



Intelligent Information Exchange

ASX ANNOUNCEMENT
29 July 2019

Identitii Quarterly Activities Report and Appendix 4C for the period ending 30 June 2019

Highlights:

- Cash receipts from customers of \$0.151 million, comprised of recurring licence fees and further customisation work for HSBC, bringing total unaudited cash receipts from customers to \$0.637 million for the full financial year, 343% growth on previous financial year
- Go-to-market strategy bolstered by targeting corporate customers directly, in addition to targeting banks and working with Banks-as-a-Partner
- Tier one banking customer, HSBC, launched the Digital Accounts Receivable Tool (DART), built on Identitii's tokenisation technology, to its corporate customers in India
- Became a Microsoft Co-Sell Ready partner, enabling Identitii to integrate its tokenisation technology and drive global sales of the Overlay+ platform
- Identitii remains well funded with \$4.12 million cash in the bank as at 30 June 2019, no debt and approximately \$1.1 million R&D tax rebate expected in Q1 FY20

[Identitii Limited \(Identitii, Company\)](#) (ASX:ID8), an Australian FinTech enabling the secure overlay of transaction level detail on top of financial messages using a private blockchain, provides an operational update on its progress and releases its Appendix 4C for the three months to 30 June 2019.

Commenting on the quarter, Identitii CEO, Nick Armstrong said:

"As the first commercialisation of our tokenisation technology, the launch of HSBC DART represents a significant milestone for Identitii. HSBC DART is now available to HSBC's corporate clients in India to help them automate the accounts receivable process and enhance working capital efficiency. We are now focused on delivering improvements to the technology that will enable HSBC to launch it in new geographies and will further grow our relationship with HSBC.

"Becoming a Microsoft 'Co-Sell Ready' partner has many strategic benefits for Identitii, including the ability to pursue sales opportunities with Microsoft's customers, either as a standalone technology offering or as an integrated technology with Microsoft products, such as their cloud platform Azure.

"At its core, Overlay+ solves a key problem that most of the world's corporates are facing; that is how to unlock the estimated US\$9 trillion that is held up on corporate balance sheets because of missing payment information¹. While we have had good success in leveraging our technology to global banks, we recognised that there is an opportunity to showcase to corporates the benefits of creating an ecosystem for suppliers, buyers, banks and regulators to share information. Accordingly, we are now also talking to corporates directly as well as working with banks, which are both customer and partner, to accelerate the uptake of Overlay+."

¹ <https://blog.tradeshift.com/the-9-trillion-dollar-question-why-is-so-much-liquidity-locked-up-in-the-supply-chain/>

Corporate & Financial Update

Cash receipts were \$0.15 million during the quarter, compared to \$0.30 million in the prior quarter. Revenue was comprised of recurring licence fees and customisation revenue relating to work being undertaken to further the geographical rollout of HSBC DART. Licence fees remained stable for the period reflecting confidence from Identitii's existing customer HSBC.

Costs increased slightly on the previous quarter to \$1.95 million, with net cash outflows of \$1.74 million. Increases were primarily due to administration and corporate costs relating to increased marketing activity to support a busy business development period for the Company.

The Company remains debt free and held \$4.12 million in cash as at 30 June 2019. This is in line with the expected use of funds outlined in the Prospectus.

Identitii expects to receive an approximately \$1.10 million research and development (R&D) tax rebate from the Commonwealth Government relating to the development of its Overlay+ technology. These funds will be used to continue to develop and commercialise the Overlay+ platform. Identitii expects to continue to receive the R&D tax rebate for any core product development work, under its ongoing R&D program.

Operational Progress

HSBC announces Identitii technology powering Digital Accounts Receivable Tool (DART)

In June 2019, Identitii's customer and global tier one banking group, HSBC, publicly announced that Identitii's technology is powering the Digital Accounts Receivable Tool. HSBC DART is currently being rolled out to corporate customer customers in key geographies.

HSBC DART is built on Identitii's tokenisation technology and the solution is designed to simplify and automate the flow of information between HSBC corporate clients and their customers in the receivables process. The solution was developed by Identitii for HSBC's Global Liquidity and Cash Management business, under phase one of the Company's existing Global Framework Agreement.

