

2019

Quarterly Report



Quarterly Activities Report for the Period Ended June 30, 2019

WHITEHAWK LIMITED (ASX: WHK OR "THE COMPANY"), THE FIRST GLOBAL ONLINE CYBER SECURITY EXCHANGE ENABLING SMALL AND MIDSIZE ENTERPRISES (REVENUE OF USD\$1M TO USD\$1B) TO TAKE SMART ACTION TO IDENTIFY AND ADDRESS CYBER RISK, IS PLEASED TO PROVIDE AN UPDATE ON ITS PROGRESS FOR THE SECOND QUARTER 2019.

HIGHLIGHTS

- Subcontract signed and commenced with Accenture Federal on a USD\$2B U.S. federal government department contract
- New subcontract signed and commenced with a separate U.S. federal government department
- Signed contract extension on existing contract with a top 12 U.S. Defense Industrial Base (DIB) company
- Continued to execute contract with top 10 financial institution
- Above contracts are for well known, Tier 1 large organisations, but WhiteHawk cannot reveal names due to sensitivity of Cybersecurity Risk focused body of work
- Continued to advance Risk Framework pipeline of five manufacturing and DIB Fortune 1000 companies
- Global sales channel developed through integration with EZShield/Sontiq - there are currently three contract discussions with financial institutions and insurance groups as a result of this partnership
- Commenced international expansion through partnership with Global Cyber Alliance
- Participant in U.S. Department of Defense cyber innovation competition regarding identification and mitigation of Defense Industrial Base supply chain cyber risk
- Advanced development of 360 Cyber Risk Framework technology platform, by automating generation of Small and Midsize Enterprises (SME) Cyber Risk Scorecards
- Raised AUD\$2.5M in oversubscribed placement (before costs)
- USD\$110k new invoices issued this quarter with payment expected in July
- WhiteHawk finishes quarter with a strong cash position of USD\$1.9M

UPDATES FROM THE QUARTER

New Contract with U.S. Federal Government Department:

Second U.S. Chief Information Officer federal government department contract. WhiteHawk secured a sub-contractor role under the prime contractor on a newly awarded USD\$2B contract for a U.S. federal government department (announced May 1st, 2019)

Contract Summary

- WhiteHawk's sub-contract length is 5 years (1 year with 4 option years)
- First year revenue to WhiteHawk is expected to be between USD\$300K to USD\$600K, and subject to final scoping by the prime and customer, revenue is expected to grow between USD\$1M to USD\$3M per year in subsequent years.

Contract Progress during the quarter

- WhiteHawk has now commenced work under this contract and initial scoping of cyber risk related tasks for 2019 is underway
- Initial invoice has been sent and first revenues expected to commence in August.

New Contract with Another U.S. CIO Federal Government Department:

Third U.S. federal government contract with an unrelated national security department (announced May 3, 2019). WhiteHawk secured a sub-contractor role under the prime contractor on a newly awarded USD\$28M contract.

Contract Summary

- The contract is the third U.S. federal government contract win by WhiteHawk, with each contract being for a separate federal department
- WhiteHawk is a sub-contractor on a contract won by the prime contractor. The contract is for 7 years (1 year with 6 option years)
- WhiteHawk's portion is expected to be between US\$150K to US\$300K for each year.

Contract Progress during the quarter

- Cyber strategy and risk related work by WhiteHawk will commence in August.
- Initial invoice has been sent and first revenues expected to commence in October.

Existing Contract Extended: Contract extension with Top 12 U.S. Defense Industrial Base

Contract Summary

- Signed contract extension is the continuation of an initial 2 phase contract started in 2018 for a total of USD\$218K
- This comprehensive 360 Cyber Risk Framework includes continuous monitoring, alerting and mitigation of business and cyber risks for a total of up to 60 supply chain companies in real time
- WhiteHawk providing online Software as a Service (SaaS) recurring subscription augmented by consulting services
- Proves WhiteHawk's ability to expand existing contracts and generate recurring SaaS revenue from its technology
- Strengthens WhiteHawk's presence in the Defense Industrial Base sector, in severe need of supply chain cyber risk management and mitigation services.

