

1. Company details

Name of entity:	Cipherpoint Limited
ABN:	61 120 658 497
Reporting period:	For the period ended 30 September 2020
Previous period:	For the period ended 30 September 2019

2. Results for announcement to the market

			\$
Revenues from continuing operations	down	69.1% to	163,386
Loss from ordinary activities after tax attributable to the owners of Cipherpoint Limited	up	49.9% to	(1,117,070)
Loss for the period attributable to the owners of Cipherpoint Limited	down	146.9% to	(1,117,070)
		30 Sep 2020	30 Sep 2019
		Cents	Cents
Basic earnings per share		(1.81)	6.89
Diluted earnings per share		(1.81)	6.89

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 \$1,117,070 (30 September 2019: profit of \$2,380,819).

Refer to the 'Review of operations' section of the Directors' report accompanying this Appendix 4D for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.51</u>	<u>1.46</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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6. 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.

7. 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.

8. Attachments

Details of attachments (if any):

The Interim Report of Cipherpoint Limited for the period ended 30 September 2020 is attached.

9. Signed



Signed _____

Ted Pretty
Chairman
Sydney

Date: 30 November 2020

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Cipherpoint Limited

ABN 61 120 658 497

Interim Report - 30 September 2020

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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 2020.

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:

Edward (Ted) Pretty - Managing Director and Chairman
Steven Bliim - Executive Director and COO
Graham Mirabito - Non-Executive Director

Principal activities

The principal activity of the Group is the development and commercialisation of intellectual property primarily in the field of data security technology.

Review of operations

The loss for the Group after providing for income tax amounted to \$1,117,070 (30 September 2019: profit of \$2,380,819).

Highlights

The Company is beginning to gain momentum in identified target markets. Management continues to see growth opportunities in the market for data security products particularly in the government sector.

The Company achieved the following in the first half:

- Bank of Finland joined the Company as an important customer in the European region;
- the renewal of a major contract with California State University;
- the Company and Nucleus Cyber announced a strategic partnership in September, which will deliver enhanced Microsoft O365 protection capability, to complement Cipherpoint's best in class on-prem protection. Together with Nucleus Cyber, work has already commenced on a number of opportunities in Europe, South-East Asia and North-America; and
- the Company continues to engage a number of exciting opportunities in the European, North-American and Asian markets. The European-based team has been working closely with NTT DATA Deutschland to demonstrate its unique encryption solution, culminating in the announcement of a strategic partnership with the leading global innovator (announced in October).

The Company continues to function seamlessly with most staff in Germany, the US and Sydney working remotely and safely. However the impact of further lockdowns in Europe due to Covid-19 has resulted in the Company deciding to focus on securing 3 or 4 prime reseller partners in Europe to help gain customer penetration given face to face selling is very difficult at this time.

Significant changes in the state of affairs

Asset recovery

As shareholders may be aware the Company was subject to a backdoor listing of its data security business in 2014. At that time, the Company traded as Prime Minerals Limited and held various mining tenements directly and through its subsidiaries.

A review of ASX records, annual reports and agreements created at or around that time (copies of which we have now recently obtained) have revealed that in 2008 the Company sold its interests in certain mining exploration tenements in an area known as the Barrambie project in Western Australia. The sale to Neometals Limited (then called Reed Resources Limited) included an entitlement to a Net Smelter Royalty (NSR) of 2% over output from a defined tenement area. The Company is presently seeking further advice of Counsel with respect to the NSR. At this time, the Company has not formed a view on the potential value of the NSR, if any.

Funding and finance

On 26 June 2020, the Company's Share Placement Plan ('SPP') closed, strongly oversubscribed. Acceptances totalled \$1,264,500, well in excess of the \$500,000 the Company was originally seeking, indicating very strong support from existing shareholders. As a result, each accepting shareholder was scaled back, receiving only approximately 40% of their SPP application amount. Shares issued under the SPP were subsequently allotted in early July 2020.

