

Identitii Quarterly Activity Report and Appendix 4C for the period ending 31 December 2020

Highlights

- First and second projects commenced under Mastercard MSA
- x15ventures invests in new Identitii subsidiary, Payble
- Receipts from customers of \$0.665 million up 145% from previous quarter
- Like-for-like operating cash outflows up 8% from previous quarter
- US Patent approved for secure financial information sharing ecosystem
- \$4.015 million raised via heavily oversubscribed placement
- \$0.740 million annual R&D Tax Incentive received from the ATO

Thursday, 28 January 2020 - Identitii Limited (Identitii, Company) (ASX:ID8) releases its Appendix 4C for the three months to 31 December 2020 and provides an update on its progress during the period.

Commenting on the quarter, Identitii CEO, John Rayment said:

“Q2 FY21 saw Identitii hit a number of significant commercial and capital milestones, putting us in a great position to deliver revenue growth in 2021.

By the end of the quarter, we had commenced three new commercial engagements with Mastercard, HomeSend and Payble, the new Identitii subsidiary which received investment from x15ventures. We also received approval for our patent in the United States, which together with our commercial progress, is strong validation of our overall business strategy.

\$4.015 million was raised via an oversubscribed placement to sophisticated and institutional investors, which you will see recognised in the quarterly cashflow report below. A further \$2.000 million was also raised via our Share Purchase Plan, which will be recognised in next quarter’s cashflow report.

Thank you again for your continued support. We are very excited about the year ahead and are looking forward to a successful 2021.”

Corporate and financial summary

Cash flow and cash balance

Cash receipts from customers of \$0.665 million were up 145% from previous quarter (Q1-FY21 \$0.271 million), driven by increased licence and professional services fees, following development works with Mastercard and HSBC Hong Kong.

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The Company also received \$0.861 million in government grants and tax incentives during the quarter, which included the annual R&D Tax Incentive of \$0.740 million. This was down from the \$1.206 million received last year, reflecting a shift away from development and towards commercialising the Overlay+ core platform.

Total cash outflows from operating activities for the quarter were \$2.082 million, which included a \$0.489 million one-off repayment, and the recommencement of \$0.209 million in employment tax payments, to the ATO that had been deferred under the COVID-19 government stimulus package.

Therefore, like-for-like operating expenses (excluding the above \$0.698 million) were \$1.384 million, which was up 8% from previous quarter (\$1.279 million Q1-FY21), and down 1% from the quarter before that (\$1.399 million Q4-FY20), meaning normal operating activities have remained relatively flat over the last three quarters.

Payments made to related parties during the quarter were directors' fees.

Identitii held \$5.021 million in cash as at 31 December 2020.

Capital raising

Identitii successfully raised \$4.015 million via an oversubscribed placement to sophisticated and institutional investors during the quarter. Approximately 27.5 million shares from the Company's existing placement capacity, under ASX listing rules 7.1 and 7.1A, were issued to sophisticated and institutional investors on 3 December 2020 at \$0.146 each.

A further \$2.000 million was also raised via an oversubscribed Share Purchase Plan (SPP) to existing shareholders. Approximately 13.7 million new shares were issued to participating shareholders on 6 January 2021 at \$0.146 each. The \$2.000 million raised via the SPP will be recognised in next quarter's cashflow report.

Operational progress

Two new customer engagements commence

Identitii announced customer engagements with Mastercard and HomeSend in Q2-FY21, both enabled by the Master Services Agreement (MSA) signed with Mastercard in August 2020. These engagements bring the total aggregate revenue agreed under the Mastercard MSA to \$1.852 million.

Mastercard

Mastercard will use Identitii's Overlay+ platform to enable the secure sharing of information over the Mastercard account-to-account network, to help streamline financial crime compliance in cross-border payments.

HomeSend

Identitii signed a Statement of Work (SOW) with HomeSend, a global cross-border payments network that enables financial institutions to transfer money internationally, to support the delivery of financial crime compliance information.

x15ventures invests in Identitii subsidiary, Payble

CBA New Digital Business Pty Ltd (x15ventures) and Identitii signed a Memorandum of Understanding (MOU) with Payble, a newly incorporated Identitii subsidiary, on 15 December 2020. Under the terms of the MOU, x15ventures will invest \$0.150 million to help complete an existing commercial trial.

Payble was founded by Identitii and Elliott Donazzan, previous Director of Innovation at Identitii and now Founder and CEO of Payble, to monetise previous investments made by Identitii that sit outside the Company's core RegTech strategy.

Identitii holds 87.5% of the issued capital in Payble Pty Ltd and Elliott Donazzan owns the remaining 12.5%. John Rayment and Elliott Donazzan are Founding Directors of Payble Pty Ltd.

