

4th May 2017

**Falanx Group Limited
("Falanx" or "the Company")**

Trading Update

Falanx Group Limited (Stock Code: FLX) a cyber defence and intelligence provider working with blue chip, SME and government clients worldwide, is pleased to provide the following trading update.

Full year trading for FYE16/17 is in line with management's expectations. Falanx has enjoyed robust revenue increases across all lines of business driven by geopolitical instability, rising levels of crime and increasing regulatory requirements:

- Total Falanx Group 2017 Revenue of £2.7M compared to £1.8M in 2016, a growth of 50% year-on year;
- Falanx Intelligence continued to grow profitably, with over 70 blue chip clients demanding Business Intelligence, Security Consultancy and Intelligence products. The business unit generated revenue of circa £1.80 million and EBITDA of circa £0.3m for the 2017 financial year. Revenue for 2017 is up by 13% compared with £1.59 million generated in 2016;
- Falanx Cyber Defence customer base grew to 29 significant clients, consuming a mixture of Consulting, Assessment and Monitoring services. The business unit generated circa £1m of revenue, doubling in the second half of the financial year;
- Falanx Cyber Defence became 'UK Govt CHECK' accredited. This highly sought after approval opens the door to a highly significant proportion of Her Majesty's Government Cyber Assurance spend.
- Falanx Cyber Technologies MidGARD 'Security-As-A-Service' platform went live in late March 2017 gaining early adoption amongst Falanx Cyber Defence clients, including a major IT Cloud Services company, and will generate new revenues in FY17/18;
- The development of MidGARD gives Falanx ownership of proprietary monitoring IPR, thus cementing the company's position as a highly competitive, managed Cyber Defence services provider, where current barriers to entry are prohibitively expensive to all but the largest providers;
- The Falanx management team and Board have been significantly strengthened. The business has now evolved into a fully integrated Cyber Defence and Intelligence provider; and
- A new Falanx website is now live, bringing together lines of service in an easily accessible and engaging user experience.

Growth in Falanx Intelligence

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During the past year Falanx Intelligence, trading as Stirling Assynt, has continued to see high levels of client retention and strong levels of demand for subscription and consulting products due to the current geo-political volatility, including in the Middle East, North Africa and Western Europe.

The Embedded Analyst business has been particularly strong. The business has renewed 100 percent of existing contracts, for embedded analysts, with prominent FTSE100 and 'Blue Chip' firms in the financial, insurance and telecoms sectors. In addition, new contracts to provide embedded analysts have been won with a major US insurer, a major mobile telecoms company and a well-known US food and beverage retailer. A strong pipeline exists to provide further embedded analysts to several current and prospective clients, including a Telecoms major and a top four global auditing practice.

The Business Intelligence practice has also seen continued strong demand, driven partly by rising international regulatory requirements and shareholder expectations among client firms, especially relating to corruption and international sanctions.

Growth in Falanx Cyber Defence

Falanx Cyber Defence has grown significantly both by revenue and customers. On acquisition, in May 2016, ASC (Advanced Security Consulting) held 6 key clients, all of which have been retained, generating circa £40k run-rate per month in consulting revenue. By the end of Q4 2017, Falanx Cyber Defence services had expanded to 29 customer's with revenue in Assess and Consult doubling to £80k per month, contributing to over £100k total revenue per month. This resulted in Falanx Cyber Defence generating over £0.9m in the 11 months from ASC acquisition up to the financial year end of 31st March 2017.

Continuing Sales growth is being driven by the newly formed Sales and Consultancy team. In addition, access to over 2000 potential new Cyber Security and Intelligence clients is provided by highly regarded channel partners, including;

- CDW Corporation: The \$9bn NASDAQ technology solutions provider, who recently bought Kelway, one of the UK's leading IT suppliers;
- NASSTAR Plc : The AIM listed, managed IT services provider;
- Sentronex: One of the UK's leading Financial Services IT solutions providers;
- Mersey Internal Audit Agency and Audit Yorkshire: providing access to over 100 NHS Trusts in the UK.

In order to support this growth opportunity, Falanx Cyber Defence continues to invest in finding and developing the best technology and people available in the field of Cyber Security.

UK Government CHECK Accreditation

Falanx Cyber Defence has won the highly sought after CHECK accreditation from the UK National Technical Authority for Information Assurance (also known as CESG and a part of GCHQ). Falanx is now approved to provide IT health check services to identify vulnerabilities in IT systems and networks for Her Majesty's Government and the wider public sector of systems handling protectively marked information.

