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2018

Quarterly Report



Quarterly Activities Report for the Period Ended
December 31, 2018

QUARTERLY UPDATE AND COMMENTARY



2018

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 FOURTH QUARTER 2018.

HIGHLIGHTS

- ⇒ One new sale of a 360 Cyber Risk Framework to a Top 12 Defense Industrial Base customer and a contract extension with a Top 10 Financial Institution.
- ⇒ Cybercrime Support Network fraudsupport.org website became active with WhiteHawk referral connection December 2018.
- ⇒ Phase 1 Implementation of 360 Cyber Risk Framework for U.S. Government has resulted in substantial maturation of WhiteHawk Cyber Scorecard offering that will benefit all WhiteHawk customers. Phase 2 scoping of the U.S. Government contract in progress.
- ⇒ Advancing strategic partnership offering for major Financial Institutions and Insurance Groups to service their SME customers with cyber risk ratings and risk mitigation.
- ⇒ Technical and Data Science Team meeting platform benchmarks; updated website, AI Tool and online customer journey and maturity model.
- ⇒ Monthly operating cost reductions remain in place.
- ⇒ Subsequent to the quarter end, share placement with Institutional Investor.

QUARTERLY RESULTS OVERVIEW

USD	Q4 2018	Q3 2018	\$ Variance	% Variance
Receipts from customers	385,854	190,760	195,094	↑ 102%
Payments for:				
(a) research and development	-180,659	-273,667	93,008	↓ 34%
(b) product manufacturing and operating costs	-16,069	-191,883	175,814	↓ 92%
(c) advertising and marketing	-11,395	-13,546	2,152	↓ 16%
(e) staff cost	-189,792	-248,706	58,914	↓ 24%
(f) administration and corporate costs	-280,966	-213,049	-67,917	↑ -32%
Other (GST)	10,965	8,729	2,236	↑ -26%
Total	-282,061	-741,362	459,301	62%

REVENUE AND CASH RECEIPTS

- Accrual basis sales for fourth quarter were US\$412K with US\$398K resulting from the sale of WhiteHawk's 360 Cyber Risk Framework. 2018 closed with total accrued revenues of US\$756K with US\$108K uncollected invoiced and outstanding at December end.
- 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 2019.
- Cash collected this quarter increased over last quarter by US\$195K for a total of US\$385K.
- WhiteHawk was successful in renegotiating agreement with 360 Cyber Risk Framework partner to improve our gross margin on their services.
- WhiteHawk continued to streamline operations during the 4th quarter reducing R&D expenses and Staff costs by a total of US\$152K over the 3rd quarter.
- Product Manufacturing and Operating Costs show positive movement as a customer requested project invoice and made payment in 2018 to use 2018 budget monies, although the Project will begin in 2019 and project costs will be paid in 2019.
- Administrative costs grew over last quarter with the outsourcing of a Sales representative which has now been brought in house at reduced cost.

REVENUE GENERATION INITIATIVES

WhiteHawk continues to execute **over four primary sales channels**, designed to drive small and midsize entities to the WhiteHawk online platform to 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 offering major U.S. Financial Institutions as well as U.S. and International Insurance Groups the ability to leverage an affordable, scalable 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.
4. WhiteHawk continues to team with best of breed Federal Contractors (currently Accenture and Engility/SAIC) on additional U.S. Government cyber related proposals for 2019.

Revenue Streams

WhiteHawk has **three current revenue streams**:

- Sales of 360 Cyber Risk Frameworks and Risk Scorecards to large corporations & government organizations.
- 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.

MARKETING

WhiteHawk fully leveraged external media firm over the past quarter, with 12 announcements/articles and 14,000 investor views (with an average of 8 min per view) and putting in place an updated contract for 2019.

Participation in thought leadership events continued with key speaker sessions at 3 cyber conferences, 1 Cyber Executive Program and in media:

http://www.tvworldwide.net/Player?VID=maritime/181212_CyberSkilledMariner_TerryRoberts.mp4 and articles <https://www.whitehawk.com/Insights>

R&D

WhiteHawk's R&D is refocusing efforts on the Decision Engine and Intellectual Property around its algorithms and methods for automating the matching of cyber security products, solutions, and services to SME needs. An enabler to this objective is the elimination of complex data dependencies established between the website (branding/messaging) and the backend (Decision Engine) processing.

