



identitii Ltd. **PROSPECTUS**

Initial public offer of shares

22 August 2018
ABN 83 603 107 044

KTMCAPITAL

JOINT LEAD MANAGER AND UNDERWRITER

CANACCORDGenuity

JOINT LEAD MANAGER

IMPORTANT NOTICES

OFFER

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (**Shares**) in identitii Limited (ABN 83 603 107 044) (**Company**). This Prospectus is issued by the Company.

LODGEMENT AND LISTING

This Prospectus is dated Wednesday, 22 August 2018 (**Prospectus Date**) and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. It replaces the original prospectus issued by the Company dated 8 August 2018 and lodged with ASIC on that date.

identitii has applied to ASX Limited (**ASX**) for admission of the Company to the official list of ASX and quotation of its Shares on ASX. None of ASIC, ASX or their officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

EXPIRY DATE

No Shares will be issued or sold on the basis of this Prospectus after its expiry date, being the date 13 months after the Prospectus Date.

NOTE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company or the repayment of capital or any return on investment made pursuant to this Prospectus.

NO OFFERING WHERE OFFERING WOULD BE ILLEGAL

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has been prepared for publication in Australia and may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. The Offer is not being extended to any investor outside Australia. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia, please refer to Section 7.7.

FINANCIAL INFORMATION PRESENTATION

Section 4 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 4.2.

All references to FY16, FY17 and FY18 appearing in this Prospectus are to the financial years ended or ending 30 June 2016, 30 June 2017 and 30 June 2018 respectively, unless otherwise indicated. All references to 1H17 and 1H18 are to the half years ended 31 December 2016 and 31 December 2017 respectively. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest \$100,000 unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

FORWARD-LOOKING STATEMENTS

Any forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its Directors and management. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, the discussion of the Pro Forma Historical Financial Information in Section 4, risk factors as set out in Section 5 and other information in this Prospectus.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in the Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. The Company has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law.

DISCLAIMER

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

The Company, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

This disclaimer does not purport to disclaim any warranties or liability which cannot be disclaimed by law.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications in the seven day period after the date of Prospectus lodgement (**Exposure Period**). The Exposure Period of the original prospectus was extended by ASIC for a further period of seven (7) days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to raising of funds under the Offer. Any Applications received during the Exposure Period will not be processed until after the end of that period. No preference will be conferred on Applications received during the Exposure Period.

OBTAINING A COPY OF THIS PROSPECTUS

A paper copy of the Prospectus is available free of charge to any person in Australia by calling the Identitii Offer Information Line on 02 9235 9940 (within Australia) or +61 2 9235 9940 (outside Australia) from 9.00am until 5.00pm (AEST) Monday to Friday during the Offer Period.

This Prospectus is also available to Australian resident investors in electronic form at the Offer website, www.identitii.com. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia. It is not available to persons in other jurisdictions (including the United States). Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications for Shares may only be made on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.identitii.com. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

COMPANY WEBSITE

Any references to documents included on the Company's website at www.identitii.com are for convenience only and none of the documents or other information available on the Company's website is incorporated herein by reference.

DEFINED TERMS AND ABBREVIATIONS

Defined terms and abbreviations used in this Prospectus are explained in Section 12. Unless otherwise stated or implied, references to times in this Prospectus are to AEST.

PRIVACY

By completing an Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Company's public register. The information must continue to be included in the Company's public register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed. The Company and the Share Registry may disclose your personal information for purposes related to your

investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- the Share Registry for ongoing administration of the Shareholder register;
- the Joint Lead Managers in order to assess your Application;
- Printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry or the Company. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

REPLACEMENT PROSPECTUS

This Prospectus is a replacement prospectus and makes changes to the original prospectus dated 8 August 2018. The material changes made to the original prospectus were:

- including additional information in the Company's "Key Offer Statistics" table;
- including a summary of the effect of the Offer on the capital structure of the Company in the Investment Overview in Section 1 and the terms of the Options in Sections 1 and 10;
- including additional information to clarify the allocation of funds raised under the Offer from the issue of Offer Shares by the Company in Sections 1 and 7;
- including additional information on the Company's intangible assets in Sections 1 and 2;
- including additional information relating to the costs of the Offer in Section 1;
- including additional information relating to the R&DTI refund and debt facility in Sections 1, 2 and 10;
- including additional information on the Company's Board of Directors in Sections 1 and 6;
- including additional information on how Serra is currently used in Section 1;
- various consequential changes required to reflect the matters referred to above; and
- various immaterial changes of a typographical nature.

This document is important and should be read in its entirety.

