

archTIS March 2025 Quarterly Report

Record Annual Recurring Revenue Achieved, Underpinned by Strength in Gross Margins and Operational Efficiency

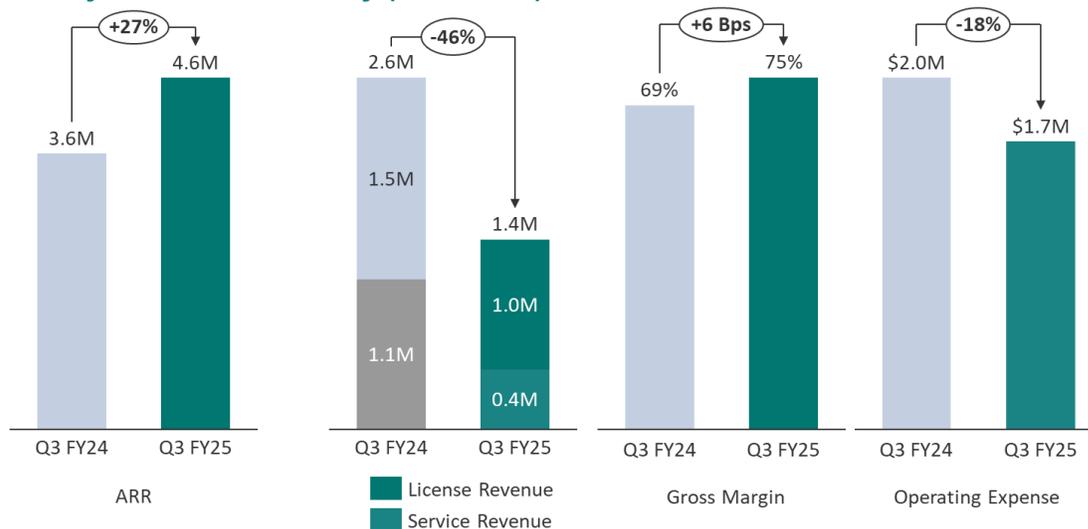
archTIS Limited (ASX:AR9, OTCQB:ARHLF, archTIS or the Company), a global provider of data-centric software solutions for the secure collaboration of sensitive information, is pleased to provide an update on its Quarterly Activities Report and Appendix 4C Cash Flow Report for the quarter ended 31 March 2025 (**Reporting Period** or **Prior Quarter (PQ)** or **Prior Corresponding Period (PCP)**).

Highlights

- Annual recurring revenue (ARR) of \$4.6M, up 27% on PCP.
- Revenue of \$1.4M includes:
 - Licensing \$1.0M
 - Services \$0.4M
- Gross margin increased to 75% - up 6 basis points (Bps) on PCP.
- Operating expenses decrease to \$1.7M, an 18% reduction on PCP.
- Cash outflow from operating activities of (\$0.5M) with \$4.4M total funding available at quarter-end. An additional \$2.0M in receipts from customers recognised post-quarter close.
- Completed the asset acquisition of Direktiv.
- Customer wins included the company's first sale to Japan for the recently released TDI platform, which integrated technology from the Direktiv acquisition.

Daniel Lai, Managing Director and CEO of archTIS, stated, "Despite seasonal headwinds from the Australian holiday period, election activity and ongoing global uncertainty, archTIS delivered growth in annual recurring revenue, strong gross margins, and continued reductions in operating expenses—all while maintaining a solid cash position. A key quarter highlight was the completion of the Direktiv acquisition and the rapid commercial validation through a subsequent sale to a Japanese partner, which incorporated Direktiv's technology. We believe this acquisition meaningfully strengthens archTIS' competitive positioning and lays the foundation for long-term shareholder value through enhanced capabilities, expanded global reach, and deeper customer engagement."

Quarterly Financial Summary (unaudited)



archTIS delivered continued growth in its higher-margin recurring revenue base, with ARR reaching \$4.6M, a 27% increase year-over-year and 14% growth over the prior quarter. This reflects sustained momentum in new customer acquisition, expansion and retention.