Contract Progress During the Quarter

- Expansion of contract services, to include both business and cyber risk services
- Initial invoice sent and first revenues expected to commence in October
- Strategy discussions underway for a comprehensive, long term program that can support current government customer programs and be leveraged as a discriminator in future bids.

New Global Sales Channel developed through integration with EZShield/Sontiq

- WhiteHawk's cyber risk solution is now fully integrated into EZShield's Small Business Suite
- EZShield has 27 million consumers in the U.S.
- SMEs can now access their identity theft, mobile cyber security, fraud protection, and cyber risk mitigation services through an integrated online user experience
- This is the first Integrated SME dashboard offering of its kind to combine Identity Theft, Fraud, Mobile Cyber Security and Cyber Risk impact, in an easy to implement and affordable solution tailored to address digital age risks of all SMEs globally.

Progress for the Quarter

- Technical integration of WhiteHawk Cyber Risk Profile completed
- Planning underway for a Phase 1 implementation at a top U.S. financial institution
- WhiteHawk now has access to EZShield's robust Financial Sector sales channels
- There are currently two additional contract discussions with Tier 1 U.S. financial institutions and insurance groups as a result of this partnership initiated during the quarter.

Existing Contract: Update on first U.S. federal government department contract signed by Whitehawk in 2018

Contract Summary

- WhiteHawk providing sensitive risk analytics and mitigation, providing needed added protections to a breadth of office and mission functions.
- Completed portfolio risk analytics across all vendors to show risk trends and mapped solutions was completed.
- Phase 2 requirements are being scoped through a comprehensive requirements process, expanding the risk framework across the U.S. government department, to include all vendors being monitored and serviced by the Company's Cybersecurity Exchange.

Contract Progress for the quarter

- Phase 1 completed
- Phase 2 requirements being scoped by acquisition office and formal announcement expected by early Fall 2019.

Existing Contract: Update on Contract Signed with top 10 Financial Institution

Contract Summary

- Contract secured with a U.S. top 10 financial institution
- The 360 Cyber Risk Framework provides major businesses with a comprehensive analysis of the business and cyber risks associated with their vendors, suppliers and subcontractors
- A 6-month contract extension announced on 7th December 2018
- Open Request for Proposals for a long-term Vendor Risk Management Program was released and responded to 15 March 2019
- No final selection has been announced.

Contract Progress for the Quarter

- 6-month extension is being completed August 2019
- Additional bridge contract is being negotiated for August 2019 to January 2020.

Commenced International Expansion Through Partnership with Global Cyber Alliance

- WhiteHawk has entered into partnership with Global Cyber Alliance (GCA), an international organisation whose mission is to eliminate cyber risk, especially for SME's.
- GCA's founding partners are the New York District Attorney, London Police Commissioner (now former) and the Center for Internet Security.
- The partnership is focused on providing affordable and easy-to-implement cyber risk mitigation solutions to Small and Midsize Enterprises (SMEs USD\$1M to USD\$1B) globally
- GCA's users will have access to WhiteHawk's Artificial Intelligence (AI) powered questionnaire, CyberPath and a cyber analyst consult
- WhiteHawk customers will have access to Global Cyber Alliance's SME Tool Kit
- The partnership is the first step in WhiteHawk's expansion of its international footprint.

Progress for the Quarter

- Initial steps taken to scope online integration approach
- Expect connection to new customers to commence last quarter 2019.

WHITEHAWK TECHNOLOGY UPDATE

Advancing the Client Experience

- Redesign and implementation of Cyber Threat Questionnaire without registration
- Integration with EZShield SME Platform and Dashboard
- Ability to reference purchased quotes and reports (e.g. Cyber Risk Scorecards)

Cyber Analyst Ability to Seamlessly Collaborate with Customer Online

- Access to Client Cyber Journey elements (Profile, Maturity Planning)
- Capture and reference client notes

