



Appendix 4C
Quarterly Report for the
Quarter Ended 30 June 2018

WHITEHAWK LIMITED (ASX: WHK OR “THE COMPANY”), THE FIRST GLOBAL ONLINE CYBER SECURITY EXCHANGE ENABLING SMALL AND MIDSIZE BUSINESSES TO TAKE SMART ACTION AGAINST CYBER CRIME AND FRAUD, IS PLEASED TO PROVIDE AN UPDATE ON ITS PROGRESS FOR THE SECOND QUARTER 2018.

HIGHLIGHTS

- WhiteHawk is implementing the first 360 Cyber Risk Framework at a Top 10 U.S. Financial Institution (client confidential) in a partnership with Interos and BitSight. The Framework monitors the institution’s supply chain and addresses business and cyber risks. Fifty supply chain companies who work with this financial institution, are being referred to the WhiteHawk Exchange to mitigate identified risks
- The BAE Systems contract which was due to commence earlier this year will now commence in early August following US government delays. Revenues estimates remain US\$1.2M in future direct revenue and at least US\$65,000 in future referral revenue over the next five years. Revenues for 2018 of approximately US\$200K are expected to be received in the remainder of this calendar year
- Released version 2.0 of website and CyberPath AI tool, providing an enhanced functionality and design
- Launched partnership with Salmon Ventures, to engage across the U.S. Utility Sector’s over 3,200 separate entities (Power and Water), to offer and implement tailored versions of the WhiteHawk 360 Cyber Risk Framework
- Launched two new sales channels after market and user research including 360 Cyber Risk Framework and Cybercrime Support Network
- Continued growth of WhiteHawk Marketplace with the addition of 294 new products from 15 new vendors, taking the total number of vendor contracts to over 300 and vendor products and services to over 600

SECOND QUARTER REVENUE

Second quarter revenues of US\$163K, represents a doubling of first quarter revenue of US\$77K for a year to date total of US\$240K. In the second quarter Cyber Risk Framework revenues were US\$92K, with the remaining US\$71K from advisory consulting work. An additional US\$92K of Cyber Risk Framework revenue will be invoiced in July and Cyber Risk Framework associated online sales revenue of US\$50K or greater.

Accounts receivable of US\$195,606 as of 30 June are expected to be collected in the third quarter. Accrued unbilled revenue US\$11,275 will be invoiced in July. WhiteHawk is also expecting to see revenues from the first 50 supply chain companies referred to the WhiteHawk platform to mitigate identified cyber risks, starting from August. This customer has an additional 500+ supply chain companies to be reviewed for potential inclusion in the framework in 2019.

WhiteHawk continues to execute three sales channels, designed to drive small and midsize businesses to the WhiteHawk online platform to buy cyber security products and services:

- First, the Cyber 360 Framework for major manufacturing, financial institutions and utilities, is designed to identify and mitigate the cyber risks of a large businesses supply chain companies
- Second, partnering with the US Cybercrime Support Network (CSN - 211 Cyber Fraud Hotline) to be a primary online response arm for small and midsize businesses who have suffered a cyber breach. Launch of the Cybercrime Support Network website is 1 October, where reporting of a cybercrime or fraud event can be made and mid-sized and small businesses are linked to WhiteHawk response and mitigation service options. CSN state pilots start in February 2019 and the programme will be nationwide by 2021
- Third, the WhiteHawk Journey for all SMB customers via the online platform, maps a company's cyber risk while providing best practice and product options for mitigation. The online journey begins with the CyberPath Questionnaire, followed by risk scoring through a WhiteHawk partner and ends with a custom Cyber Risk Profile from WhiteHawk including customized product options and recommendations all via a WhiteHawk virtual cyber analyst.

REVENUE GENERATION INITIATIVES

WhiteHawk has three current revenue streams and two future primary online revenue models:

- Sales of cyber products and services via the online Exchange
- Sales of 360 Cyber Risk Frameworks to large businesses
- Executive Cyber Risk Consulting Services to large government and industry enterprises
- Sales of virtual Advisory Bundle Services (4th qtr 2018)
- Business intelligence subscriptions (2019)

As the Company's three primary revenue streams are reliant upon customers with a cyber risk need coming to the Company's website, the Company remains focused on the findings of the Company's February 2018 market research, which showed that only companies that have experienced an event or have a contract at stake will typically seek out cyber security assistance, products and services. This information has been used to develop and implement two low cost focused sales channels:

- 360 Cyber Risk Framework – results in an upfront sale of the framework (ranging from US\$50K to US\$200K) and drives customers to WhiteHawk for advice and products to mitigate identified risks (ranging from 50 to 500 customer companies)
- Cybercrime Support Network/211 Hotline: 4 State by State pilots commencing October 2018

In parallel the Company continues to focus on organic web search results for cyber risk and cyber security which drive SMBs to the Company's website. The Company's digital team continues to design and implement website optimization, site strategy and future audit, brand building, content generation, and sales and marketing campaigns to drive site visits. In addition, the Company's new in house technical team are making improvements to the CyberPath Decision Engine, which is designed to simplify a customer's online cyber risk profile and purchasing process.

