



Intelligent Information Exchange

ASX ANNOUNCEMENT
28 October 2019

Identitii Quarterly Activities Report and Appendix 4C for the period ending 30 September 2019

Highlights

- Cash receipts from customers of \$0.177 million, reflecting 17% growth on the previous quarter (Q4 FY19 \$0.151 million)
- New licence agreement with HSBC Australia for its Overlay+ platform, signalling the commercialisation of a new use case
- ACCC selected Identitii to test the new open banking regime, potentially positioning it to become one of the first companies to access open banking data in Australia from February 2020
- Loot technology to enhance user interface and accelerate Identitii's medium sized bank offering
- \$1.206 million cash received from the Federal Government for the R&D tax incentive
- \$3.133 million cash in the bank with a strong pipeline of new and well advanced prospective customers

[Identitii Limited \(Identitii, Company\)](#) (ASX:ID8), the FinTech reducing last mile payment hold ups for banks and corporates, releases its Appendix 4C for the three months to 30 September 2019 and provides an update on its progress during the period.

Commenting on the quarter, Identitii CEO, Nick Armstrong said:

"Expanding our relationship with global tier one banking customer, HSBC, is a big win for the team and one that we are already building on through our business development efforts. Being selected by the ACCC to test the new open banking ecosystem was another very exciting opportunity, giving us the potential to become one of the first companies to access open banking in Australia when the regime goes live in February 2020."

"Sibos was a great platform to showcase Overlay+ to our target customers and we were very happy with the level of interest and feedback it received. With interest in Overlay+ continually building, we

Identitii Limited

ABN 83 603 107 044
129 Cathedral St, Woolloomooloo, NSW 2011, Australia
www.identitii.com
info@identitii.com



are more confident than ever we have the right offering and will continue to advance discussions with well advanced prospective customers.”

Operational Progress

Second Licence with HSBC

Marking a significant milestone, in August 2019 Identitii signed a new five-year licence to provide its Overlay+ platform to HSBC Bank Australia. The new licence represents the second licence agreement for Identitii’s technology under its existing Global Framework Agreement with HSBC and the commercialisation of a new use case for Overlay+ technology. It is also aligned with the Company’s growth strategy.

The new licence will generate material revenue for Identitii through a combination of professional service fees for upfront technology implementation work and an ongoing monthly licence fee. Identitii is progressing the implementation work which is on track to be completed in Q2 2020. Overlay+ is expected to go live with HSBC Australia thereafter.

The Overlay+ platform enables peer-to-peer communication of any type of data or documents between parties and to regulators. It facilitates the secure sharing of structured or unstructured settlement data along with clearing, remittance and regulatory reporting information, creating a permissioned audit trail of activity for each transaction.

ACCC Selects Identitii to Test Open Banking Ecosystem

During the quarter, Identitii was selected by the Australian Competition and Consumer Commission (ACCC) as one of just ten companies to test the Consumer Data Right ecosystem that will enable Australia’s incoming open banking regime when it goes live in February 2020. Other companies selected include financial software company, Intuit and Australian neobank 86 400.

Participation in the testing group enables Identitii to apply for accreditation to access open banking data when the regime is launched. Identitii intends to apply for accreditation to become one of the first companies to access open banking data in Australia.

Through the open Application Programming Interfaces (APIs) of open banking, Identitii plans to capture more of the enriched information that enables banks and corporates to release the estimated US\$9 trillion locked up on corporate balance sheets because of missing payment information¹. This would create an open banking ecosystem powered by Overlay+.

Open banking allows an individual or business to request an institution holding certain data about their use of its services, to make that data available to a third party. It is designed to provide greater transparency to consumers and businesses, making it easier for them to switch products.

New Technology from Loot

In July 2019, Identitii signed a non-exclusive perpetual licence agreement with, Loot Financial Services Limited. The licence allows Identitii to use Loot’s fully developed user facing mobile and web applications for a cash consideration of £35,000 (\$62,150), with no ongoing financial or non-financial commitments.

¹<https://blog.tradeshift.com/the-9-trillion-dollar-question-why-is-so-much-liquidity-locked-up-in-the-supply-chain/>
Identitii Limited

The new licence brings significant time and cost savings to Identitii for the development of the white-labelled mobile and web apps, and significantly accelerates the Company's offering for medium sized banks.

The mobile and web applications have now commenced integration into Identitii's Overlay+ platform, enabling SMEs and corporates to interact with Overlay+ via a customisable user interface. As white-labelled applications, the mobile and web applications will form a core part of Identitii's offering for medium sized banks by including a customisable user experience for the bank, with minimal time and cost outlay.

Industry Marketing

Following the close of the period, Identitii showcased its Overlay+ tokenisation technology at Sibos 2019 in London, the financial industry's leading annual conference organised by SWIFT. Sibos brings together more than 8,000 business leaders, decision makers and topic experts from a range of financial institutions, market infrastructures, multinational corporations and technology partners.

Identitii's CEO, Chairman and senior management representatives met with many new and existing business contacts to advance customer discussions and highlight Overlay+'s multiple use cases, including Reporting, Order2Cash and in particular ISO20022 migration which was a key discussion point at Sibos this year. Identitii received significant inbound interest from new and identified prospective customers for our ISO20022 solution.