Additionally, following the end of the June quarter, the Company raised a further \$437,000 by way of placement to new investors. This new investment was settled in early July.

On 25 September 2020, the Company also announced it had completed a non-renounceable pro-rata rights issue successfully raising \$1,458,806 and it entered into an agreement with Cumulus Wealth to subscribe for shortfall shares raising a further sum of \$863,009. This was subsequently settled in the first week of October 2020.

As a result of these raisings the Company remains well capitalised to meet its near-term objectives in delivering its unique discovery, classification, and protection solutions in its target markets. Management greatly welcomes the renewed support from new and existing shareholders.

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

Since the end of the half year at 30 September the Company's lead generation has been strong, particularly in our targeting of government and defence related opportunities in Europe and elsewhere. Whilst the Board has been concerned about the further Covid-19 lockdowns in Europe which are likely to impact our already long sales cycles, our small team has been focussing on three priorities:

- (1) building major IT integrator channel relationships as our primary go to market channel to leverage their sales presence and customer bases. This has already begun with the formation of a unique partnership with NTT Data Deutschland;
- (2) accelerating our internal cloud platform development efforts to broaden our available market and to enhance speed to customer; and
- (3) leveraging, through our German office, European government and enterprise preferences to use regional and local vendors and with sovereign capability.

Our sales pipeline is solid and consists of end users introduced by our reseller partners in Europe which are or have been evaluating our products for deployment. The Board is of the view that 2021 could finally be our most promising year as the groundwork we have managed to undertake this year despite the headwinds of multiple European lockdowns has been valuable.

On 2 October 2020, the Group issued 17,979,344 ordinary shares in the Company totalling \$863,009 as part of the completion of issue of shortfall under rights issue.

No other matter or circumstance has arisen since 30 September 2020 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



Ted Pretty
Chairman

30 November 2020
Sydney

To the Board of Directors of Cipherpoint Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the review of the interim financial statements of Cipherpoint Limited for the half-year ended 30 September 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely



Nexia Sydney Audit Pty Ltd



Lester Wills

Director

Date: 30 November 2020

		Consolidated	
	Note	30 Sep 2020	30 Sep 2019
		\$	\$
Revenue from continuing operations			
Revenue - technology related products and services	4	163,386	529,002
Other income - including COVID-19 stimulus grants		49,911	-
		<u>213,297</u>	<u>529,002</u>
Expenses			
Employee benefit expense	5	(767,722)	(1,026,725)
Consultancy fees expense		(78,365)	(62,420)
Depreciation and amortisation expense	5	(5,106)	(170,408)
Impairment of receivables		-	(10,716)
Legal and professional fees expense		(58,244)	(520,402)
Marketing and promotion expense		(79,398)	(117,876)
Travel and accommodation expense		(5,070)	(111,234)
Office and administration expense		(73,326)	(32,150)
Share registry and compliance expense		(101,862)	(152,949)
Other expenses		(159,134)	(121,782)
Total expenses		<u>(1,328,227)</u>	<u>(2,326,662)</u>
Results from operating activities		(1,114,930)	(1,797,660)
Finance income calculated using the effective interest method		422	25,941
Finance costs	5	<u>(2,562)</u>	<u>(459,143)</u>
Loss before income tax expense from continuing operations		(1,117,070)	(2,230,862)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(1,117,070)	(2,230,862)
Profit after income tax expense from discontinued operations	6	-	<u>4,611,681</u>
(Loss)/profit after income tax expense for the period attributable to the owners of Cipherpoint Limited		(1,117,070)	2,380,819
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(10,639)</u>	<u>(208,535)</u>
Other comprehensive income for the period, net of tax		<u>(10,639)</u>	<u>(208,535)</u>
Total comprehensive income for the period attributable to the owners of Cipherpoint Limited		<u>(1,127,709)</u>	<u>2,172,284</u>
Total comprehensive income for the period is attributable to:			
Continuing operations		(1,127,709)	(2,439,397)
Discontinued operations		-	<u>4,611,681</u>
		<u>(1,127,709)</u>	<u>2,172,284</u>

