Quarterly Revenues outperformed on PCP basis**
- ✓ **Continued Brace168 and VITCS growth with positive outlook**
- ✓ **\$200k deferred cash received from asset sale to archTIS (ASX:AR9).**
- ✓ **Deferred AR9 share milestone achieved which will be settled for cash of approximately \$107k.**
- ✓ **\$2.283M Cash at Bank**

Quarter 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.

Financial highlights for the quarter were:

- Customer receipts continued to increase to \$1.593M compared to December quarter receipts of \$1.441M (10% Qtr on Qtr).
- The Group held \$2.283M in cash as of 31 March 2022 and continues to further invest in growth.
- Consistently solid seasonally adjusted revenue growth Q on Q in Brace168 and VITCS. Both business units out-performed revenue for the prior corresponding period (PCP) i.e. Q4FY21 vs Q4FY22 (Brace168 71%, VITCS 55%).





The growth in receipts from customers reflects the delivery performance of the business. However, operating expenses reflect investment in growth with higher staff costs due to new hires, and further consolidation of VITCS operating costs.

During the quarter, the Company made payments to related parties of \$190K which were comprised of usual executive and non-executive director fees, salaries, and consultancy payments.

Cipherpoint Executive chairman Mr Ted Pretty said **“Pleasingly the March quarter saw record customer receipts. Whilst revenues reflected the usual seasonal variation there is recognition by the Board that the Company needs to deliver more. The Board will use the June quarter to insist on better sales performance and will aggressively pursue a project to review all costs (including Board overhead) in the business with the view to accelerate the move to cash flow breakeven.”**

Activities Report and Business Update

The demand for cyber security and data protection solutions and services remained strong. During the March quarter:

- Both Brace168 and VITCS continued to consolidate their relationships with existing customers and commit resources to building their sales pipeline.
- Brace continued to directly build on existing relationships securing 5 contract extensions and uplifts with existing customers covering project work, end point protection and extensions to managed detection and response services. It also secured 2 new pen tests through its partner channels.
- VITCS secured 8 new contracts, 5 with Tasmanian Business Enterprises and Agencies and 3 with local business customers comprising both project work as well as manages secures bubbles.

Outlook

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. The Company intends to continue to build out its managed security services business with specific focus on driving organic revenue growth in the SMB segment. The Company will also make progress in deploying an additional SOC in Tasmania where we have seen demand for cyber services increase.

The Board has observed that asset prices for potential targets remain high so it will only entertain acquisitions that are accretive when and if they arise.

--Ends--

This announcement has been approved for release by the Board.



About Cipherpoint Group

Cipherpoint through its wholly owned subsidiaries Brace 168 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>

Cipherpoint investor relations contact:

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Managing Director and Executive Chairman

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Cipherpoint Limited

ABN

61 120 658 497

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,593	4,668
1.2 Payments for		
(a) research and development	(43)	(452)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(25)	(203)
(d) leased assets	-	-
(e) staff costs	(1,422)	(4,039)
(f) administration and corporate costs	(694)	(3,043)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(7)	(48)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	(29)
1.9 Net cash from / (used in) operating activities	(598)	(3,145)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(2,677)
(c) property, plant, and equipment	(40)	(269)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets	(4)	(65)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	1,320
	(c) property, plant, and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	200	200
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	(32)
2.6	Net cash from / (used in) investing activities	156	(1,523)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,170
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	126	913
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)
3.10	Net cash from / (used in) financing activities	126	2,993

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,599	3,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(598)	(3,145)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	156	(1,523)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	126	2,993
4.5	Effect of movement in exchange rates on cash held	0	(4)
4.6	Cash and cash equivalents at end of period	2,283	2,283

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	1,833	2,109
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	450	450
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,283	2,559

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	(190)
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)	(598)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,283
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,283
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.8
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 April 2022

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.