Gross margin remained robust at 75%, underpinned by the Company’s deliberate shift away from lower-margin third-party software and services revenue towards proprietary, high-value solutions.

Total revenue for the quarter was \$1.4M, comprising \$1.0M in licensing and \$0.4M in services. The year-over-year revenue decline reflects the Company’s strategic repositioning of archTIS branded offerings and reducing business development efforts associated with non-core third-party software and lower-margin services. It’s worth noting that Q3 FY24 included a large proof-of-concept engagement with significant non-core third-party licensing and services revenue.

Operating expenses remained steady at \$1.7M, marking an 18% reduction compared to the prior corresponding period. This reflects archTIS’ disciplined cost management and ongoing focus on cash efficiency, positioning the business to scale profitably.

The Company closed the quarter with a strong financial position, including \$2.6M in cash and \$4.4M in total available funds, providing ample runway to support ongoing growth initiatives.

Continued Customer Wins and Expansions

During the quarter, archTIS continued to expand its global footprint and deepen penetration across key verticals, including defence, manufacturing, higher education, and legal services. Notable customer wins include:

- **First Sale in Japan:** A Japanese-based customer licensed the Trusted Data Integration (TDI) platform for AUD \$390,000 annually, marking the first TDI deal post-integration with the acquired Direktiv technology and archTIS' entry into the Japanese market. This transaction was sourced through Microsoft's Defence and Intelligence team, underscoring the strength of our strategic partnerships.
- **Australian Department of Defence:** Post-quarter, Defence renewed and expanded its commitment to Kojensi, signing a sole-source contract valued at AUD \$1,312,974. The renewal includes a 75% increase in user licenses, highlighting Kojensi's critical role in secure information sharing within the department. In addition, Defence signed a \$410,741 services contract.
- **Global Science Manufacturer (USA):** A US-based multinational company in the materials science sector renewed NC Protect to safeguard sensitive research data across their SharePoint SE environments.
- **Australian Research University:** An Australian public university adopted Kojensi SaaS to enable secure collaboration on protected information between Defence and academic researchers.
- **South Korean Aerospace & Defence Firm:** A major South Korean defence and aerospace company licensed Kojensi SaaS for three years, to enable secure cross-industry collaboration.
- **Leading US Law Firm:** A prominent US-based law firm renewed and expanded its licenses for NC Protect to apply dynamic watermarking to sensitive legal documents, helping deter unauthorised distribution and enhance regulatory compliance.

These customer wins reflect growing global demand for archTIS' zero trust, data-centric security solutions and the Company's ability to convert strategic partnerships and acquisitions into commercial outcomes.

Completion of Direktiv Asset Purchase

The Company successfully completed the acquisition of Direktiv's technology assets, personnel, and customer relationships. This strategic transaction strengthens archTIS' zero trust security portfolio through the integration of Direktiv's event-driven orchestration and attribute-based access control (ABAC) platform. The acquisition also accelerates innovation by bringing together highly skilled development teams across Europe and Australia to support the ongoing expansion of archTIS' data and infrastructure security solutions. In addition, the transaction unlocks meaningful cross-sell opportunities, delivering enhanced value to an expanded customer base. Clients from both companies will benefit from a broader, more integrated suite of capabilities that drive stronger functionality and deeper protection across sensitive data environments.

Kurt A. Mueffelman, Global COO and US President of archTIS, stated, "Amid a turbulent quarter for global markets, archTIS delivered a solid financial performance, which included a record-level of ARR being achieved. We are witnessing growing momentum and heightened interest in our zero-trust, data-centric security solutions, particularly for the scanning, tagging, enforcement, and governance of sensitive information. While sales did not reach our desired levels, the surge in engagement serves as a strong leading indicator of increased sales commitments and a growing pipeline, especially within the global defence and defence industrial sectors."

Investor Updates

archTIS will host a quarterly results webinar on Wednesday, 30 April 2025 at 11:00am AEDT (Sydney/Melbourne), 9:00am AWST (Perth), 29 April 2025 at 9:00pm EDT (New York) to update the market on the quarterly results.

