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2019

Quarterly Report



Quarterly Activities Report for the Period Ended
March 31, 2019

QUARTERLY UPDATE AND COMMENTARY



2019

WHITEHAWK LIMITED (ASX: WHK OR "THE COMPANY"), THE FIRST GLOBAL ONLINE CYBER SECURITY EXCHANGE ENABLING SMALL AND MIDSIZE BUSINESSES TO TAKE SMART ACTION TO IDENTIFY AND ADDRESS CYBER RISK, IS PLEASED TO PROVIDE AN UPDATE ON ITS PROGRESS FOR THE FIRST QUARTER 2019.

HIGHLIGHTS

- ⇒ Game changing strategic partnership with EZShield, a financial fraud, identify theft and mobile security U.S. Industry leader, with WhiteHawk Cyber Risk Profile, Report and Online platform services being incorporated into the new EZShield SME SaaS service.
- ⇒ Advancing engagements with major Financial Institutions and Insurance Groups to service their SME customers with cyber risk services.
- ⇒ Technical and Data Science Team working the platform integration with EZShield and the automation of key WhiteHawk Cyber Risk Reports.
- ⇒ Active scoping of 2019 Phase 2 of all 3 current 360 Cyber Risk Framework contracts and proposals active for an additional 4 Frameworks.
- ⇒ Monthly operating cost reductions remain in place.

QUARTERLY RESULTS OVERVIEW

USD	Q1 2019	Q4 2018	\$ Variance	% Variance
Receipts from customers	134,895	385,854	-250,959	↓ -65%
Payments for:				
(a) research and development	-224,589	-180,659	-43,930	↑ -24%
(b) product manufacturing and operating costs	-158,914	-16,069	-142,845	↑ -889%
(c) advertising and marketing	-28,396	-11,395	-17,002	↑ -149%
(e) staff cost	-232,032	-189,792	-42,240	↓ -22%
(f) administration and corporate costs	-242,456	-280,966	38,510	↓ 14%
Other	-9,396	10,965	-20,361	↑ 186%
Total	-760,888	-282,061	-478,827	-170%

REVENUE AND CASH RECEIPTS

- Accrual basis sales for fourth quarter were US\$250K with US\$250K resulting from the sale of WhiteHawk's 360 Cyber Risk Framework.
- Based on sales to date and discussions with customers WhiteHawk anticipates that there will be increased revenue and rate of revenue growth from our 360 Cyber Risk Framework sales in coming quarters of 2019.
- AR collected this quarter was US\$135K.
- Product Manufacturing and Operating Costs are reductions to payables for sales invoiced in 2018.
- Administrative costs were lower over last quarter with the outsourcing of a Sales Representative, which has now been brought in house at reduced cost, and continued efforts to achieve cost efficiencies.

REVENUE GENERATION INITIATIVES

In addition to the previous 3 sales channels of 360 Cyber Risk Frameworks, WhiteHawk has sought and found a SME focused successful and scalable partner. WhiteHawk continues to refine and execute **over four primary sales channels**, designed to drive small and midsize entities to the WhiteHawk online platform to

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receive Cyber Risk Profiles and purchase Cyber Risk Ratings, Risk Scorecards, and cyber security products and services.

1. The 360 Cyber Risk Framework for major US Defense Industrial Base (DIB), U.S. top 10 Financial Institutions, and U.S. Government. The Framework is designed to identify and mitigate the cyber risks of a large business' supply chain and vendor companies. There is an upfront sale of a tailored version of the Framework and the risk scorecard and mitigation services for each vendor as needed. Traction being made with DIB and U.S. Government.
2. In order to scale small medium enterprise (SME) support from the WhiteHawk online platform, WH is now partnered with industry financial fraud, identity theft and mobile security leader, EZShield, offering major U.S. Financial Institutions as well as U.S. and International Insurance Groups the ability to leverage an affordable, scalable fraud and cyber risk offering to their SME Customers (Bank Loans or Cyber Liability Insurance Policies) that directly mitigates cyber risks their SME customers face every day. This can result in ROI and competitive discriminator to the relevant Financial Institution or Insurance Group.
3. WhiteHawk partnership with the U.S. Cybercrime Support Network, as a primary response arm for small and midsize entities which have suffered a cybercrime or breach is in the early stage as the CSN fraudsupport.org website became active for WhiteHawk in December 2018 and State pilots in 2019.
4. WhiteHawk continues to team with best of breed Federal Contractors (currently Accenture and Engility/SAIC) on U.S. Government cyber innovation work in 2019.