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

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	13	(1.81)	(6.46)
Diluted earnings per share	13	(1.81)	(6.46)
Earnings per share for profit from discontinued operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	13	-	13.35
Diluted earnings per share	13	-	13.35
Earnings per share for profit/(loss) attributable to the owners of Cipherpoint Limited			
Basic earnings per share	13	(1.81)	6.89
Diluted earnings per share	13	(1.81)	6.89

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		Consolidated	
	Note	30 Sep 2020 \$	31 Mar 2020 \$
Assets			
Current assets			
Cash and cash equivalents		2,242,562	920,935
Trade and other receivables	7	168,448	83,709
Prepayments		66,665	41,204
Total current assets		<u>2,477,675</u>	<u>1,045,848</u>
Non-current assets			
Property, plant and equipment		17,829	24,086
Other non-current assets		82,153	88,949
Total non-current assets		<u>99,982</u>	<u>113,035</u>
Total assets		<u>2,577,657</u>	<u>1,158,883</u>
Liabilities			
Current liabilities			
Trade and other payables	8	417,528	409,051
Contract liabilities		205,761	188,990
Employee benefits		29,774	31,136
Total current liabilities		<u>653,063</u>	<u>629,177</u>
Non-current liabilities			
Contract liabilities		77,387	28,532
Total non-current liabilities		<u>77,387</u>	<u>28,532</u>
Total liabilities		<u>730,450</u>	<u>657,709</u>
Net assets		<u>1,847,207</u>	<u>501,174</u>
Equity			
Issued capital	9	95,490,353	93,120,766
Reserves	10	3,047,105	3,311,334
Accumulated losses		<u>(96,690,251)</u>	<u>(95,930,926)</u>
Total equity		<u>1,847,207</u>	<u>501,174</u>

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Cipherpoint Limited
Consolidated statement of changes in equity
For the period ended 30 September 2020



Consolidated	Share capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2019	93,120,766	8,758,203	(101,232,897)	646,072
Profit after income tax expense for the period	-	-	2,380,819	2,380,819
Other comprehensive income for the period, net of tax	-	(208,535)	-	(208,535)
Total comprehensive income for the period	-	(208,535)	2,380,819	2,172,284
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments – share options	-	54,961	-	54,961
Share based payments – employee loan shares	-	219,035	-	219,035
Share options lapsed	-	(46,438)	46,438	-
Warrants issued	-	239,726	-	239,726
Cancellation of Cisco warrants	-	(4,607,250)	4,607,250	-
Balance at 30 September 2019	<u>93,120,766</u>	<u>4,409,702</u>	<u>(94,198,390)</u>	<u>3,332,078</u>
	Share capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2020	93,120,766	3,311,334	(95,930,926)	501,174
Loss after income tax expense for the period	-	-	(1,117,070)	(1,117,070)
Other comprehensive income for the period, net of tax	-	(10,639)	-	(10,639)
Total comprehensive income for the period	-	(10,639)	(1,117,070)	(1,127,709)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 9)	2,369,587	-	-	2,369,587
Share based payments – share options	-	18,367	-	18,367
Share based payments – employee loan shares	-	84,217	-	84,217
Share based payments – performance rights	-	1,571	-	1,571
Cancellation of warrants	-	(357,745)	357,745	-
Balance at 30 September 2020	<u>95,490,353</u>	<u>3,047,105</u>	<u>(96,690,251)</u>	<u>1,847,207</u>

