

Quarterly Activity Report and Appendix 4C

for the period ending 30 September 2023

Highlights

- Successful Rights Issue with all Shortfall Offer placed, raising \$2.1m in new capital
- Mr Cameron Beavis and his investment entity took 19.9% stake in Identitii
- Six new Confidentiality Agreements signed in the banking and gaming sectors
- AUSTRAC awarded \$450m penalty for more breaches of the AML/CTF Act
- Payble continues to grow revenues through local government engagements
- \$1.0 million of annualised cost savings implemented to extend runway
- Net cash used in operating activities of \$1.8m, an improvement of 27% on pcq
- Subsequent to quarter end:
 - Patent infringement claim filed in the US against Onyx by JP Morgan Chase
 - Non-recourse agreement signed with Curium Capital to fully fund litigation
 - Identitii launched refreshed brand and website

30 October 2023 - [Identitii \(ASX:ID8\)](#) ('Identitii', 'the Company') (ASX:ID8) is pleased to release its Appendix 4C for the three months ending 30 September 2023 and provides an update on its progress during the period.

Commenting on the quarter, John Rayment, CEO of Identitii said: "We've seen further regulatory enforcement action, in Australia and other countries, forcing the financial services industry across a range of sectors to invest in automating manual processes. The size and scope of these changes cannot be underestimated, which is both an opportunity and a challenge for the Company. Without question, we are solving the right industry problems, whilst continually working to overcome the challenges industry faces, on both buyer and supplier sides, in adopting technology like the Identitii platform.

"In the 12 months since our Chief Technology Officer, Tim Dickinson, joined the business, bringing with him both early-stage venture and financial services industry experience, we have been repositioning the Company in response to market feedback, to overcome those challenges. We've launched new capabilities in ISO20022 and SMR reporting, we've materially reduced complexity and cost to run

faster at market feedback, and we've refreshed how the market sees us, in our new website and brand look-and-feel.

"The result of these efforts is more confidentiality agreements, more information security processes, and more prospective customer opportunities than we've seen ever before. So, whilst all of that progress is very difficult to share fully with the market, I am very pleased with how the business is tracking, and what's ahead for all stakeholders.

"We will be wrapping all of this into our new Investor Presentation, which is in the final stages of completion, and will be released in November."

Operational Update

Successful rights offering & shortfall offer

During the quarter, the Company successfully closed its Rights Issue and Shortfall Offer, raising a total of \$2,127,895 before costs through the issue of 212,789,462 new fully paid ordinary shares at an issue price of \$0.01.

Funds raised from the Rights Issue, after costs, will be used for ongoing marketing and contract negotiation of the AUSTRAC reporting solution, including new SMR functionality, continued development of the Identitii platform, feature development for existing customers and for working capital.

60,078,532 of the Shortfall Shares were taken up by Mr. Cameron Beavis and his investment entity, existing shareholders of Identitii, bringing their total ownership of the Company to 19.9%. The remaining shortfall shares were taken up by the Company's CTO, CFO, staff and other existing shareholders.

Confidentiality agreements signed signalling increased engagement

Six confidentiality (or non-disclosure) agreements were signed in the quarter, up from four in the previous quarter, with parties across a range of industries including banking and gaming. This is a very strong leading indicator for increased engagement, and shows early signs for intent to licence the Identitii platform. The Company has seen strong interest in Suspicious Matter Reporting (SMR) capability since launching the product to the market in June this year.

Typically, requests from prospective customers for Identitii to sign a confidentiality agreement is the first of three or four stages in the sales process, the last of which is executing an agreement to licence the Identitii platform. The second, and frequently last stage (before a licence agreement), is a request for Identitii to complete information security and onboarding due diligence processes. Infrequently, prospective customers will ask Identitii to enter a formal tender process.



Sharing the number of confidentiality agreements that Identitii signed in the previous quarter is one way the Company can inform the market as to the commercial progress it is making towards revenue generating contracts.

Patent infringement claim filed in the United States

On 4 October 2023, the Company filed a claim against JP Morgan Chase for patent infringement of U.S. Patent No. 10,984,413. The claim was filed in the United States District Court for the District of Delaware, alleging Onyx by JP Morgan Chase infringes the patent granted to the Company on 20 April 2021. Further details of the claim can be found in the ASX announcement dated 4 October 2023.

Identitii engaged Bunsow De Mory LLP as the law firm representing the Company. The Company also signed a non-recourse financing agreement with Curium Capital LLC to fully finance the litigation. As such, the pursuit of the claim will have no impact on the working capital of Identitii.

In response to the claim, JP Morgan Chase requested an extension of their deadline to respond, and on 20 October 2023, a motion was filed by Identitii for Extension of Time to File Answer or Otherwise Respond to Complaint, granting them an additional 45 days to respond.

Brand Refresh & Website Update

Subsequent to quarter end, Identitii released a comprehensive refresh to its website, and the look and feel of its brand, to better position the Company amongst its global audience. The Company undertook the refresh to help capture prospective customers, and increase platform traffic and revenue opportunities. The new copy and design was developed in response to market feedback, competitor activity and the latest market developments, and reflects where Identitii is headed as a business.

Importantly, the Company also undertook the website and brand refresh internally, using its own team of capable designers and engineers, to ensure the project was delivered without incurring any external agency spend. Early feedback from the Company's network has been strong, which is a great start for the refresh.

Payble continues to grow revenue

Payable Pty Ltd, of which Identitii holds a 32.8% interest, continues to grow revenues through a concerted focus on engagement with local governments. During the quarter, Payble signed four new commercial contracts with local governments in Campbelltown (SA), Mt Isa, Hornsby and Parramatta, furthering their mission to deliver modern citizen-centric payment experiences that save local governments time and money.



