

Identitii Quarterly Activity Report and Appendix 4C for the period ending 31 December 2022

Key Highlights

- Automated FinCrime Reporting data platform extended into New Zealand
- One Platform strategy implemented with \$3 million annualised cost savings
- Former Assembly Payments co-CEO, Tim Dickinson appointed as CTO
- x15ventures invested further \$1.2 million in Payble, jointly owned by Identitii
- \$1.2 million Research & Development Tax Incentive received from ATO
- Non-Renounceable Rights Issue closed
- Receipts from customers were \$0.7 million, up 133% q/o/q
- Net cash from operating activities was \$0.3 million, down 89% q/o/q
- Closing cash balance of \$2.8 million, up \$0.1m from Q1 FY23

Monday, 30 January 2023 - Identitii Limited (**'Identitii', 'the Company'**) (ASX:ID8) is pleased to release its Appendix 4C for the three months ending 31 December 2022 and provides an update on its progress during the period.

Commenting on the Company's key achievements in the December 2022 quarter, Identitii CEO, John Rayment said: "We successfully right-sized the business during the quarter, reducing and reshaping our team, and reducing the technology platforms we support, which is clearly reflected in the numbers. These changes improve efficiencies and enable growth, allowing the team to focus on maximising new customer acquisition in Australia and New Zealand, following the expansion of our FinCrime Reporting data platform into that market also in the quarter. An update on our commercial progress is below.

"Reflecting on the Company's cash position and runway, I am confident we have enough immediate capital, and subsequent plans to attract additional capital, to continue operating into the future. We have made progress on significantly extending the runway that capital

will provide, having materially reduced our operating costs, and progressed a number of commercial opportunities that we expect will deliver additional revenue this year.

“We are also pleased that Tim Dickinson and Rebecca Shooter-Dodd have joined the business, bringing significant and relevant experience in growing shareholder value in both early-stage and ASX-listed businesses. Additionally, we are also excited about Payble’s continued success and therefore the value of Identitii’s shareholding in the company, given the decision by x15ventures to follow their initial investment again.”

Operational update

Commercial opportunity progress

Identitii is targeting financial services businesses that report to AUSTRAC because they process international payments and/or large cash transactions, subjecting them to anti-money laundering and counter terrorism financing regulations. These targets broadly span three key industry segments: foreign and domestic banks, international payments companies and fintechs, and technology companies with hundreds of existing financial services customers, where the Identitii FinCrime Reporting platform could be integrated and sold as an additional service.

During the quarter, the Company progressed potential commercial opportunities with two banks in Australia and two banks in New Zealand, four international payments companies and two fintechs, plus three technology companies looking to provide regulatory reporting services to their own suite of existing customers.

Patent portfolio commercialisation progress

In addition to commercial sales opportunities, the Company also continues to progress strategies to monetise the patent portfolio, including patents in the United States and Singapore. During the quarter several promising advances were made in this program of work, as the Company continues to progress its strategy to extract shareholder value from these assets.

Automated FinCrime Reporting data platform extended into New Zealand

In December, Identitii extended its Financial Crime reporting platform into the New Zealand market, creating an opportunity to help more than 5,000 financial services businesses automate the submission of Prescribed Transaction Reports (PTR) to the NZ FIU, the New Zealand Anti-Money Laundering and Counter Terrorism Financing regulator.

Critically, the New Zealand market uses the GoAML framework, developed by the United Nations as part of its strategic response to financial crime, as the basis of its financial crime

reporting framework. Launching a platform to automate the submission of FinCrime reporting in New Zealand positions Identitii to pursue expansion opportunities in the 65 countries that use the GoAML framework.

One Platform strategy implemented with annualised cost savings of \$3 million

In early Q2 FY23, the Company announced that management had implemented a restructure of the organisation resulting in annualised cost savings of \$3 million. Management considers this strategy necessary to right-size the business and execute on its One Platform strategy over the next 12 months. The full effect of these cost savings is expected to be realised from Q3 FY23.

The One Platform strategy, as previously announced, involves consolidating multiple legacy software products, projects and platforms, to one single Software as a Service (SaaS) platform hosted by a single cloud services provider. As the consumption of cloud continues to expand across all industry verticals, with the question becoming no longer if but instead when for organisations that have not begun their cloud journey, this strategic move will increase Identitii's competitive advantage in the market over the coming years.

During the quarter, the Company has already seen this strategy increase efficiency and employee productivity, while also reducing the overall fixed cost base.

Former Assembly Payments co-CEO, Tim Dickinson appointed CTO

During the quarter, Tim Dickinson was appointed to the role of Chief Technology Officer (CTO). Tim's appointment is pivotal to the successful implementation of the One Platform strategy, and for accelerating the growth trajectory of Identitii. Tim joins Identitii's leadership team as a respected authority in payments and technology, having worked with numerous banks and fintech's, most recently as co-CEO of Assembly Payments (the first non-bank to join Australia's New Payments Platform). Tim has successfully scaled growth companies and brings experience in building digital products that customers love, along with a broad network of financial services industry contacts.

Commenting on why he joined the Company, Identitii CTO, Tim Dickinson said: "The financial industry has spent the past decade focused on improving the customer experience, yet despite all of this, our collective success rate on reducing the incidence and impact of financial crime has been underwhelming.

"We need to create bridging technologies to leapfrog data and compliance activities from the world we have, to actually reduce the incidence and impact of financial crime. That's why Identitii exists and why I'm thrilled to be part of it.