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

	Consolidated	
Note	30 Sep 2020	30 Sep 2019
	\$	\$
Cash flows from operating activities		
(Loss)/profit before income tax expense for the period	(1,117,070)	2,380,819
Adjustments for:		
Depreciation and amortisation	5,106	170,408
Net loss on disposal of property, plant and equipment	-	2,696
Share-based payments	104,155	271,159
Foreign exchange differences	(9,488)	(208,534)
Gain on sale of business	-	(5,240,594)
	<u>(1,017,297)</u>	<u>(2,624,046)</u>
Change in operating assets and liabilities:		
Increase in trade and other receivables	(84,739)	(3,203)
Decrease/(increase) in prepayments	(25,461)	47,633
Decrease in other non-current assets	-	110,878
Increase/(decrease) in trade and other payables	6,337	(615,140)
Increase/(decrease) in contract liabilities	65,626	(73,193)
Decrease in employee benefits payables	(1,362)	(57,510)
	<u>(1,056,896)</u>	<u>(3,214,581)</u>
Net finance costs	<u>2,140</u>	<u>430,806</u>
Net cash used in operating activities	<u>(1,054,756)</u>	<u>(2,783,775)</u>
Cash flows from investing activities		
Refund of investments in term deposits	6,796	101,694
Refund of deposits	-	(6,734)
Proceeds from disposal of business	-	1,850,000
Net cash from investing activities	<u>6,796</u>	<u>1,944,960</u>
Cash flows from financing activities		
Proceeds from issue of shares	9 2,395,807	-
Proceeds from borrowings - convertible notes payable	-	500,000
Share issue transaction costs	9 (26,220)	-
Net cash from financing activities	<u>2,369,587</u>	<u>500,000</u>
Net increase/(decrease) in cash and cash equivalents	1,321,627	(338,815)
Cash and cash equivalents at the beginning of the financial period	920,935	1,605,067
Effects of exchange rate changes on cash and cash equivalents	-	10,571
Cash and cash equivalents at the end of the financial period	<u><u>2,242,562</u></u>	<u><u>1,276,823</u></u>

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

Note 1. General information

The financial statements cover Cipherpoint Limited (the 'Company' or 'parent entity') as a consolidated entity consisting of Cipherpoint Limited and the entities it controlled ('the Group') 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 4, Level 8, 171 Clarence Street
Sydney, NSW 2000

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 2020.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 September 2020 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 2020 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, unless otherwise stated.

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.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material

The Group has adopted AASB 2018-7 from 1 April 2020. The standard refines and clarifies the definition of 'material information' and, in so doing, introduces the notion that obscured information that could reasonably be expected to influence decisions of primary users of general purpose financial statements will be deemed material information. The amendments also clarify that it is expected that users of financial statements have reasonable knowledge of business and economic activities, are diligent in their analysis of such information and acknowledge that they may need to seek the aid of an adviser to understand complex information. The Group will ensure that material information is not obscured when preparing financial statements through providing clear presentation, explanation, and appropriate disaggregation of material elements.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 April 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. The application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

Note 2. Significant accounting policies (continued)

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 continues in the commercialisation of its data security technology. During the period ended 30 September 2020, the Group incurred a loss after tax of \$1,117,070 (2019: profit of \$2,380,819), current assets exceeded current liabilities by \$1,824,612 (31 March 2020: \$416,671) and incurred net cash outflows from operating activities of \$1,054,756 (2019: \$2,783,775). The Group has prepared cashflow forecasts as at 30 September 2020 to determine the appropriateness of the going concern assumption.

The key assumptions underlying these forecasts are as follows:

- In October 2020, the Group settled further investment of \$863,009 from investors in connection with the September 2020 rights issue;
- The continuation of renewals in licences from existing customers; and
- Management continuing to maintain costs in line with available resources.

Leading into the second half of the financial year the Group remains well resourced to meet the challenges of commercialising its unique data security products. Recent strong shareholder support has meant that the Directors are 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. In the event that these objectives are not realised, directors have in place a strategy to restructure commitments and expenditure in order to manage the Group's cash flows so that it is able to continue as a going concern.

Note 3. Operating segments

Identification of reportable operating segments

The Group operates in one segment, 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.

As a result, the operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

No seasonality in the business segment has been identified that would have a significant impact on the results of the Group.