By eliminating the dependency, technical talent can focus on the continued development of automating and scaling to meet future WhiteHawk business operations and tempo; while at the same time empowering the marketing and business teams with an easy-to-use and easy-to-maintain externally facing whitehawk.com site that is focused on business transactions and less on the underlying data processing.



In support of the above, below table summarizes the technical team's activities.

	Current	Planned	Business Value
Website	<ul style="list-style-type: none"> - Finalizing web page updates to roll out consistent look and feel - UI/UX design assessment underway - Architecture transformation in progress to separate user facing web site from backend DE processing. - Transform Marketplace to better management products & services that need quotes – Concept of Wish List - Migration to Salesforce Chat 	<ul style="list-style-type: none"> - Finalize architecture and design for new Front End web site and associated refactoring on the backend 	<ul style="list-style-type: none"> - Positive customer experience - Increased ability to support strategic partnership & associated sales channels - Foundation for SEO
Decision Engine	<ul style="list-style-type: none"> - Decision Engine tuning – performing deep analysis to assess product categories, product choices, and product pricing to increase accuracy of scale and complexity algorithms. - Assessment of NLP tools 	<ul style="list-style-type: none"> - Industry assessments – look for opportunities to group industries - Fine tuning of core features to support AMS/AI 	<ul style="list-style-type: none"> - Increased automation - Basis for fine-tuning core DE functions for correlation and data fidelity - Increased accuracy
DevSecOps	<ul style="list-style-type: none"> - Assessment of Analytics tools to support DE maturity - Log consolidation assessment - Streamlining of backup and recovery to support COOP 	<ul style="list-style-type: none"> - Increase monitoring and alerting for health and status of platform 	<ul style="list-style-type: none"> - Business Continuity - Protection from Abuse & Fraud - Improved monitoring & operations

OUTLOOK

Taking the results of the customer engagement survey conducted earlier in 2018, WhiteHawk shifted the sales focus to the U.S. Defense Industrial Base and U.S. Federal Government for sales of the 360 Cyber Risk Frameworks and to strategic partnership proposals with U.S. Financial Institutions and Insurance Groups for SME customer services. In addition, WhiteHawk targeted the U.S. Utility sector in the 4th quarter.

The U.S. Defense Industrial Base and Government supply chain and vendor company risk regulations and business drivers currently in place to implement Risk Frameworks in a timely fashion, is proving to be a more mature sales market. Our extensive research with the Utility Sector has shown that further regulation is required before this Sector will focus on the cyber risks of their vendors or partners. Hence our continued focus on the U.S. Department of Energy.

WhiteHawk maintains a strong pipeline of more than 50 potential customers which are in mature stages of business development across the Defense Industrial Base, U.S. Government, and Financial/Insurance Sectors. The Company expects three additional sales of the 360 Cyber Risk Framework and one Strategic Partnership with a Bank or Insurance Company in first quarter 2019. One of the target frameworks has 3,200 companies and the strategic partnerships connect WhiteHawk with tens of thousands of SME customers.

Whilst still early in its operations, the Cybercrime Support Network website, offers a new automated approach for reporting online crime and fraud. This has the potential to deliver a consistent low-level stream of revenues from companies reporting a cybercrime or breach that are in need of immediate, impactful and affordable cyber response services.

Leveraging the key lessons learned from 2018 sales channel partnerships and 360 Cyber Risk Framework contracts, a WhiteHawk Subscription Model | Service Catalog is under development. This WhiteHawk Services Catalog is being mapped to the 360 Cyber Risk Framework offering, allowing customers to tailor the Framework deliverables to meet their business risk objectives. Service levels will be offered at the Silver, Gold, & Platform subscription levels with matching price points. Such an approach also enables timely quotes and proposals across all large industry and government customers, thereby standardizing the level and delivery of Risk Framework analytics, reporting, and services. In this way, WhiteHawk will continue to optimize sales and operations while driving a robust pipeline of 2019 contract proposals.

