

September 2019 Quarterly Report

- \$855,000 in sales revenue, 200 new users and \$124,000 of annual recurring revenue contracted during the quarter
- Two key Federal Government agencies signed on to use the *Kojensi Gov* platform via the DTA Panel providing a gateway for network growth
- Increased investment in customer acquisition with a larger sales team to convert the strong growth in customer interest
- \$3.7m of cash and receivables at the end of the quarter
- Successful presentation to NATO and the Australian Maritime Industry confirmed expanding interest in *Kojensi* and highlighted very limited competitors in the space

archTIS Limited (ASX: AR9, archTIS or the Company), an award winning, Canberra-based technology company focused on protecting sensitive information, is pleased to provide an operational update for the quarter ended 30 September 2019.

\$855,000 of contracts and 200 new users since 30 June 2019

Type	Market	FY 20			
		Total Contracted \$	Number of Users	Weighted Average	
				ARR \$	Contract Duration (mths)
1 Kojensi Gov	Law Enforcement	\$ 265,250 ¹	200	\$ 123,967	14.4
2 Consulting Services	Government	\$ 518,000	na	-	12
3 Software Maintenance	Defence	\$ 72,000	na	-	N
Total		\$ 855,250	200	\$ 123,967	

(1) Contract value will increase as the client adds additional users or consumes excess storage.

Two key Federal Government agencies signed on to use Kojensi Gov

Through the Digital Transformation Agency (DTA) Panel, both the Australian Criminal Intelligence Commission and the Attorney General's Department are able to add additional users and excess storage within the current contract paving the way for solid organic growth from initial contracted revenues. Both agencies state a commitment to increased collaboration and digital transformation. *Kojensi Gov* has been selected as the secure collaboration platform for these agencies. User numbers are expected to grow materially over time as the level of collaboration within and between agencies continues to expand.

Increased investment in customer acquisition with a larger sales team to convert the strong

Having proven the demand for *Kojensi Gov* and the success of our direct sales strategy, archTIS has increased its investment in customer acquisition to take advantage of the current strong pipeline.

Opportunity	Market	Status	FY 20 - Opportunity				
			Product			Users	
			Type	Direct	Services	Initial	Total Available
Law Enforcement Community	Police Intelligence	Currently scoping phases 2 and 3 with client	Kojensi Gov	Y	Y	150	70,000
Defence project – Joint Command and Control	Defence	Awaiting down-selection	Kojensi - Enterprise	N	Y	na	na
Defence Prime	Defence Industry	Trial starting in November for BD team & external supply chain	Kojensi Gov	Y	N	50	500
MLS/CDS Multi-Domain	Defence	Accreditable Multi-domain Pilot Proposal in review	Kojensi - Enterprise	Y	Y	na	na
Global SI Intelligence Sharing Demonstrable	National Intelligence	Waiting funding approval for National Intelligence Demonstrable Platform	Kojensi Gov	Y	N	50	2000
Federal Government Data Sharing Platform	Federal Government	Partner developing front end. Awaiting stage one completion	Kojensi Gov	N	N	50	1600
Federal Government Administrative Agency	Federal Government	Identified need. Proposal being finalised	Kojensi Gov	Y	N	50	350
						350	744,750

\$3.7m of cash and receivables at the end of the quarter; greater than two quarters of estimated cash outflows

\$2.2m of cash is held with an additional \$1.5m R&D Tax Refund approved but not yet received by the company. This refund is expected to be received during the December quarter.

Successful presentation to NATO and the Australian Maritime Industry (Pacific 2019) validated strong defence demand and limited competitors

archTIS presented *Kojensi* at :

- Pacific 2019 (the largest Maritime Exhibition in the Southern Hemisphere)
The campaign for helping the Australian Defence industry secure the defence supply chain proved successful with a number of opportunities being pursued.
- National Information Assurance Symposium (NIAS)
archTIS was the first ever Australian company invited to participate at this NATO event held in Mons Belgium. A number of workshops with NATO representatives were conducted and demonstrated there was very strong demand for securing sensitive information in the European defence market.

Outlook

The company is currently enjoying very strong interest from potential customers in adopting our world-class information security platform. Whilst sales cycles are not unexpectedly long given the nature of government and military sectors, the company is nonetheless confident of its ability to monetise its investment to date in developing the *Kojensi* platform. Feedback from industry confirms that our solution addresses unmet industry needs and our business model provides a highly affordable offering. Importantly, this same model provides for significant scalable growth as adoption increases and collaboration between organisations increases over time. Our vision is that any group concerned about sharing and protecting the confidentiality, integrity and availability of its sensitive information is doing so using the *Kojensi* platform.

ENDS

For further enquiries, please contact:

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About archTIS Limited

archTIS Limited (ASX:AR9) is an award winning, Canberra-based cyber security company established in 2006 focused on protecting sensitive information. Leveraging its strong pedigree with government and defence, the company has developed an industry-leading information security platform (*Kojensi*) providing a robust platform for the sharing and collaborating of sensitive information.

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	
archTIS Limited	
ABN	Quarter ended ("current quarter")
79 123 098 671	30 September 2019

Consolidated statement of cash flows	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	171	171
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(17)	(17)
(c) advertising and marketing	(20)	(20)
(d) leased assets	-	-
(e) staff costs	(824)	(824)
(f) administration and corporate costs	(448)	(448)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	38	38
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)	15	15
1.9 Net cash from / (used in) operating activities	(1,085)	(1,085)

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(2)	(2)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(2)	(2)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
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 quarter/year to date	3,296	3,296
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,085)	(1,085)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,209	2,209

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	2,209	3,296
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)	2,209	3,296

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'000
219
-

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'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	50	-
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.		

Unsecured corporate credit card facility of \$50,000 (Annual interest rate – 20.24%) with Westpac Banking Corporation.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	40
9.3 Advertising and marketing	5
9.4 Leased assets	-
9.5 Staff costs	915
9.6 Administration and corporate costs	145
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,105

archTIS expect a 2019 Research & Development Grant refund of approximately \$1,495,000, in line with the past claims to be received in 2019. The claim was submitted on the 2 September 2019, and a refund is expected in the December 2019 quarter.

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.



Date: 30 October 2019

Company Secretary

Print name: Baden M Bowen

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.