Note 4. Revenue

	Consolidated	
	30 Sep 2020	30 Sep 2019
	\$	\$
Revenue from contracts with customers:		
Revenue - technology related products and services	163,386	529,002

Note 4. Revenue (continued)

Disaggregation of revenue

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

	Consolidated	
	30 Sep 2020	30 Sep 2019
	\$	\$
<i>Major product lines</i>		
License	-	336,502
Maintenance and Support	135,836	144,019
Services	27,550	48,481
	<u>163,386</u>	<u>529,002</u>
<i>Geographical regions</i>		
Europe	23,495	349,928
North America	99,946	116,018
Asia-Pacific	39,945	63,056
	<u>163,386</u>	<u>529,002</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	22,454	384,983
Services transferred over time	140,932	144,019
	<u>163,386</u>	<u>529,002</u>

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Note 5. Expenses

	Consolidated	
	30 Sep 2020	30 Sep 2019
	\$	\$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	5,106	8,744
<i>Amortisation</i>		
Intellectual property	-	161,664
Total depreciation and amortisation	5,106	170,408
<i>Employee benefit expense</i>		
Wages and salaries	496,763	694,020
Non-executive director fees	80,000	100,000
Other employee related expenses	63,884	64,962
Payroll taxes	12,248	47,677
Defined contribution superannuation expense	33,832	62,632
Bonus - cash component	(46,806)	(184,854)
Equity settled share-based payments	104,155	198,289
Commissions	23,646	43,999
Total employee benefits	767,722	1,026,725
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	2,562	719,453
Change in fair value of derivative liability	-	(260,310)
Finance costs expensed	2,562	459,143

Note 6. Discontinued operations

Description

Divestment of SafeShare

The Company completed the disposal of the SafeShare business in July 2019 for \$5,000,000 in respect of the Cocoon sale which was discharged as follows:

- \$2,000,000 through the extinguishment of the Company's obligations under convertible notes;
- \$2,000,000 in cash at completion of the Cocoon sale; and
- \$1,000,000 in the form of a vendor terms loan from Cipherpoint (on terms which would be customary for unsecured loans obtained from any major Australian bank, such as a business overdraft account, or such other terms as agreed between Cybr5 and Cipherpoint).

The sale is subject to a global, perpetual, royalty-free licence of the IP and platforms developed by Cocoon and Covata Australia Pty Limited ('CVA') back to Cipherpoint for use in its ongoing businesses, other than to be used for a development of a product not connected to the Company's core product range. Cipherpoint and Cybr5 have also entered into a mutual collaboration and reselling relationship.

Excluded from the sale are all assets in and shares of CipherPoint Software, Inc. and all customers of its Eclipse (cp.Protect) product, the rights to the dataglobal GmbH classification IP, all IP to Cipherpoint's data security console, and all other IP and/or associated technical support and architecture materials which are held outside of Cocoon or CVA.

The sale has freed up resources to allow management to focus on the Eclipse (cp.Protect) and cp.Discover products along with the continued partnership with dataglobal.

Note 6. Discontinued operations (continued)

Financial performance information

	Consolidated	
	30 Sep 2020	30 Sep 2019
	\$	\$
Revenue - technology related products and services	-	313,528
Research and development tax concession	-	95,177
Other income - net gain on disposal of business	-	5,237,897
Total revenue	-	5,646,602
Employee benefit expense	-	(548,398)
Consultancy fees expense	-	(94,951)
Legal and professional fees expense	-	(75,255)
Marketing and promotion expense	-	(4,942)
Travel and accommodation expense	-	(47,671)
Office and administration expense	-	(161,310)
Other expenses	-	(101,624)
Finance costs	-	(770)
Total expenses	-	(1,034,921)
Profit before income tax expense	-	4,611,681
Income tax expense	-	-
Profit after income tax expense from discontinued operations	-	4,611,681

Carrying amounts of assets and liabilities disposed

	Consolidated	
	30 Sep 2020	31 Mar 2020
	\$	\$
Trade and other receivables	-	4,147
Prepayments	-	19,460
Property, plant and equipment	-	28,237
Total assets	-	51,844
Contract liabilities - current	-	(303,017)
Provisions	-	(69,420)
Total liabilities	-	(372,437)
Net liabilities	-	(320,593)