Revenue Streams

WhiteHawk has **three current revenue streams**:

- Sales of 360 Cyber Risk Frameworks and Risk Scorecards to large corporations & government organizations across their supply chain and vendor companies.
- Executive Cyber Risk Consulting Services to large government and industry enterprises.
- Sales of cyber products and services via the online Exchange from CSN referrals or 360 Cyber Risk Framework Vendors.

Current Contracts

WhiteHawk current contracts include:

- 360 Cyber Risk Framework in support of top 12 U.S. DIB Company for up to 30 Companies and phase 2 being scoped for addition of vendors and framework services.
- 360 Cyber Risk Framework in support of U.S. Government phase 1 completed and phase 2 being scoped.
- 360 Cyber Risk Framework in support of top 10 U.S. Financial Institution Vendor Risk Management for 50 companies (phase 1 2018, phase 2 2019 purchased).
- Executive Cyber Risk Management consulting services for U.S. Federal Department of Homeland Security (phase 1 2018, phase 2 for 2019 being scoped).
- Ongoing online cyber risk services to small and midsize entities via online platform.

OUTLOOK

Partnering with EZShield changes the power, impact and dynamic of both company's offerings to small and midsize business (SMB) customers. Through this partnership that integrates cyber fraud, identity theft, mobile security and cyber risk. Starting in June 2019, EZShield SME customers will receive the WhiteHawk Cyber Risk Profile, Report and online consulting, product and service offerings. The partnership will also bring customers from the financial and insurance sectors, among other industries, to WhiteHawk.

EZShield offers small business protection by securing business information, proactively monitoring business and personal information, and responding to and preparing for fraud and identity theft. In 2018, the company was earned the distinction of Javelin's Best in Class Award for Identity Protection. The EZShield product line is essential for SMB's who wish to protect both their enterprise and employees.

This partnership will help SMB customers from both WhiteHawk and EZShield by providing EZShield customers a WhiteHawk Cyber Risk Profile. WhiteHawk's financial sector customers will receive a customer bank portal for SMB's from EZShield, while government and defense industrial base (DIB) customers will receive vendor risk services, a business credit score, and dark web searches from EZShield.

WhiteHawk maintains a strong pipeline of more than 50 active customer leads and 10 active proposals, which are in mature stages of business development and scoping across the Manufacturing, Defense Industrial Base, U.S. Government, and

Financial/Insurance Sectors. Delays in two contract announcements are due to U.S. Government and Defense Industrial Base due diligence processes which are being worked daily.

The Quarterly report for the period ended March 31, 2019 follows.

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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")

31 March 2019

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	135	135
1.2 Payments for		
(a) research and development	(225)	(225)
(b) product manufacturing and operating costs	(159)	(159)
(c) advertising and marketing	(28)	(28)
(d) leased assets	-	-
(e) staff costs	(232)	(232)
(f) administration and corporate costs	(246)	(246)
1.3 Dividends received	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(12)	(12)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST)	6	6
1.9 Net cash from / (used in) operating activities	(760)	(760)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(4)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 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	(468)	(468)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(472)	(472)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	892	892
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	(54)	(54)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(250)	(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	588	588

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	1,292	1,292
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(760)	(760)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(472)	(472)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	588	588

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Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	1	1
4.6	Cash and cash equivalents at end of quarter**	649	649

** Cash and cash equivalents as at March 31, 2019 does not include receivable amount of A\$641,667, 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	37	57
5.2	Call deposits	612	1,235
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)	649	1,292

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

**Current quarter
\$US'000**

51

-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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

**Current quarter
\$US'000**

82

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- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

N/A

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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.

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