“I joined the Company because I’ve seen the solution they have built and see a genuine path to commercialisation. I’m confident we can tackle the challenges and opportunities of the financial services landscape and I’m thrilled to be joining the team at such an exciting time in its growth journey.”

HSBC Hong Kong and Identitii agreed to end DART contract

In December the Company announced that it ended its contract to support HSBC Hong Kong’s Digital Accounts Receivables Tool (HSBC DART), originally built on Identitii technology. Critically, this does not impact the existing global Master Framework Agreement, or the AUSTRAC reporting agreement with HSBC Australia.

The announcement was a key component of Identitii's One Platform strategy to help the Company capitalise on growth opportunities by reducing the number of products and platforms being supported across the business. DART was built exclusively for HSBC and integrated into their core systems, meaning it could not be sold to any other prospective customer, and the total cost of servicing the contract exceeded the income it generated.

x15ventures invested a further \$1.2 million in Payble, jointly owned by Identitii

Commonwealth Bank’s venture scaling entity, CBA New Digital Businesses Pty Ltd (x15ventures), has invested a further \$1.2 million in Payble Pty Ltd (Payble), taking up the right to follow its initial investments. The new funding follows Payble’s early success in the energy retail sector in 2021, and further customer growth in 2022 with the signing of five new local government councils and its second energy retailer.

Payble leverages open banking to help consumers better manage their recurring payments and make missed or late payments a thing of the past. Payble is pursuing a rapid growth strategy aimed at industries where late or missed payments present challenges for companies and consumers alike. It was the first consumer payments company to be awarded Consumer Data Right (CDR) accreditation with the Australian Competition and Consumer Commission (ACCC), following Identitii’s participation in the ACCC’s CDR testing program in 2019.

During the funding round, to help Payble secure the additional investment from x15ventures, Identitii exercised its right to convert the outstanding intellectual property licence fee, payable to the Company over three years, into further equity. This conversion to equity enables all new capital raised to be invested directly into activities that grow customers and revenue for Payble, to accelerate company performance and the subsequent valuation of Identitii’s shareholding.

The recent \$1.2 million investment brings the total x15ventures investment in Payble to \$3.0 million and on a fully diluted basis Identitii now holds 29.5 percent of the issued capital of Payble Pty Ltd.

New CFO appointed

Subsequent to quarter end, it is with regret that Identitii announces it has accepted the resignation of Catherine Lin from her position as CFO, citing personal reasons. The Company would like to thank Catherine for her unwavering support and wishes her the very best in her future endeavours. Rebecca Shooter-Dodd has been appointed as the Company's new CFO. Prior to joining Identitii, Rebecca was CEO at Revasum (ASX:RVS) following prior Revasum roles as CFO and COO. She was also previously an audit manager at BDO's assurance practice in Sydney and London, and is an ICAEW Chartered Accountant, licensed in the UK.

Financial update

Cash flow performance

Cash receipts from customers for the quarter of \$0.7 million were up \$0.4 million or 133% from the previous quarter (Q1 FY23 - \$0.3 million) and were up \$0.3 million from the same quarter last year. This is a result of Identitii executing on various paid programs to improve the platform for customers.

Total cash outflows from operating activities of \$0.3 million were down \$2.4 million or 89% from the previous quarter (Q1 FY23 - \$2.7 million) and were down \$0.6 million from the same quarter last year (Q1 FY22 - \$0.9 million).

This is in part due to the Research and Development Tax Incentive of \$1.2 million received during the quarter. \$0.4 million of the decrease in operating cash outflows is a result of the increase in cash receipts, with the remaining decrease of \$0.8 million attributable to lower payments to employees and suppliers as a result of the implementation of the One Platform strategy and corresponding business restructuring.

Management expects the reduction in operating cash burn to continue in Q3 FY23, and become stable in Q4 FY23 as the full benefits of the cost savings implemented are realised.

Financing cash inflows represent the \$416,868 received upon closing on the Non-Renounceable Rights Issue that closed on 20 December 2022. For further detail on this, please see below, and the ASX announcement dated 28 December 2022.

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.

Cash balance

Identitii held \$2.8 million in cash as of 31 December 2022, an increase of \$0.1 million from the previous quarter end. The Company is confident it has enough immediate capital, and subsequent plans for additional capital, to continue operating into the future.

Non-Renounceable Rights Issue

During the quarter, the Company announced the closing of its recent Non-Renounceable Rights Issue on 20 December 2022. Upon closing of the Issue, the Company raised \$416,868 before costs. Identitii Chair Tim Phillips and CEO John Rayment both took up their full entitlements.

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")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	670	922
1.2 Payments for		
(a) research and development	(887)	(1,591)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(70)	(122)
(d) leased assets	-	-
(e) staff costs	(722)	(2,113)
(f) administration and corporate costs	(536)	(1,089)
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	1,240	1,240
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(305)	(2,753)
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 (6 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	1	12
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	1	12

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	417	417
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	(4)	(4)
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	413	413

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,683	5,074
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(305)	(2,753)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1	12

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	413	413
4.5	Effect of movement in exchange rates on cash held	(37)	9
4.6	Cash and cash equivalents at end of period	2,755	2,755

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	2,755	2,609
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	74
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,755	2,683

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**

121

(1)

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)	(305)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,755
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,755
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	9.05

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: 30 January 2023

Authorised by: The Board of Directors
(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.