

20 JANUARY 2022

## QUARTERLY ACTIVITIES REPORT AND BUSINESS UPDATE AND APPENDIX 4C FOR THE QUARTER ENDED 31 DECEMBER 2021

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 December 2021

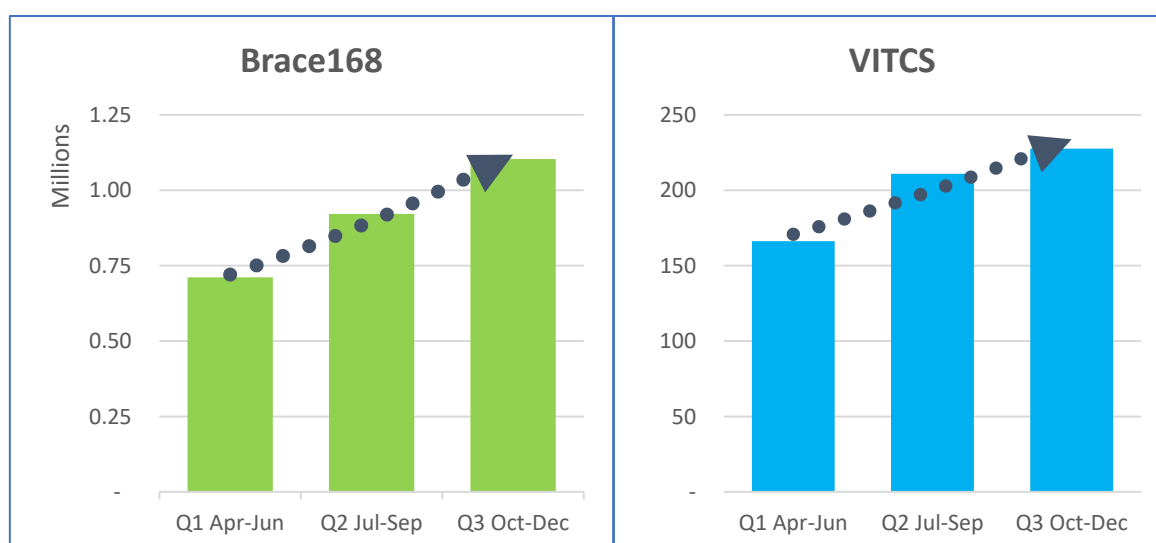
- ✓ **Record Customer Receipts**
- ✓ **Record Quarter Revenues**
- ✓ **Continued Brace168 and VITCS Growth with outlook looking strong**
- ✓ **Major Customer Wins**
- ✓ **\$2.599M Cash at Bank**

### Quarter Financial Highlights

The results for the Cipherpoint group (the **Group**), include revenues and cashflows for our Brace168 cyber security services platform division and 2 months of the recently acquired VITCS.

#### Financial highlights for the quarter were:

- Customer receipts of \$1.441M compared to September quarter receipts of \$1.247M
- The Group held \$2.599M in cash as of 31 December 2021 following funding of VITCS acquisition and further investments in growth
- Strong revenue growth Q on Q in Brace168 and VITCS.



Operating expenses slightly higher due to new hires to support growth and consolidating VITCS operating costs. During the quarter, the Company made payments to related parties of \$251K which were comprised of usual executive and non-executive director fees, salaries, and consultancy payments. The Company notes that effective from January 2022 the remuneration of Mr Pretty (as Managing Director and Executive Chairman) has been increased by \$11,000 to \$33,000 per month, for a temporary period of 6 months, unless extended by the Board, in recognition of his increased role and time commitment associated with, among other things, the ongoing integration of recent acquisitions.

Cipherpoint Executive chairman Mr Ted Pretty said “The December quarter delivered record customer receipts and revenues for the Group and reflects the determination of the team to grow the top line of our business in the face of strong competition for customers and resources. As we achieve more scale and extract operating synergies our focus will shift to improving our operating margins. We intend to expand both vertically in acquiring cyber capabilities and horizontally by looking at complementary businesses. Our strategy of acquiring additional cyber capability and complementary businesses is working very well.”

