

Identitii Quarterly Activity Report and Appendix 4C for the period ending 30 September 2022

Key Highlights

- Patent portfolio grows with new patent awarded in Singapore
- Development completed for New Zealand entities to automate reporting
- One Platform rationalisation strategy launched, demonstrating early benefits
- Feedback from customers on sandbox testing environment is positive
- Receipts from customers were \$0.3 million, up 29% on same quarter LY
- Total operating cash outflows were \$2.7 million, up 42% on same quarter LY
- Following the end of the quarter:
 - \$1.2 million R&D tax incentive received
 - \$3.0 million in annualised operating cost savings announced
 - Shareholder Rights Issue to raise up to \$4.0 million announced
- New investor hub launched

Monday, 31 October 2022 - Identitii Limited ('Identitii', 'the Company') (ASX:ID8) is pleased to release its Appendix 4C for the three months ending 30 September 2022 and provides an update on its progress during the period.

Commenting on the Company's key achievements in the September 2022 quarter, Identitii CEO, John Rayment said: "Over the past twelve months, Identitii has been working to overcome key operational challenges hampering the Company's ability to capitalise on demand for our Regulatory Reporting platform. As we have progressed our new One Platform rationalisation strategy, it has become easier to recognise and address the need to transform from a company that sells many products to few customers, to a product company that sells one platform to many customers.

We are starting to see results of that journey now, announcing a \$3 million reduction in annualised operating costs this month and the benefits of several operational changes that are accelerating our transformation towards operating One Platform with many customers. That is also helping us accelerate sales conversations to better capture demand for our AUSTRAC reporting platform, and increasing addressable market opportunities beyond Australia, as we validate demand in new jurisdictions.

The success of our transformation, the visibility of our sales pipeline and the confidence I have in our team is why both our Chair and I intend to take up our full rights in the Rights Issue announced to shareholders last week.”

Operational update

Patent portfolio grows with new patent awarded in Singapore

During the quarter, Singapore became the second global jurisdiction to grant Identitii patent approval for its’ invention of a secure financial information sharing ecosystem. The ecosystem is designed to overcome key limitations with existing technology to simplify financial crime compliance, streamline regulatory reporting and enable faster settlement of payments.

Identitii first received patent approval in the USA in 2020 and has since been aggressively pursuing an Intellectual Property (IP) strategy to monetise the patent portfolio. There are a number of avenues it is pursuing including commercialisation, indirect licencing and the potential for enforcement, including infringement litigation. The Company is making good progress on monetising these assets and expects to update the market in the near future.

One Platform strategy launched and demonstrating early benefits

During Identitii’s FY22 Annual Report Webinar and Presentation, CEO John Rayment outlined the Company’s One Platform rationalisation strategy, which is designed to reduce the number of products and platforms being supported across the business due to legacy technology and operating decisions.

The One Platform rationalisation strategy is enabling the Company to move away from generating low-margin professional services revenue, to become a focused, product led company, growing customer adoption for its single, scalable cloud platform.

The success of that strategy to date has allowed the business to reduce annualised costs by \$3 million (announced following the end of the quarter). It is also helping Identitii to overcome some of the challenges it has faced in capitalising on demand for its Regulatory Reporting platform, by reducing complexity and speeding time to market. The strategy will

increase productivity despite a reduced headcount and operating costs, as the Company consolidates multiple software products, projects and platforms, to one single Software as a Service (SaaS) platform hosted by a single cloud services provider.

Customer feedback on sandbox environment is positive

Last quarter Identitii launched its new Sandbox environment, which lets customers and prospects test the AUSTRAC reporting platform in real time using test data. Given the critical nature of AUSTRAC reporting to regulated entities, the availability of a sandbox is a key sales tool and is enabling Identitii to move sales conversations through the pipeline faster. So far six prospective customers have tested the environment, with more due to commence shortly, and feedback has been overwhelmingly positive. Once a company has finished testing the Sandbox environment, the next step is to enter commercial negotiations, which are underway.

Development completed to allow 5,000 NZ entities to automate reporting

During the quarter, Identitii completed the product development work required to expand its cloud platform to provide Prescribed Transaction Reports (PTR) to the New Zealand Financial Intelligence Unit (NZ FIU), New Zealand's Anti-Money Laundering and Financial Crime Compliance regulator, for customers.

This is a key milestone for the Company, signalling the availability of the Identitii platform to potentially 5,000 new entities in New Zealand that must report to the NZ FIU. NZ reporting entities can now take advantage of the platform to increase automation and improve visibility and oversight of high value cash and cross-border transactions.

This milestone demonstrates the flexibility of Identitii's cloud platform to adapt to new regulatory requirements for key expansion markets and sales and marketing to NZ regulated entities has commenced.

Submitting PTR's to the NZ FIU shares many similarities to AUSTRAC reporting in Australia, making New Zealand a natural second market for the Company. In addition, the New Zealand regulator has been vocal in its investigation of non-compliance, as has AUSTRAC, putting mounting pressure on reporting entities to evaluate their anti-money laundering and counter-terrorism financing systems and processes in recent weeks and months.

New Zealand is one of over 65 countries using the United Nations (UN) GoAML framework as the basis for its financial crime reporting framework. With the launch of an offering to automate submission of NZ PTR, Identitii has positioned itself to expand into any other

jurisdiction that uses the GoAML framework. The Company will determine which market or markets to move into next according to its product roadmap and customer demand.