Identitii receives U.S. patent approval

On 14 December 2020, Identitii was granted patent approval in the United States. The approval covers Identitii's global ecosystem for secure sharing of financial transaction information and is a key part of the Company's Intellectual Property (IP) protection strategy. The approval further increases Identitii's competitive advantage and defensibility, and potentially generates new revenue streams for the Company.

Identitii has also previously filed for patent protection in several other jurisdictions.

Identitii in the industry

Identitii conducted a number of targeted go-to-market activities aimed at increasing demand for its Overlay+ platform among key target markets. Highlights included:

Citi Mega FinTech accelerator

Identitii was selected as one of 12 finalists, out of over 3,500 applications, for an accelerator program run by Citi. The finals were held in November, and Identitii was named the winner of the 'Client Centricity' category. The program allowed Identitii to increase brand awareness within Citi and to showcase how Overlay+ can solve specific problem statements for Citi's business.

Identitii wins global RegTech competition

Identitii won the Discover Pitch Perfect competition at Sibos in October 2020. The Company was recognised for how it is helping the world's largest correspondent banks to simplify financial crime compliance within their network of banking partners.

The competition was designed to help promote innovative FinTech and RegTech companies to more than 22,000 Sibos delegates representing 10,000 institutions from 212 countries and has resulted in multiple media and speaking opportunities.

Identitii recognised as One to Watch by Regulation Asia

Identitii was named 'One to Watch: AML/CTF Reporting' in Regulation Asia's Awards for Excellence in December.

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Trent Jerome joins Identitii as CFO

Identitii is pleased to announce that following the end of the quarter it appointed Trent Jerome as CFO. This follows the resignation of Margarita Claringbold effective 31 December 2020, who served as CFO since 2018.

Trent is an experienced CFO with a track record in delivering organisational growth and increasing revenue at both start-ups and ASX listed businesses. He joins Identitii on 1 February 2021.

Trent has lead companies including Ingogo and Evolt through rapid periods of growth, and brings expertise in managing significant capital raises, building and executing company strategy, overseeing operational expenditure and managing corporate governance. He is also experienced in managing mergers and acquisitions and helping companies identify commercial opportunities that drive rapid growth.

This announcement has been approved and authorised to be given to ASX by the Board of Identitii Limited.

For more information

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About Identitii

Identitii Limited is helping financial services businesses bridge the gap between the need for more financial crime information and the limited capabilities of legacy technology systems. Our vision is a trusted and transparent financial services industry, which is accessible to everyone and where financial crime is impossible. Founded in 2014 and headquartered in Sydney, Australia, Identitii is listed on the Australian Securities Exchange (ASX:ID8).

For more information visit: www.identitii.com

Appendix 4C

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

Name of entity

Identitii Limited

ABN

83 603 107 044

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	765,386	1,036,479
1.2 Payments for		
(a) research and development	(367,723)	(699,506)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(36,330)	(59,333)
(d) leased assets	-	-
(e) staff costs <i>(Note 1)</i>	(1,121,161)	(1,505,916)
(f) administration and corporate costs	(555,939)	(1,093,150)
1.3 Dividends received	-	-
1.4 Interest received	2,585	3,183
1.5 Interest and other costs of finance paid	(693)	(2,769)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives <i>(Note 2)</i>	860,881	1,030,881
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(452,994)	(1,290,130)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
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	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,015,003	5,923,197
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(202,414)	(291,746)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(30,101)	(650,656)
3.7	Transaction costs related to loans and borrowings	(7,823)	(49,500)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,774,665	4,931,295
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,726,431	1,411,309
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(452,994)	(1,290,130)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,774,665	4,931,295

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
4.5	Effect of movement in exchange rates on cash held	(27,493)	(31,865)
4.6	Cash and cash equivalents at end of period	5,020,609	5,020,609

Notes

- (1) Includes a one-off payment in the quarter to the ATO in relation to deferred tax liabilities totalling \$489,206.
- (2) Includes cash received in the quarter from the ATO in relation to the company's R&D tax incentive claim totalling \$740,381.

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	4,946,764	1,652,586
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits)	73,845	73,845
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,020,609	1,726,431

6. Payments to related parties of the entity and their associates

- | | Current quarter
\$A |
|---|--------------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 135,522 |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |

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

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
7.1 Loan facilities	20,000	20,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	20,000	20,000

7.5 Unused financing facilities available at quarter end

-

7.6 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.

On 17 March 2020, the Company received a \$100,000 loan from John Rayment, the CEO and MD. This loan is for 12 months, interest free and will convert to equity at \$0.07 per share as approved by shareholders. Part of the loan was converted to equity during the quarter.

8. Estimated cash available for future operating activities	\$A
8.1 Net cash from / (used in) operating activities (Item 1.9)	(452,994)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,020,609
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	5,020,609
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	11.08

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

Answer: n/a

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?

Answer: n/a

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

Answer: n/a

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: 28 January 2021.....

Authorised by: By the Board
(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.