Corporate & Financial Summary

Board Changes

Following the close of the period, non-executive director Martin Rogers did not seek re-election for his role on the Board at the Company's Annual General Meeting (AGM) on 8 October 2019. Identitii would like to thank him for his efforts and contribution to the Company over the years, particularly through the Company's IPO in 2018.

The Company has commenced the process of selecting a replacement non-executive director and will update the market in due course.

Personnel Changes

During the quarter, Identitii grew its Sydney team with two new senior appointments focused on client engagement and product development. In addition, Mark Garvie stepped down from his role as Chief Commercial Officer based in Hong Kong. Mark joined Identitii in August 2018 and played an important role in broadening awareness of Identitii in the Asia Pacific region. The Company would like to thank him for the skills and energy he brought to the sales team and wish him the best for his future endeavours. Our Hong Kong office continues to service our existing client **with** support from our sales team in Sydney.

\$1.2m R&D Tax Incentive

In September 2019, Identitii received a \$1.206 million incentive payment in cash from the Australian Federal Government's research and development (R&D) tax incentive. The incentive payment was provided in respect of expenditure incurred on eligible research and development activities conducted in Australia in FY2019 and related mainly to the enhancement development of the Company's Overlay+ platform.

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The funds will be used to support the ongoing and planned development of Identitii's Overlay+ tokenisation technology.

Cash flow & Cash Balance

Cash receipts from customers were \$0.177 million during the quarter, compared to \$0.151 million in the prior quarter. The growth of 17% in cash receipts is due to the continuation of recurring licence fees from HSBC and some additional revenue from proof-of-value exercises conducted.

Revenue from customisation work grew as the Company continued its work with HSBC to facilitate the geographical rollout of HSBC's DART in new territories in Asia and commenced implementation work with HSBC Australia, under its new agreement. Licence fees remained stable for the period and are expected to increase as Overlay+ goes live with HSBC Australia.

Cash outflows from operating activities increased on the previous quarter to \$2.315 million (Q4 FY19 \$1.935 million). The increase was mainly due to the timing of compliance costs and increased marketing relating to SWIFT's conference Sibos 2019, which is the major annual business development opportunity for the Company. These one-off costs will not be repeated in the next quarter and we expect costs to be similar to Q4 FY19, noting that the Company continues to earn revenue from existing agreements with clients.

Net cash flows from operating activities were lower in comparison to the previous quarter, at \$0.920 million (Q4 FY19 \$1.74 million). Total estimated cash outflows were \$0.217 million lower than previously budgeted for this quarter mainly due to lower actual staff and marketing cost.

The Company remains debt free and held \$3.133 million in cash as at 30 September 2019 which includes the receipt of a \$1.206 million R&D incentive payment from the Federal Government. This is in line with the expected use of funds outlined in the Prospectus.

For more information, please contact:

Media enquiries:

Clare Rhodes
Chief Marketing Officer
E: clare@identitii.com
P: +61 466 281 000

Investor enquiries:

Catherine Strong
Citadel-MAGNUS
E: cstrong@citadelmagnus.com
P: +61 406 759 268

About Identitii

Identitii Limited (ASX:ID8) is using blockchain and tokenisation to connect banks and businesses with the data they need to process, reconcile and report on payments, reducing last mile hold ups. Founded in 2014 and headquartered in Sydney, Australia, Identitii is listed on the Australian Securities Exchange (ASX:ID8).

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Appendix 4C

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

Identitii Limited

ABN

83 603 107 044

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter A\$	Year to date (3 months) A\$
1. Cash flows from operating activities		
1.1 Receipts from customers	176,864	176,864
1.2 Payments for		
(a) research and development	(722,466)	(722,466)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(141,135)	(141,135)
(d) leased assets	(16,002)	(16,002)
(e) staff costs	(750,942)	(750,942)
(f) administration and corporate costs	(682,405)	(682,405)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11,875	11,875
1.5 Interest and other costs of finance paid	(1,965)	(1,965)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,205,915	1,205,915
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(920,261)	(920,261)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7,235)	(7,235)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter A\$	Year to date (3 months) A\$
(d) intellectual property	(62,112)	(62,112)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	1,840	1,840
(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	(67,507)	(67,507)

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	4,120,380	4,120,380
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(920,261)	(920,261)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(67,507)	(67,507)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter A\$	Year to date (3 months) A\$
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of quarter	3,132,611	3,132,611

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\$	Previous quarter A\$
5.1	Bank balances	3,058,766	1,102,988
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits)	73,845	3,017,392
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,132,611	4,120,380

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\$**

98,800

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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\$**

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

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9. Estimated cash outflows for next quarter	A\$
9.1 Research and development	(679,178)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(67,470)
9.4 Leased assets	(38,850)
9.5 Staff costs	(834,233)
9.6 Administration and corporate costs	(530,936)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(2,150,667)

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.

Sign here:


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Chief Executive Officer

Date: 28 October 2019

Print name: Nicholas Armstrong

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.