In order to expand the sales channel for the 360 Cyber Risk Framework, WhiteHawk has launched a partnership with Salmon Ventures, a recognized utility sector leader advising the U.S. federal, state, and local regulators, utility trade organisations and operators, and investor-owned and municipal utility enterprises. Through this partnership, the Company has been able to engage with the U.S. Utility Sector which includes over 3,200 separate entities (Power and Water), to implement tailored versions of the WhiteHawk 360 Cyber Risk Framework.

WhiteHawk has current contracts to provide

- Services to BAE Systems, a U.S. Defense Industrial Base contractor expected to yield US\$65,000 in future referral revenue and an estimated US\$1.2M in future direct revenue over the next five years
- Services to a U.S. financial institution, already resulting in US\$151,000 in revenue in the second quarter of 2018. WhiteHawk is completing the first phase of 360 Cyber Risk Framework with this top 10 U.S. financial institution, providing an integrated dashboard for the first 50 supply chain customers to provide continuous monitoring and identification of business and cyber risks. These 50 customers are then driven to WhiteHawk online services to purchase mitigation products and services. Phase 2 is expected to bring additional supply chain companies (from 100 to 500) to WhiteHawk, which will be completed in 2019.

Customer companies from the 360 Cyber Framework, Virtual Cyber Consulting Bundles and CSN 211 Hotline are from various industries and will drive revenue with a positive cash flow. Executive Cyber Risk Consulting revenue in the amount of US\$240K was invoiced through to June 2018. The majority of the Executive Cyber Risk Consulting revenue invoiced through to June 2018 will be collected in the 3rd Qtr. Additional Executive Cyber Risk Consulting revenue will be earned in the remaining months of 2018 from existing contracts.

TECHNOLOGY UPDATE

- Architecture analysis has been completed in order to consolidate and optimize the WhiteHawk operational platform, which is currently located in two cloud environments. With the continued growth of the Vendor Marketplace, the objective is to utilize a single AWS cloud environment, thereby simplifying the configuration and technical release management
- The Company's early 2018 technical team hires, have resulted in an in-house team that can continuously innovate, optimize, and transform the online platform, customer features, data analytics, and decision engine, thereby eliminating the need for expensive contracted support

Recent redesign and refactoring the migration of User Authentication & Management as well as the Marketplace, has reduced unnecessary complexity.

RESEARCH & DEVELOPMENT

WhiteHawk increased spending on R&D and technical talent for Release 2.0 and the 3.0 future improvements to the online platform, Marketplace, and CyberPath Questionnaire. This focused investment in R&D for the second quarter has resulted in an advanced analytics approach to assess customer cyber risks by industry, scale, and need, thereby advancing from best practice approach to providing tailored solution bundle options for the customer for immediate purchase online or via a Cyber Analyst. WhiteHawk continues to identify R&D expenses on the P&L as they are incurred in accordance with GAAP, to include:

- Release of new features for: Insights' Robert's Reports, Custom Bundle creation by Advisors, Production Management.
- Stabilization continues on the code and data baselines: Streamlining of Products, Product Lines, Vendors, and Manufacturers to clearly identify hierarchy and association to facilitate Decision Engine maturity and feature enhancements; Implementation of normalized/standardized data to enable continuity across front-end and back-end modules to enable data fidelity, audit, and history; and consolidation of code repository to facilitate automated CI/CD efforts.
- Open Source collection and classification of product attributes, in order to support the next steps in the Decision Engine Maturity (CyberPath).

CyberPath Decision Engine version 3.0, which is designed to incorporate an artificial intelligence capability to closely link and align the online product recommendations to the individual circumstances and budget of the customer, is scheduled for release in September this year. Version 3.0 will use in house talent instead of subcontractors resulting in significant R&D cost reductions of US\$25K per month going forward. WhiteHawk has been successful in obtaining talent that will allow R&D direct labour costs to be reduced by an average of US\$30K per month savings for the remainder of the year.