	Consolidated	
	30 Sep 2020	31 Mar 2020
	\$	\$
Carrying amount of net liabilities disposed	-	320,593
Cash	-	2,000,000
Assumption of convertible notes including interest	-	2,000,000
Vendor terms loan	-	1,000,000
Less working capital adjustment	-	(150,000)
Sub-total	-	5,170,593
Intangible license received (\$7,000 per license for up to 10 users)	-	70,000
Gain on disposal before income tax	-	5,240,593

Note 7. Current assets - trade and other receivables

	Consolidated	
	30 Sep 2020	31 Mar 2020
	\$	\$
Trade receivables	134,538	57,702
Less: Allowance for expected credit losses	(2,509)	(2,509)
	<u>132,029</u>	<u>55,193</u>
 GST/ VAT receivables	 36,419	 28,516
	<u>168,448</u>	<u>83,709</u>

Allowance for expected credit losses

The Group has recognised \$nil (2019: loss of \$10,716) in profit or loss in respect of the expected credit losses for the period ended 30 September 2020.

Note 8. Current liabilities - trade and other payables

	Consolidated	
	30 Sep 2020	31 Mar 2020
	\$	\$
Trade payables	234,800	108,117
Other payables and accrued expenses	182,728	300,934
	<u>417,528</u>	<u>409,051</u>

Note 9. Equity - issued capital

	Consolidated			
	30 Sep 2020	31 Mar 2020	30 Sep 2020	31 Mar 2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>122,097,774</u>	<u>34,244,326</u>	<u>95,490,353</u>	<u>93,120,766</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 April 2020	34,244,326		93,120,766
Share purchase plan (a)	6 July 2020	38,461,651	\$0.013	500,001
Issue of rights (b)	8 July 2020	19,000,000	\$0.023	437,000
Issue of rights (c)	29 September 2020	30,391,797	\$0.048	1,458,806
Less: share issue costs (d)		-	\$0.000	(26,220)
Balance	30 September 2020	<u>122,097,774</u>		<u>95,490,353</u>

During the period ended 30 September 2020, the Group completed the following transactions in respect of the issue of ordinary shares:

- The Group issued 38,461,651 ordinary shares in the Company totalling \$500,001 as part of the Share Purchase Plan ('SPP').
- The Group issued 19,000,000 ordinary shares in the Company totalling \$437,000 to participants in a placement.
- The Group issued 30,391,797 ordinary shares in the Company totalling \$1,458,806 as part of the non-renounceable rights issue.
- The Group paid \$26,220 in fees associated with (b).

Note 9. Equity - issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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.

Note 10. Equity - reserves

	Consolidated	
	30 Sep 2020	31 Mar 2020
	\$	\$
Foreign currency reserve	(467,392)	(456,753)
Share-based payments reserve	3,364,497	3,260,342
Warrants reserve	150,000	507,745
	<u>3,047,105</u>	<u>3,311,334</u>

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.

Warrants reserve

The reserve reflects the warrants issued in conjunction with new shares that were issued under the rights issue.

Movements in reserves

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

Consolidated	Foreign currency \$	Share-based payments \$	Warrants \$	Total \$
Balance at 1 April 2020	(456,753)	3,260,342	507,745	3,311,334
Foreign currency translation	(10,639)	-	-	(10,639)
Share-based payments - share options	-	18,367	-	18,367
Share-based payments - employee loan shares	-	84,217	-	84,217
Cancellation of warrants	-	-	(357,745)	(357,745)
Share-based payments - performance rights	-	1,571	-	1,571
Balance at 30 September 2020	<u>(467,392)</u>	<u>3,364,497</u>	<u>150,000</u>	<u>3,047,105</u>

During the period, on 11 September 2020, the Company granted 5,750,000 performance rights in three tranches (Tranche A: 2,875,000; Tranche B: 1,437,000 and Tranche C: 1,437,000) with the following vesting conditions and valuation model inputs used to determine the fair value at grant date.