Register at:

https://us02web.zoom.us/webinar/register/WN_LCvDBkqwQKWy-dX-UDbXag#/registration

Authorised for issue by order of the Board of Directors.

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For further enquiries please contact:

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archTIS Interactive Investor Hub

<https://investors.archtis.com/>

The archTIS Investor Hub is an online portal for investors to read and interact with our announcements and updates. Investors can ask questions and add comments, which our team will respond to where possible.

About archTIS Limited

archTIS Limited (ASX:AR9, OTCQB:ARHLF) is a global provider of innovative software solutions for the secure collaboration of sensitive information. The company's award-winning data-centric information security solutions protect the world's most sensitive content in government, defence, supply chain, enterprises and regulated industries through attribute-based access and control (ABAC) policies. archTIS products include archTIS Trusted Data Integration to simplify the complexity of structured data integration and security at scale; Kojensi, a multi-government certified platform for the secure access, sharing and

collaboration of sensitive and classified information; and NC Protect for enhanced information protection for file access and sharing, messaging and emailing of sensitive and classified content across Microsoft 365 apps, SharePoint on-premises, Nutanix Files and Windows file shares. For more information visit [architIS.com](https://www.archtis.com) or follow @arch_tis.

Appendix 4C

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

Name of entity

archTIS Limited

ABN

79 1230 986 71

Quarter ended ("current quarter")

March 2025

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,174	6,033
1.2 Payments for		
a. research and development	-	-
b. product manufacturing and operating costs	(276)	(809)
c. advertising and marketing	(55)	(136)
d. leased assets	(59)	(174)
e. staff costs	(1,076)	(3,497)
f. administration and corporate costs	(242)	(1,922)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	46
1.5 Interest and other costs of finance paid	(22)	(74)
1.6 Income taxes paid	(3)	(42)
1.7 Government grants and tax incentives	-	1,893
1.8 Other (GST)	-	-
1.9 Net cash from / (used in) operating activities	(548)	1,319

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	a. entities	-	-
	b. businesses	(478)	(478)
	c. property, plant and equipment	-	-
	d. investments	-	-
	e. intellectual property	(602)	(2,189)
	f. other non-current assets	-	-
2.2	Proceeds from disposal of:		
	a. entities	-	-
	b. businesses	-	-
	c. property, plant and equipment	2	-
	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	Payments to settle liabilities on settlement including transaction costs	-	-
2.6	Net cash from / (used in) investing activities	(1,078)	(2,667)

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	1,856	1,856
3.6	Repayment of borrowings	-	(857)
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	1,856	999

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,331	2,916
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(548)	1,319
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,078)	(2,667)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,856	999
4.5	Effect of movement in exchange rates on cash held	(1)	(6)
4.6	Cash and cash equivalents at end of period	2,562	2,562

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	2,562	2,331
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)	2,562	2,331
6.	Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1		128
6.2	Aggregate amount of payments to related parties and their associates included in item 2		-

Note: Amounts included at item 6.1 relate to payments to directors of the Board.

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
3,500	2,000
330	0
-	-
3,830	2,000

7.5 **Unused financing facilities available at quarter end** 1,830

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.

Secured fixed and floating Market Rate Loan Facility One of \$2M with Commonwealth Bank of Australia. BBSY plus margin of 3.81%. Matures on 1 Dec 2025. Secured fixed and floating Market Rate Loan Facility of \$1.5M with Commonwealth Bank of Australia BBSY plus margin of 4.08%. Matures on 1 Dec 2025.
Unsecured corporate credit card facility of \$50,000 (annual interest rate 17.99%) with Commonwealth Bank. Unsecured corporate credit card facility of \$280,000 with American Express (3% fee on unpaid balances).

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(548)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,562
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,830
8.4	Total available funding (Item 8.2 + Item 8.3)	4,392
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8.02

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 April 2025

Authorised by: 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 – e.g. 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.