MARKETING

In order to optimize the Company's limited marketing and sales resources, WhiteHawk partnered with best of breed marketing and public relations companies. Recent work includes a market research program to guide business and web site strategy, an updated brand brief, development of an Executive Cyber Survey for partnership with Professional Associations, a range of media interviews, speeches, and articles in Australia and the United States). This activity matured and advanced WhiteHawk brand and market awareness across Australia and the U.S.

WhiteHawk continues to contract best of breed cyber security products, solution industry leaders and strategic partnerships with innovative companies such as CrowdStrike, Palo Alto Networks, Cloudflare and BitSight. This has established a trusted national identity. In addition, the long-term partnership with the Cybercrime Support Network will increase WhiteHawk's market presence as a lead provider of tailored products and services for SMB customers in need of cybercrime response and remediation.

OUTLOOK

Since the start of 2018, WhiteHawk has seen increasing revenue from Executive Consulting Cyber Innovation Services. With the 2.0 release of the online platform and CyberPath Decision Engine, WhiteHawk is driving customer transaction activity on the WhiteHawk Exchange. With a vetted pipeline of over 40 customer targets in utility, manufacturing and financial institutions, the Company expects to drive at least four additional sales of the 360 Cyber Risk Framework in 2018. The resulting scrutiny of 360 Framework clients' supply chain companies, which can include hundreds of companies, can mean a multiplier effect on sales of products in the WhiteHawk Exchange from these supply chain companies looking to mitigate cyber risks.

In addition, the Cybercrime Support Network (211 Hotline) kicks off their State by State pilots in October 2018 with impacted businesses being offered services from the WhiteHawk Exchange. The Company is continuing to identify and onboard innovative vendor offerings which address SMB risks via scalable, affordable offerings sold via the WhiteHawk platform.

The third quarter cash outflow is projected to be US\$764K including US\$131K product manufacturing costs which is directly proportional to revenue with a positive gross margin. WhiteHawk will continue to streamline operations achieving overall quarter savings of US\$166K in the third quarter. Projected minimum funding requirements for the remainder of the year will be US\$211K per month on average, excluding product and manufacturing costs which are directly dependent on revenue.

Third quarter cash inflows of US\$298K are expected, with the collection of US\$195K in accounts receivable and the collection of US\$103K invoiced in the third quarter.

As of June 30, 2018, WhiteHawk has a cash balance of US\$1.276M.

Subsequent to the quarter end, WhiteHawk has finalised terms for a US\$1m working capital facility, which at this time is subject to final formal documentation.

DISCLOSURE STATEMENT

The Additional Information to Appendix 4C quarterly report ("the Additional Information") is given in summary form and does not purport to be complete. The Additional Information including financial information, should not be considered as a financial projection, advice or a recommendation to any particular or potential investors in relation to subscribing for securities in WhiteHawk. Before acting on any information readers should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, readers should seek independent financial advice. All securities involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk. The Additional Information may include statements regarding the Company's intent, belief or current expectations with respect to our businesses and operations, market conditions, revenues, market penetration, and results of operations. Readers are cautioned not to place undue reliance on these statements. WhiteHawk does not undertake any obligation to publicly release the result of any revisions to these statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of the Additional Information, actual results may vary in a materially positive or negative manner and are subject to uncertainty and contingencies outside WhiteHawk's control.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

WhiteHawk Limited

ABN

97 620 459 823

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	59	72
1.2 Payments for		
(a) research and development	(299)	(756)
(b) product manufacturing and operating costs	(79)	(91)
(c) advertising and marketing	(53)	(178)
(d) leased assets	-	-
(e) staff costs	(228)	(453)
(f) administration and corporate costs	(271)	(555)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST)	15	39
1.9 Net cash from / (used in) operating activities	(852)	(1,916)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
(d) intellectual property	-	-
(e) other non-current assets (Bonds paid)		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	(1)	(1)
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(1)	(1)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(465)
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	-	(465)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,138	3,682
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(852)	(1,916)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	(465)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(9)	(24)
4.6	Cash and cash equivalents at end of quarter	1,276	1,276

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	15	99
5.2	Call deposits	1,261	2,039
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)	1,276	2,138

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$US'000**

54

-

N/A

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$US'000**

115

-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


Subsequent to the quarter end, WhiteHawk has finalised terms for a US\$1m working capital facility, which at this time is subject to final formal documentation.

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	126
9.2 Product manufacturing and operating costs	131
9.3 Advertising and marketing	13
9.4 Leased assets	-
9.5 Staff costs	272
9.6 Administration and corporate costs	222
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	764

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here:  Date: 31 July 2018
(Director/Company secretary)

Print name: Kevin Kye

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.