Payble's founder, Elliott Donazzan, recently completed his first commercial visit to New Zealand to explore market expansion opportunities, with news from that trip expected soon. Payble's continued growth, recognised by more investment from Commonwealth Bank's venture scaling entity, x15ventures, in the quarter ending 31 December 2022, continues to add value to the investment.

Industry Update

AUSTRAC awarded \$450 million penalty for more breaches of the AML/CTF Act

During the quarter, the Federal Court of Australia approved a settlement between AUSTRAC and a prominent member of the gaming industry, resulting in a \$450 million penalty for breaches of the AML/CTF Act. Among other things, the statement of agreed facts between the parties noted that transaction monitoring processes were not capable of consistently detecting suspicious transactions or unusual patterns of behaviour across complex transaction chains.

One of the key challenges faced by reporting entities in meeting the obligations of the AML/CTF Act, is that manual data entry, susceptible to human error, is still widely relied upon by the financial services industry. This makes it very difficult for appropriate assurance processes to ensure that systems and controls are being applied correctly. Identitii was founded to solve problems like these, and provide assurance to boards and management teams that regulatory obligations are being met.

This latest AUSTRAC enforcement, and similar enforcements by other global regulators, is forcing industry change. The change is highly complex and won't happen overnight, but it is happening and Identitii is well placed to capitalise on the opportunity.

Financial Update

\$1.0 million in annualised cost savings to further extend runway

During the quarter, management implemented \$1.0 million in annualised cost savings to further extend the Company's cash runway. Operations have been further streamlined, without impacting the ability to deliver customer commitments and growth objectives.

The operational changes to realise the cost savings were put into effect prior to the quarter end, and the Company expects to see the resulting decreases in cash outflows materialise in the coming quarters. Savings have been realised in cloud infrastructure (consolidating multiple suppliers), legal costs, operation costs (office downsizing and licence cancellations) and headcount reductions.

Management continues to closely monitor the ongoing operational costs of the business, and are continuously looking for further avenues to increase efficiencies.



Q1 FY24 cash flow update

Net cash used in operating activities was \$1.8 million for the quarter (Q1 FY23: \$2.4 million). This is an improvement of 27% compared to the corresponding quarter in the previous financial year. Throughout the last 12 months, management has continued to focus on cost management for the business, and this is reflected in the reduction in operating cash outflows.

Notably, outflows for staff costs for Q1 FY24 were \$0.3 million, compared to \$1.4 million in Q1 FY23, a reduction of \$1.1 million or 80%. This is as a result of personnel costs being focused on generating revenue through research and development as opposed to administrative staff, which have been reduced to a minimum. Management considers ongoing investment in research and development to be critical in delivering cutting-edge technology to its customers.

Net cash from financing activities was \$2.1 million for the quarter (Q1 FY23: \$Nil). During the quarter the Company successfully completed a Rights Issue and Shortfall Offer, raising a total of \$2.1 million through the issuance of 212,789,462 new fully paid ordinary shares.

The Company closed the quarter with a cash balance of \$1.6 million (Q4 FY23: \$1.3 million), an increase of \$0.3 million. During the quarter, management implemented further cost saving measures to extend the runway, as noted above. The benefits of these savings are expected to be seen from Q2 FY24 onwards.

Ends

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

About Identitii

Identitii powers the way organisations store, transmit and share sensitive data. Our platform has been designed to help organisations reduce the time and cost required to effectively and scalably manage their data compliance needs through collaborative workflows that connect internal teams, customers, partners and industry bodies while enhancing the protection of that data. We built this for the way data should be.

For more information visit: www.identitii.com



Visit Identitii's interactive Investor Hub: If you have any questions about this announcement or any past Identitii announcements, or would like to see video summaries on important announcements, please visit our investor hub at: <https://investorhub.identitii.com/>

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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 2023

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	31	31
1.2 Payments for		
(a) research and development	(718)	(718)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(17)	(17)
(d) leased assets	-	-
(e) staff costs	(271)	(271)
(f) administration and corporate costs	(817)	(817)
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	(1,792)	(1,792)
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	-	-
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)	2,139	2,139
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	(10)	(10)
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	2,129	2,129
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	1,287	1,287
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,792)	(1,792)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

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)	2,129	2,129
4.5	Effect of movement in exchange rates on cash held	15	15
4.6	Cash and cash equivalents at end of period	1,639	1,639

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	1,639	1,287
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,639	1,287

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**

138

-

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

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	980	980
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.

Mitchell Asset Management R&D Loan

On 8th March 2023, the Company entered into a new term loan facility of \$980,000, secured against future R&D refunds to be received by the Company. The facility is a prepayment of the forecasted R&D tax incentive claim for the year ended 30 June 2023, with a termination date of 31 October 2023. The facility attracts interest at a rate of 16% p.a., which has been fully paid in advance on the date of draw down.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,792)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,639
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,639
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.91

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

- 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 does not believe that it will continue to have the current level of net operating cash flows in future quarters.

The Company expects to receive its R&DTI refund of \$1.49M in Q2 2024, which when offset with the \$0.98M loan, will result in inflows of \$0.51M of working capital into the business.

During Q1 2024, management implemented further restructuring and cost management measures in order to right-size the business based on the current pipeline of opportunities, resulting in annualised cost savings of \$1M.

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. Please see above with regards to the \$0.51M inflow of working capital from the R&DTI refund expected to be received in Q2 2024.

The Company has also historically demonstrated its ability to raise both debt and equity capital to fund its ongoing operations as and when needed.

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 Directors believe that the Company has the ability to raise capital on a timely basis and has a proven capability of doing so.

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 October 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.