Online Platform Architecture and Design

- Migration from Content Management System authentication (Drupal) to Platform authentication (Amazon Web Services [AWS] Cognito)
- User Management – no longer self-registration; based on Cyber Analyst conversation, Cyber Analyst creates account and module accesses – improving tracking and management
- Separation of Client Portal from open Marketplace and Insights web site for improved security, stability, and usability

Risk Reporting Automation

- Near real-time creation of Cyber Risk Scorecard reports to support volume and scale

OUTLOOK

Partnering with EZShield/Sontiq changes the impact of both companies' offerings to Small and Midsize Enterprise (SME) customers. WhiteHawk has access to EZShield sales channels and sales teams, across the U.S. Financial Sector and related service channels. There are currently three contract discussions with financial institutions and insurance groups that leverage the EZShield partnered offering, with the potential to service between 4,000 and 40,000 SME customers per contract.

WhiteHawk continues to engage with Accenture Federal and SAIC on current CIO Government contract requirements, demonstrating the impact, value and breadth of our Cybersecurity Exchange and product offerings:

[WhiteHawk Customer Journey Online Demo](#) and [WhiteHawk Product and Service Overview](#)

WhiteHawk has responded to DreamPort's Defense Industrial Base supplier cyber risk Request For Proposal (RFP), U.S. Cyber Command's innovation accelerator program, which could position WhiteHawk as a cyber risk leader across the Department of Defense and the Defense Industrial Base.

WhiteHawk continues regular engagement to advance current 360 Cyber Risk Framework contracts across a mature sales pipeline of five Fortune 1000 companies.

Despite signing two of the largest contracts in the company's history this quarter, the revenues booked in this quarter are lower than trend due to complex contract transition from the previous prime company and the lumpy nature of invoicing large U.S. federal government departments and large enterprises.

Based on contracts signed, sales to date, and discussions with customers, WhiteHawk anticipates that there will be increased revenue growth in the next two quarters of 2019, starting with payment of the USD\$110K invoiced this quarter.

The Quarterly Report for the period ended June 30, 2019 follows.

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 2019

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	-	135
1.2 Payments for		
(a) research and development	(162)	(387)
(b) product manufacturing and operating costs	(53)	(212)
(c) advertising and marketing	(15)	(43)
(d) leased assets	-	-
(e) staff costs	(183)	(415)
(f) administration and corporate costs	(147)	(393)
1.3 Dividends received	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	-	(12)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST)	15	21
1.9 Net cash from / (used in) operating activities	(543)	(1,303)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(4)
(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	-	-
2.3	Cash flows from loans to other entities	110	(358)
2.4	Dividends received (see note 3)	-	-
2.5	Other #	17	17
2.6	Net cash from / (used in) investing activities	127	(345)

As announced to ASX on 5 February 2019, other income received under the Equity Swap Agreement relates to difference between benchmark price and market price referred to in the Agreement.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,747	2,639
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	14	14
3.4	Transaction costs related to issues of shares, convertible notes or options	(115)	(169)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(250)
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	1,646	2,234

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	649	1,292
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(543)	(1,303)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	127	(345)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,646	2,234

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	(4)	(3)
4.6	Cash and cash equivalents at end of quarter**	1,875	1,875

** Cash and cash equivalents as at June 30, 2019 does not include receivable amount of A\$466,667, under the Equity Swap Agreement, as announced to ASX on 5 February 2019.

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	63	37
5.2	Call deposits	1,812	612
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)	1,875	649

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

53
-

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

95
-

N/A

8. Financing facilities available

Add notes as necessary for an understanding of the position

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.

Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
-	-
-	-
A\$467k	-

A\$466,667 is payable to Company under an Equity Swap Agreement as per the ASX announcement dated 5 February 2019

9. Estimated cash outflows for next quarter

\$US'000

9.1 Research and development

9.2 Product manufacturing and operating costs

9.3 Advertising and marketing

9.4 Leased assets

9.5 Staff costs

9.6 Administration and corporate costs

9.7 Other (provide details if material)

9.8 Total estimated cash outflows

166

58

15

-

180

145

-

564

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

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

Sign here: Kevin Kye
(Director/Company secretary)

Date: 31 July 2019

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.