In the 4th quarter, in order to effectively deliver a number of potential major sales engagements, WhiteHawk completed an Entitlements Issue on a 1 for 2 basis at 4.5c per share with a free attaching 2 year 10c option to raise AUD\$1.6m before costs.

In addition and further to the disclosure of an offer in the last quarter, from Institutional Investor, RiverFort Global Opportunities PPC Ltd ("Fund"), for a AUD\$1M convertible note, Viaticus Capital has arranged for the offer to be revised to a share placement and equity offer to subscribe for AUD\$1.2M in ordinary shares in the company at AUD\$0.65 being a 2.99% discount to the last closing price.

WhiteHawk has a strong balance sheet with US\$1.29m cash held as at December 31, 2018. The AUD\$1.2m placement before costs will be applied as AUD\$400,000 less costs to working capital and AUD\$800,000 to the Equity Swap by way of a net set off.

The Equity Swap is expected to have a term of 12 months but may be extended or settled earlier depending on ASX monthly market trading volumes of WhiteHawk shares.

WhiteHawk will receive 1/12th of the Principal Amount of AUD\$800,000 each month plus an amount that represents 50% of the difference between 7.15 cents (the Benchmark Price) and the market price for a month calculated on an aggregate of 10 daily volume weighted average prices in that month (Market Price). Conversely, if the Market Price is below the Benchmark Price in that month, then WhiteHawk would receive that month's portion of the Principal Amount less the difference between the Market Price and Benchmark Price.

There are selling restrictions and volume limits on any share sales by RiverFort and RiverFort may vary the timing and amount of any share sales.

The Quarterly report for the period ended December 31, 2018 follows.

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 December 2018

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	385	648
1.2	Payments for		
	(a) research and development	(180)	(1,210)
	(b) product manufacturing and operating costs	(16)	(299)
	(c) advertising and marketing	(11)	(203)
	(d) leased assets	-	-
	(e) staff costs	(190)	(891)
	(f) administration and corporate costs	(281)	(1,063)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	10
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)	10	58
1.9	Net cash from / (used in) operating activities	(282)	(2,950)
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 (12 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	-
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	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,148	1,148
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	(91)	(560)
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	1,057	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	517	3,682
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(282)	(2,950)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,057	588

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(1)	(28)
4.6	Cash and cash equivalents at end of quarter**	1,292	1,292

** As announced to ASX dated 31 January 2019, subsequent to December quarter end, Whitehawk has agreed a share placement to an Institutional Investor, RiverFort Global Opportunities PCC Ltd of AUD\$1,200,000 at 6.5 cents per share representing a 2.99% discount to the last closing price. Further, WhiteHawk has entered into an Equity Swap with that investor whereby Whitehawk has swapped AUD\$800,000 from the placement proceeds for a monthly income stream. WhiteHawk will receive a monthly amount being 1/12th of AUD\$800,000 plus or minus amounts being part of the difference between 7.15 cents and a market price calculated on 10 daily VWAP each month. The Equity Swap is designed to enable the company to benefit from a rising share price.

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	57	63
5.2	Call deposits	1,235	454
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)	1,292	517

6.	Payments to directors of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to these parties included in item 1.2	56
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	
N/A		

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

**Current quarter
\$US'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

71

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

N/A

8. Financing facilities available

Add notes as necessary for an understanding of the position

**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.

9. Estimated cash outflows for next quarter

\$US'000

9.1 Research and development

200

9.2 Product manufacturing and operating costs

100

9.3 Advertising and marketing

20

9.4 Leased assets

-

9.5 Staff costs

172

9.6 Administration and corporate costs

126

9.7 Other (provide details if material)

-

9.8 Total estimated cash outflows

618

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

-

-

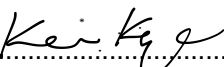
10.5 Nature of business

-

-

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 January 2019
(Director/Company secretary)

Print name: Kevin Kye
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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.