Central UK government departments spend approximately £7bn a year on IT, of which 27% is spent on information assurance and security. Demand by UK Government departments is extremely high

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for accredited suppliers and Falanx sees this as a fabulous growth opportunity for Falanx Cyber Defence services.

Falanx Cyber already holds a CREST accreditation, is available through the government's G-Cloud Framework and is certified to ISO 27001 (Information Security Management), ISO 20000-1 (Information Technology Service Management) and ISO 9001 (Quality Management)

Establishment of Falanx Cyber Technologies

The Falanx technology development hub is now fully established in the new Cyber Defence Centre in Birmingham. The new MidGARD platform was rapidly prototyped here and successfully rolled into client infrastructure as a consequence of the intelligence being generated by our Assessment, Monitor and Response teams. This form of rapid technology development, based on real-time operations, carries an extremely low cost, contributing significantly to cost control and achieving profitability in a rapidly developing market.

MidGARD and MicroSOC

The first phase of the MidGARD platform IPR was built internally and wholly owned by Falanx to eliminate the cost of licensing off the shelf products. This cost of licensing creates an extremely high barrier to entry for small to medium sized cyber security vendors aspiring to deliver fully featured managed services online. This competitive technological advantage is also in short supply for all cyber security vendors, including the very largest, in all but a licensed form and therefore may be viewed as representing significantly increased shareholder value.

The MidGARD platform delivered in the MicroSOC 'plug-n-play' version built for the SME market, provides Falanx with an exceptional competitive advantage over the Cyber Security managed services peer group. With a low cost entry point and easy for client self-setup with little technical knowledge, the management team believes MicroSOC holds the key to a robust, reliable and highly scalable Cyber Security-as-a-Service.

Strengthened Management Team

The Falanx management team has been transformed over the last 15 months with the appointment of new Chairman, CEO, Executive Director Cyber Defence and now CFO, Craig Dawson resulting in a circa £25k per month increase in group costs. This team has exceptional experience of managing high growth businesses in the Cyber, TMT and Security sectors, the new Falanx team looks forward to a great deal of success;

Mike Read, Chairman: Appointed in February 2016, with over 30 years' experience in the telecommunications and internet space. Mike held board and senior management level positions within a number of organisations both within the US and UK. He served as Board member and CEO of AIM listed Pipex Communications Plc (now Daisy Group Plc) and President and Board member of Onemain.com, a NASDAQ listed company. He has significant experience in Mergers and Acquisitions, raising funds and growing shareholder value. He is also a Chartered Engineer with an MBA.

Stuart Bladen, CEO: Appointed in October 2016. Stuart was previously at Hewlett Packard where he led teams up to 18,000 staff and a P&L of over \$2Bn. He acquired and became Chairman of Vistorm

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Ltd, another specialist cyber security company which grew substantially on his watch to £120M turnover. He was a board director for HP, Vistorm, and Lead NED at Injazat Data Systems in Abu Dhabi where he sold a large portion of that business to investors.

Jay Abbott, Executive Director Cyber Defence: Appointed in January 2016, Jay previously led the UK National Threat & Vulnerability Management Practice of PriceWaterhouseCoopers, before founding the extremely well regarded Cyber Security consultancy, ASC Ltd. Jay is a celebrated key-note speaker and is regularly quoted in the media on the subject of Cyber Security. Over the past 20 years Jay has spoken at high profile public and private events on the topics of cyber and information security, providing thought leadership to the UK Cyber Security Challenge, alongside some of the biggest names within commercial Cyber market and UK Government.

Craig Dawson, CFO: Appointed in March 2017, Craig previously performed advisory and assurance services at Deloitte LLP for a broad range of FTSE listed institutions in the Technology, Media and Telecommunications (TMT) sector. Craig then served as Finance Director at Global Strategies Group (London), the worldwide defence, technology, consultancy and services organisation. Craig's invaluable corporate finance insights have been honed by playing a key role in an equity raise of \$73m on the NASDAQ and the acquisition of STG Inc, a Cyber Security, Software Development, Intelligence and Analytics company servicing the US Government, for \$165.5m.

Mike Read, Chairman of Falanx Group, commented:

"This has been a genuinely transformational year for Falanx Group. The Falanx team has delivered on our promise to generate outstanding growth and develop new technology. We have also capitalized on our excellent relationships and highly regarded services to significantly enlarge our client base. The foundations are now in place for a profitable year of robust growth."

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This announcement contains inside information for purposes of Article 7 of Regulation (EU) No 596/2014

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