



ASX ANNOUNCEMENT (ASX: CPT)

22 April 2020

APPENDIX 4C FOR THE QUARTER ENDED 31 MARCH 2020 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.

Quarter Financial Highlights

Financial highlights for the quarter were:

- Operating cash costs for the March 2020 quarter were \$995K (Compared to \$1.09M for the December 2019 quarter).
- The Company held \$920K in cash as at 31 March 2020.

Appendix 4C

The Company's March 2020 Appendix 4C is attached. Following the change of the Company's financial year announced to the ASX on 2 April 2019, the attached Appendix 4C reflects the fourth quarter's activities of the Company's new financial year commencing 1 April 2019.

Activities Report and Business Update

The Company refers to its releases to the ASX dated 16 and 26 March 2020.

Operations are continuing with staff in Germany, the US and Sydney working remotely with regular video and conference calls. Existing customers have permitted any support and or account meetings to be undertaken on the same basis. All international and in-region travel continues to be suspended.

As previously advised some potential sales will be deferred as a number of enterprises have indicated they have reviewed their capital expenditure and operational budgets. The Company's near-term focus has been to support (and retain) its staff, service existing customers and enable product trials. We are also using the current period to focus on new platform and product development.

On a brighter note the Company's lead generation activities continue to build a solid pipeline not only for its core cp.Protect product but also for cp.Discover for data discovery and classification. The Company has recently won a small order for the use of cp.Discover through our partner in Singapore and we expect more orders shortly. The Company's largest customer in Germany continues to support us and we are confident of further orders in due course. We are also in the final stages of acceptance testing with a Nordic central bank.

As set out in the Appendix 4C, expenditure in the quarter was principally comprised of staff costs with some modest expenditure on additional marketing and research and development activities. Payments to related parties and their associates described in the Appendix 4C included usual directors' fees, salary and wages, superannuation, consultant fees (pursuant to the arrangement disclosed on 20 December 2019) and payment of a short-term incentive previously deferred from the FY2019 year.

The Company has been closely monitoring its cash position and expenses are now tracking well below the December 2020 quarter.

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 advice with respect to the NSR. At this time the Company has not formed a view on the potential value of the NSR if any.

Investment and Co-Venture Discussions

The Company has been meeting with potential equity investors in Europe given the focus of the business in that market. All discussions have been conducted under suitable Non-Disclosure Agreements and are preliminary and non-binding in nature. One structure that has been discussed is creating a joint venture entity into which the business of the Company will be transferred with new European investors injecting capital into that vehicle. The Company has taken preliminary advice that, subject to the final terms of any arrangement, this would not be a disposal of its main undertaking as its main undertaking before the transfer will be the same as after any such transfer (i.e. software services). Any such arrangement may require consultation with ASX and potentially shareholder approval. The potential investor is presently conducting due diligence on the business and has spoken with the Company's largest customer. There is no guarantee that these discussions will result in any venture or investment.

Funding and SPP

In light of the Asset Recovery and Investment and Co-Venture Discussions referred to above the Board has decided to seek a modest capital raise to extend its current cash runway until 30 September 2020 i.e. the first half of its FY21. The Board has decided to announce today an intention to conduct a Share Placement Plan (SPP) to raise up to \$500,000 under which shareholders each will be entitled to subscribe for up to \$30,000 of shares at a price of 1.3c per share. Documents are being prepared and will be issued shortly. It is proposed that the Offer will be open until 5pm Friday 8 May 2020 unless otherwise varied.

Shareholders will note that the ASX has waived SPP requirements for the number of shares issued to be limited to 30% of the issued capital and the issue price to be at least 80% of the VWAP. The SPP issue price is a matter for reasonable determination by the Board. These temporary measures will expire on 31 July 2020 unless ASX decides to remove or extend them.

The decision of the Board on the terms of the SPP has been made after assessing the alternatives in the context of Coronavirus Economic Response Package Omnibus Act 2020, the concessions made by the ASX on capital raisings during the Covid-19 crisis and also reviewing comparable market discounts.

--Ends--

This announcement has been approved for release by Ted Pretty, Chairman.

About Cipherpoint

Cipherpoint is a leading provider of software solutions that enable continuous identification, classification and secure management of unstructured data across enterprise and the cloud and consolidates control into one place for companies to securely manage their data to be compliant, reduce risk, reduce costs and improve productivity.

Cipherpoint empowers businesses to discover, protect and control sensitive information across multiple platforms and repositories with industry best security for Microsoft SharePoint & Office 365 and Secure Enterprise File Sharing & Collaboration.

Our customers & partners span the public sector and defence, aerospace, technology, automotive, manufacturing, finance, media and sports industries.

Further information

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

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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 2020

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	108	1,307
1.2	Payments for		
	(a) research and development	(45)	(294)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(40)	(188)
	(d) leased assets	-	-
	(e) staff costs	(650)	(3,152)
	(f) administration and corporate costs	(260)	(2,120)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	3
1.5	Interest and other costs of finance paid	-	(2)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	810
1.8	Other (provide details if material)	-	83
1.9	Net cash from / (used in) operating activities	(887)	(3,553)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	(6)
	(b) businesses	-	-
	(c) property, plant and equipment	-	(3)
	(d) investments	-	-
	(e) intellectual property	-	(485)
	(f) other non-current assets	(5)	(25)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	38	3,024
	(c) property, plant and equipment	-	1
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	1
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	-	102
2.6	Net cash from / (used in) investing activities	33	2,609
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	-	500
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(71)
3.5	Proceeds from borrowings	-	-
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)	-	-
3.10	Net cash from / (used in) financing activities	-	429



4.	Net increase / (decrease) in cash and cash equivalents for the period	Current quarter \$A'000	Year to date (12 months) \$A'000
4.1	Cash and cash equivalents at beginning of period	1,755	1,503
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(887)	(3,553)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	33	2,609
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	429
4.5	Effect of movement in exchange rates on cash held	19	(68)
4.6	Cash and cash equivalents at end of period	920	920

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	920	1,755
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	920	1,755

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	(376)
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 <small>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.</small>	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)	(887)	
8.2	Cash and cash equivalents at quarter end (Item 4.6)	920	
8.3	Unused finance facilities available at quarter end (Item 7.5)	-	
8.4	Total available funding (Item 8.2 + Item 8.3)	920	
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1	
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:		
	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		
	Yes, the Company expects to continue to have the current level of net operating cash flows for the time being, although does have the capacity to reduce expenditure if necessary.		
	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:		
	(a) The Company intends to conduct a share purchase plan (SPP) to raise up to a further \$500,000. Although the Company cannot predict the outcome of the share purchase plan, the Board has set the terms and pricing with a view to making the SPP an attractive investment opportunity for its shareholders.		
	(b) The Company is also progressing discussions in relation to potential equity investment from European investors, and will continue to progress these in the coming quarter.		
	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:		
	Yes, the Company believes that its current cash position together with additional capital generating opportunities described in its Quarterly Activities Report will enable it to continue its operations.		

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: 22 April 2020

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.