Further development of HSBC DART supplemented recurring licence fees contributing to the Company's cash receipts for the quarter, albeit at a slightly lower level than in Q3 FY19 due to the completion of major works in that period. Following the launch, HSBC will now also contribute recurring transaction fees under the licensing arrangement with Identitii.

Microsoft 'Co-Sell Ready' Partnership

Also in June 2019, Identitii became a Microsoft 'Co-Sell Ready' partner. Aligned with Identitii's strategy to expand its sales reach by partnering with global technology organisations, the partnership enables Identitii to pursue commercial opportunities with Microsoft's customers.

The partnership includes sales opportunities to combine Identitii's Overlay+ platform with Microsoft's products, including its cloud platform Microsoft Azure, which will allow Identitii to provide multiple API-based integration options to connect with existing corporate systems. It also gives Identitii access to Microsoft's global sales expertise and marketing capabilities, including marketing assets and campaign content.

Overlay+ Technology Update

The development team has also been working towards amending its software to align it with Corda blockchain. Corda blockchain is the open source private blockchain supported by R3, used by the Corda Network, an internet of Corda nodes operated by network participants. It is run by financial institutions across the world, making Corda blockchain a natural choice of blockchain for Identitii as it can be leveraged to help Identitii achieve scale

through the Corda Marketplace. Development work is progressing well and is expected to be complete by mid-September. Investors in R3 include the Commonwealth Bank of Australia and Accenture.

Industry Marketing

During the quarter, Identitii's management team attended EBAday 2019 which took place in Stockholm Sweden from 18-19 June. EBAday is the Euro Banking Association's annual conference focused on innovation, infrastructure and reinvention for banking executives and fintechs. At the conference, Identitii was able to advance its partner and customer discussions.

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About Identitii

Identitii Limited (ASX:ID8) enables financial institutions and corporates to securely verify and share transaction level detail between counterparties. Its flagship platform, Overlay+, uses blockchain technology to create an unalterable audit trail of activity simplifying KYC and financial crime compliance, payments, cash management, document management and standards adoption for financial institutions and corporates, and their counterparties. Founded in 2014, Identitii is a publicly traded company, having undertaken an IPO on the ASX in October 2018, raising A\$11 million. Identitii Limited is headquartered in Sydney, Australia.

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

Identitii Limited

ABN

83 603 107 044

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter A\$	Year to date (12 months) A\$
1. Cash flows from operating activities		
1.1 Receipts from customers	151,092	637,300
1.2 Payments for		
(a) research and development	(671,596)	(2,557,107)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(29,206)	(346,424)
(d) leased assets	-	-
(e) staff costs	(722,253)	(2,047,175)
(f) administration and corporate costs	(510,123)	(1,818,975)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	21,650	50,929
1.5 Interest and other costs of finance paid	(2,223)	(4,387)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	18,611	989,398
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,744,048)	(5,096,441)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3,492)	(443,912)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter A\$	Year to date (12 months) A\$
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	2,740	2,740
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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)	-	45,115
2.6 Net cash from / (used in) investing activities	(752)	(396,057)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	10,999,975
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	31,270
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(1,255,050)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(400,000)
3.7 Transaction costs related to loans and borrowings	-	(20,445)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	9,355,750

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	5,865,200	259,995
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,744,048)	(5,096,441)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(752)	(396,057)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	9,355,750

Consolidated statement of cash flows		Current quarter A\$	Year to date (12 months) A\$
4.5	Effect of movement in exchange rates on cash held	(20)	(2,867)
4.6	Cash and cash equivalents at end of quarter	4,120,380	4,120,380

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 A\$	Previous quarter A\$
5.1	Bank balances	1,102,988	2,865,200
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits)	3,017,392	3,000,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,120,380	5,865,200

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 A\$
95,467
-

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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 A\$
-
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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end A\$	Amount drawn at quarter end A\$
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.		

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9. Estimated cash outflows for next quarter	A\$
9.1 Research and development	(551,080)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(281,636)
9.4 Leased assets	(19,980)
9.5 Staff costs	(1,020,853)
9.6 Administration and corporate costs	(658,324)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(2,531,873)

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:
Chief Executive Officer

Date: 29 July 2019

Print name: Nicholas Armstrong

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.