In the Industry

On the 21st September, Identitii hosted a webinar on 'Technology in AML Compliance: Hero or Handbrake'. 113 people from Australian based organisations including regulators, large and small financial institutions, payment providers, casinos and technology companies registered to hear Identitii, First AML, the RegTech Association and Cabital discuss how technology can play a key role in meeting financial crime compliance obligations, including how it supports better risk-based decision making to enable business growth and expansion.

Identitii also participated in a recent RegTech Association briefing with AUSTRAC, called 'RegTech 101: Regulator Update'. During the session AUSTRAC provided an update to the RegTech industry on its plans for the remainder of 2022 and 2023, after which Identitii presented a Case Study outlining key benefits its customers see from using the Identitii platform to reduce the risk of non-compliance with Financial Crime reporting obligations to AUSTRAC.

Financial update

Cash flow performance

Cash receipts from customers for the quarter of \$0.3 million were up \$0.1 million from the previous quarter (Q4 FY22 - \$0.2 million) and were up \$0.1 million from the same quarter last year (Q1 FY22 - \$0.2 million) as the Company made a better start to this financial year.

Total cash outflows from operating activities of \$2.7 million were up \$0.8 million from the previous quarter (Q4 FY22 - \$1.9 million) and were up \$0.4 million from the same quarter last year (Q1 FY22 - \$2.3 million). That said, underlying operating costs and total headcount for the quarter did not materially increase on the four quarters of FY22.

The \$0.4 million increase on the same quarter last year represents some significant one-off costs incurred this year, being \$0.2 million in recruitment fees (for new CFO and several product and engineering replacement hires), and \$0.2 million in staff costs (for annual leave payouts for exiting staff, plus other one-off staff costs).

The \$0.8 million increase on previous quarter includes the \$0.4 million above, plus \$0.4 million in quarter-on-quarter timing differences between when the Company released PAYG withholdings from employee payments to the ATO, plus it's reclassification to "large withholder" status, meaning PAYG payments now need to be made immediately.

In Section 6 of the Appendix 4C, payments made to related parties during the quarter, included in Item 1, are directors' fees. Payments received from related parties, included in Item 2, is a payment to Identitii from Payble Pty Ltd.

Non-Renounceable Rights Issue to Raise \$4 million

Following the end of the quarter, Identitii launched a pro-rata non-renounceable entitlement Issue to eligible shareholders of one (1) New Share for every two (2) existing Shares held by eligible shareholders on the Record Date, at an issue price of \$0.04 per New Share, together with one (1) free New Option for every two (2) New Shares applied for and issued, to raise up to \$4,024,198 (before costs) (Rights Issue).

The Options are exercisable at \$0.08 and expire on the date that is two years from the date of issue. Shareholders will also have the opportunity to apply for any unplaced shares (Shortfall) before the offer is closed. Funds raised under the Rights Issue will be used, in part, for sales and marketing, and continued product development.

All Shareholders with a registered address in Australia or New Zealand (Eligible Shareholders) who hold ordinary shares in the Company at 7.00pm (AEDT) on 3 November 2022 (Record Date), will be able to participate in the Rights Issue.

Cash balance

Identitii held \$2.7 million in cash as of 30 September 2022. Following the end of the quarter, the Company received its annual Research & Development Tax Incentive payment which totalled \$1.2 million, an increase on the R&DTI payment received last year (\$0.9 million).

Investor update

New investor hub launched

Identitii has launched a new interactive investment hub with our latest announcements and information to simplify how investors can track the Company's progress and get the latest news.

Here Identitii shareholders and friends can view company announcements, annual reports, and investor presentations and interact with the Identitii team. To subscribe to the investor hub visit <https://investorhub.identitii.com/welcome>.

Ends

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

For more information, please contact:

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About Identitii

Identitii Limited is helping regulated entities reduce their exposure to regulatory risk, without replacing existing technology systems. 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")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	253	253
1.2 Payments for		
(a) research and development	(704)	(704)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(52)	(52)
(d) leased assets	-	-
(e) staff costs	(1,392)	(1,392)
(f) administration and corporate costs	(553)	(553)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,448)	(2,448)
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'000	Year to date (3 months) \$A'000
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	11	11
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	11	11
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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	-	-
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	5,074	5,074
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,448)	(2,448)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	11	11

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	46	46
4.6	Cash and cash equivalents at end of period	2,683	2,683

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'000	Previous quarter \$A'000
5.1	Bank balances	2,609	5,000
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	74	74
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,683	5,074

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

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to/(receipts from) related parties and their associates included in item 2

Current quarter \$A'000
146
(11)

Payment of CEO salary, along with payments to Non-Executive Directors for their services as Directors.

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

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

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.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,448)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,683
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,683
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.10

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: No. The Company expects a significant reduction in gross cash outflows, without material impact to cash inflows. This is because the Company implemented a significant cost reduction program in October 2022 that will reduce annualised gross cash outflows by \$3 million and 36% on last financial year. The Company expects these savings to be fully realised next quarter, Q3 FY23.

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: Yes. The Company is currently undertaking a Rights Issue to raise up to \$4,024,198 (before costs). The Company expects this will provide sufficient funds for the Company to continue to meet its business objectives. Additionally, during October the Company received its annual Research & Development Tax Incentive payment totalling \$1,193,666 from the ATO.

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: Yes. The Company expects to continue operations and meet its business objectives. It is in the process of implementing a significant cost reduction program and raising additional capital to ensure sufficient cashflow runway is in place.

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: 31 October 2022

Authorised 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.