

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Pivotal Systems Corporation

ARBN

626 346 325

Quarter ended ("current quarter")

31 December 2022

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	4,847	21,470
1.2 Payments for		
(a) research and development	(780)	(3,985)
(b) product manufacturing and operating costs	(3,287)	(17,958)
(c) advertising and marketing	(590)	(2,907)
(d) leased assets	-	-
(e) staff costs	(630)	(2,751)
(f) administration and corporate costs	(372)	(3,456)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(31)	(165)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Insurance claim)	-	-
1.9 Net cash from / (used in) operating activities	(843)	(9,752)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(24)	(34)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
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	(24)	(34)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	10,614
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	117
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(640)
3.5	Proceeds from borrowings	1,000	1,500
3.6	Repayment of borrowings	(370)	(1,120)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	a. Other (Lease principal repayments)	(77)	(294)
	b. Other (Redemptions of RBI Preferred Stock)	(242)	(1,167)
3.10	Net cash from / (used in) financing activities	311	9,010
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,768	3,988
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(843)	(9,752)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(24)	(34)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	311	9,010
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	3,212	3,212

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	3,212	3,768
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)	3,212	3,768

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	167
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amounts at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	2,143*	1,130
7.4	Total financing facilities	2,143*	1,130
7.5	Unused financing facilities available at quarter end		1,013*
7.6	<p>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.</p> <p>Financing facility with Bridge Bank</p> <p>On 27 August 2019, Pivotal Systems Corporation ("the Company") closed a US\$10.0 million business financing agreement with Bridge Bank, a division of Western Alliance Bank (NYSE: WAL). The US\$10.0 million facility is comprised of:</p> <ul style="list-style-type: none"> • US\$7.0 million Revolving Credit Line, and • US\$3.0 million term loan ("Term Loan"). <p>The amount of liquidity available under the US\$7.0 million Revolving Credit Line is based upon the Company's balances and composition of eligible customer receivables and inventory, as well as other factors. Amounts borrowed under the Revolving Credit Line, mature and become due and payable in 24 months, unless extended by the parties. The Revolving Credit Line bears interest at a rate equal to 1.5% above the Prime Rate.</p> <p>* As of December 31, 2022, the Company had drawn \$1.1 million under the Revolving Credit Line and the maximum amount that could be borrowed under this facility is US\$1.3 million as reported in item 7.5. However, the Company cannot draw down more than a total of \$1.5 million under this facility without the prior consent of the holders of the RBI Preferred Stock (see below). The amount available for draw down may also reduce (or not be available) in subsequent quarters if Pivotal's business is adversely affected by market conditions in the SEMI industry (or otherwise). The US\$3.0 million Term Loan was fully drawn and paid off in September, 2022.</p> <p>The facility is secured over all the assets of the Company.</p>		

RBI Preferred Stock financing

On 20 February 2020, the Company received US\$10 million funding from the issue of RBI Preferred Stock to Anzu Industrial RBI USA LLC as previously announced to the market.

On 2 June, 2021, the Company raised a further US\$3 million under the RBI Preferred Stock facility.

Since 1 March 2021, the Company has been redeeming on a quarterly basis RBI Preferred Stock in accordance with the terms of the RBI Preferred Stock and the Certificate of Incorporation of the Company.

On 28 February 2022, the Company redeemed 280 RBI at US\$ 1,500 per share for a total of US\$420,000. On 28th May 2022, the Company redeemed 126 RBI at US\$1,500 per share for a total of US\$189,000. On 25th August 2022, the Company redeemed 209 RBI at US\$1,500 per share for a total of US\$ 313,500. On 28th November 2022, the Company redeemed 161 RBI at US\$1,500 per share for a total of \$241,500. See 3.9 Section above.

US\$10.6 Million Rights Offering

On February 3, 2022, the Company entered into an underwritten rights offering of 30,317,527 CDIs to raise gross proceeds of \$10.6 million. One CDI represents one share of common stock. As a result of this offering, on February 15, 2022, the Company issued 16,410,646 CDIs, and on February 28, 2022 the Company issued 13,906,881 CDIs and raised \$10.0 million, net of \$0.6 million issuance costs. \$3.9 million of the proceeds were received from Viburnum Funds and \$3.7 million from funds associated with Anzu Partners, LLC.

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(843)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,213
8.3	Unused finance facilities available at quarter end (item 7.5)	1,013
8.4	Total available funding (item 8.2 + item 8.3)	4,226
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.0
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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?	
	Not applicable.	
8.6.2	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?	
	Not applicable.	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Not applicable.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: **30 January 2023 (PT) / 31 January 2023 (AEDT)**.....

Authorised by: **Ron Warrington, Chief Financial Officer**.....
(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.