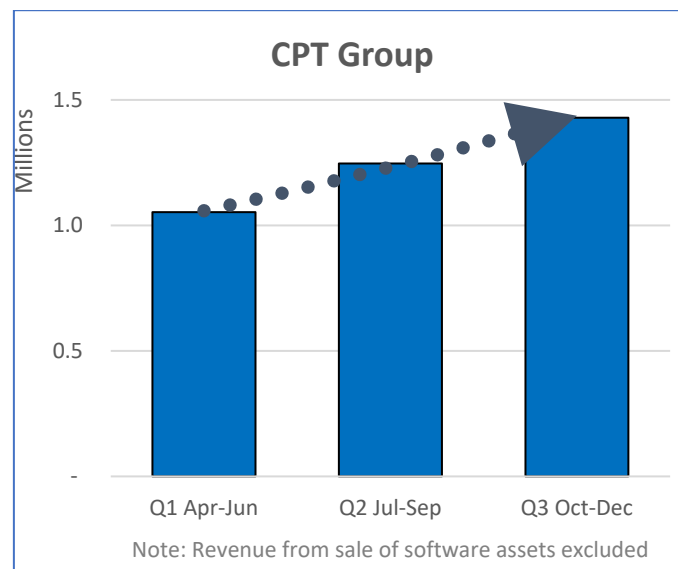


Figure 3. Revenue growth for the group is accelerating

## Activities Report and Business Update

The demand for cyber security and data protection solutions and services remained strong.

During the December quarter:

- Both Brace168 and VITCS continued to grow their sales pipeline and customer base for recurring and project revenues
- Brace 168:
  - secured new contracts with major organisations including with Ingenia Communities and telco Vocus Communications along with other client wins;
  - retained 100% of our existing customer base; and
  - maintained our ISO27001 accreditation.
- VITCS, which was acquired in the quarter, also secured three new customers relating to cyber security related professional services work, an extension of its existing professional services engagement with Tasmanian Government and an extension to Red Hat for systems support contract for Department of Health Tasmania to start 1st March 2022.



- The Company also continued the recruitment of new sales, delivery and technical staff and the Sydney and Hobart based teams continue to accommodate a combination of office and remote working arrangements.

#### **Outlook**

Operationally, Cipherpoint is in a strong position and confident of continuing growth. The Group sees further positive tailwinds in the growing market for cyber security services, its strong sales pipeline and good partner relationships. We will continue to identify suitable targets in the managed services and cyber security markets.

Cipherpoint also intends to continue its strategy of deploying our cash to scale the Group's business by chasing organic growth and to pursue bolt on EPS accretive acquisitions.

--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://covata.com/cipherpoint.com>

#### **Cipherpoint investor relations contact:**

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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 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,441	3,075
1.2 Payments for		
(a) research and development	(190)	(409)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(45)	(178)
(d) leased assets	-	-
(e) staff costs	(1,071)	(2,617)
(f) administration and corporate costs	(745)	(2,349)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(41)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(10)	(29)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(620)</b>	<b>(2,547)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(700)	(2,677)
(c) property, plant, and equipment	(43)	(229)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets	(45)	(61)
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	-	-
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	<b>Net cash from / (used in) investing activities</b>	<b>(788)</b>	<b>(1,679)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	121	787
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	<b>Net cash from / (used in) financing activities</b>	<b>121</b>	<b>2,867</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,887	3,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(620)	(2,547)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(788)	(1,679)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	121	2,867
4.5	Effect of movement in exchange rates on cash held	0	(4)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,599</b>	<b>2,599</b>

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	2,099	3,437
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	500	450
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,599</b>	<b>3,887</b>

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	(251)
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>		

<b>7. Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(620)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,599
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,979
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.2
<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: 20 January 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.