Note 10. Equity - reserves (continued)

Performance right	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
Tranche A	11/09/2020	07/09/2025	\$0.057	\$0.06	1.204	-	0.0043	\$0.0467
Tranche B	11/09/2020	07/09/2025	\$0.057	\$0.08	1.204	-	0.0043	\$0.0451
Tranche C	11/09/2020	07/09/2025	\$0.057	\$0.10	1.204	-	0.0043	\$0.0439

Note 11. Contingent liabilities

The Group had no contingent liabilities as at 30 September 2020 and 31 March 2020.

Note 12. Related party transactions

Parent entity

Cipherpoint Limited is the parent entity.

Transactions with related parties

There were no transactions with related parties during the current and previous financial period.

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.

Note 13. Earnings per share

	Consolidated 30 Sep 2020 \$	30 Sep 2019 \$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Cipherpoint Limited	<u>(1,117,070)</u>	<u>(2,230,862)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>61,686,661</u>	<u>34,540,323</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>61,686,661</u>	<u>34,540,323</u>
	Cents	Cents
Basic earnings per share	(1.81)	(6.46)
Diluted earnings per share	(1.81)	(6.46)
	Consolidated 30 Sep 2020 \$	30 Sep 2019 \$
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of Cipherpoint Limited	<u>-</u>	<u>4,611,681</u>

Note 13. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	61,686,661	34,540,323
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>61,686,661</u>	<u>34,540,323</u>
	Cents	Cents
Basic earnings per share	-	13.35
Diluted earnings per share	-	13.35
	Consolidated	
	30 Sep 2020	30 Sep 2019
	\$	\$

<i>Earnings per share for profit/(loss)</i>		
(Loss)/profit after income tax attributable to the owners of Cipherpoint Limited	<u>(1,117,070)</u>	<u>2,380,819</u>

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	61,686,661	34,540,323
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>61,686,661</u>	<u>34,540,323</u>
	Cents	Cents
Basic earnings per share	(1.81)	6.89
Diluted earnings per share	(1.81)	6.89

The 18,939,963 (2019: 9,004,728) options, employees loan shares, warrants 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 14. Events after the reporting period

Since the end of the half year at 30 September the Company's lead generation has been strong, particularly in our targeting of government and defence related opportunities in Europe and elsewhere. Whilst the Board has been concerned about the further Covid-19 lockdowns in Europe which are likely to impact our already long sales cycles, our small team has been focussing on three priorities:

- (1) building major IT integrator channel relationships as our primary go to market channel to leverage their sales presence and customer bases. This has already begun with the formation of a unique partnership with NTT Data Deutschland;
- (2) accelerating our internal cloud platform development efforts to broaden our available market and to enhance speed to customer; and
- (3) leveraging, through our German office, European government and enterprise preferences to use regional and local vendors and with sovereign capability.

Our sales pipeline is solid and consists of end users introduced by our reseller partners in Europe which are or have been evaluating our products for deployment. The Board is of the view that 2021 could finally be our most promising year as the groundwork we have managed to undertake this year despite the headwinds of multiple European lockdowns has been valuable.

On 2 October 2020, the Group issued 17,979,344 ordinary shares in the Company totalling \$863,009 as part of the completion of issue of shortfall under rights issue.

Note 14. Events after the reporting period (continued)

No other matter or circumstance has arisen since 30 September 2020 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.

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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 2020 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



Ted Pretty
Chairman

30 November 2020
Sydney

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

We have reviewed the accompanying half-year financial report of Cipherpoint Limited (the 'Company') and Consolidated Entities (the 'Group'), which comprises the consolidated statement of financial position as at 30 September 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company 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 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. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 September 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cipherpoint Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of Cipherpoint Limited.

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

(CONT'D)

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Cipherpoint Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2020 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Nexia Sydney Audit Pty Ltd



Lester Wills

Director

Dated: 30 November 2020

Sydney