KEY OFFER INFORMATION

KEY OFFER INFORMATION

KEY DATES

Date of lodgement of original prospectus	Wednesday, 8 August 2018
Prospectus date	Wednesday, 22 August 2018
Opening Date for Applications (9.00am)	Wednesday, 5 September 2018
Closing Date for Applications (5.00pm)	Wednesday, 12 September 2018
Issue and allotment of Shares	Monday, 17 September 2018
Expected dispatch of holding statements	Tuesday, 18 September 2018
Expected date of quotation of Shares on the ASX	Wednesday, 19 September 2018

Note: These dates are indicative only and may change. The Company reserves the right to amend any and all of the above dates without notice to you including (subject to the ASX Listing Rules and the Corporations Act), to close the Offer early, to extend the Offer, to accept late Applications, either generally or in particular cases, or to withdraw the Offer before settlement. If the Offer is withdrawn before the issue of the Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

KEY OFFER STATISTICS

Existing Shares on issue	39,852,133
Total number of Shares available under the Offer	14,666,666
Total number of Shares on issue on Completion of the Offer	54,518,799 ¹
Offer Price per Share	\$0.75 per Share
Existing Options	4,885,918 ²
Equity Incentive Plan Options	5,300,000 ³
Fully diluted capital	64,704,717 ⁴
Gross proceeds from the Offer	\$11 million
Indicative Market Capitalisation at Offer Price	\$41 million ⁵
Expected free float at Completion	50.85% ⁶

The above tables are intended as a summary only. More detailed financial information is set out in Section 4.

1. Excludes any Options that may be exercised. At the Listing Date, identitii may have granted up to 10,185,918 Options, representing approximately 16% of the fully diluted capital of the Company. For more detail on the granted Options see Section 10.4.
2. 4,485,918 Options have vested as at the date of this Prospectus each with an exercise price of \$0.63099 and an expiry date of 28 August 2018. In addition, 400,000 Options have been issued to Michael Aston (100,000 of which have vested) with an exercise price at the Offer Price and which expire on 1 July 2028. For more detail of the issued options see Section 10.4.
3. This includes 1,350,000 Options granted to Nicholas Armstrong under the Equity Incentive Plan and assumes that identitii grants an additional 3,950,000 Options under the Equity Incentive Plan by the Listing Date. The Options granted to Nicholas Armstrong expire on 1 August 2028, vest in equal monthly instalments over 36 months and have an exercise price at the Offer Price. identitii is also proposing to grant up to 3,950,000 additional Options to its employees under the Equity Incentive Plan at the Offer Price on terms to be decided by the Board, by the Listing Date. For more detail on the Equity Incentive Plan, including the terms on which an award under the plan may be issued, see Section 6.3.4.
4. This is calculated as the aggregate of the total number of Shares on Completion of the Offer and the number of Shares issued on exercise and conversion of the Options and Equity Incentive Plan Options (assuming the applicable conditions have been satisfied and the applicable exercise price has been paid). For more detail on the Options see Section 10.4.
5. Equal to the total number of shares on issue on completion of the Offer multiplied by the Offer Price.
6. Free float is calculated as the percentage of Shares after Completion that are not subject to voluntary or mandatory escrow (see Section 7.6) nor held by affiliated Shareholders of identitii.

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identitii Ltd.

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CHAIRMAN'S LETTER

Dear Investor,

identitii is an emerging Australian software company providing enterprise software for financial services and banking institutions. Established in 2014, identitii has developed its own proprietary product called Serra, an application that enables the secure and trusted exchange of information (such as "Know Your Transaction" information) over financial networks, powered by a secure private blockchain. identitii developed Serra through a two and a half year in-house research and development program and has a long term product roadmap for additional features or 'add-ons'.

Increased reporting requirements around terrorist financing, politically exposed persons and anti-money laundering, are placing increased pressure on financial institutions to get more "Know Your Transaction" information from their customers. Often, the process for capturing and exchanging this information is highly manual and limited by legacy systems.

With Serra, identitii has taken the approach of utilising the benefits of blockchain and tokenisation to complement the established payment networks such as SWIFT, the international messaging network that facilitates the exchange of funds between correspondent banks. Serra aims at mitigating the shortcomings of these existing networks, primarily the way by which they share information, rather than trying to replace them, which is attractive to an industry that is risk averse when it comes to mission critical systems.

In an industry which deals with the transfer of large sums of money on a daily basis, banks are understandably sensitive about new, unproven and, as yet, untrusted international wire solutions. New entrants are faced with years in proof-of-concepts and pilots to achieve industry acceptance via an established customer. Indeed, in the highly competitive FinTech market, this lengthy and stringent compliance runway is a high barrier-to-entry for many prospective solutions and a disincentive for banks to change such accepted solutions.

This Prospectus has been issued by the Company for a public offering of 14,666,666 Shares at an issue price of \$0.75 each to raise gross proceeds of \$11 million.

This Prospectus contains detailed information about identitii, its core product, the industry in which identitii operates and its financial and operating performance; together with a statement of the risks associated with investing in identitii.

I encourage you to read this Prospectus carefully and in its entirety before making your investment decision. The types of risks that may result in possible loss of capital and may apply to an investment in the Company, include but are not limited to sufficiency of funding, competition, product disruption, business strategy risk, customer dependence, reduced demand, regulatory risk and inability to retain key staff. Accordingly, an investment in the Company must be considered speculative.

The funds raised will assist with ongoing development and commercialisation, appointing resources in business development, marketing, account management and professional services in key Asia-Pacific markets, costs of the Offer, corporate overheads and working capital.

On behalf of my fellow directors, I look forward to welcoming you as a Shareholder of the Company.

Yours sincerely,



Michael P Aston
Non-Executive Chairman

1.

INVESTMENT OVERVIEW



identitii Ltd.

1. INVESTMENT OVERVIEW

1.1 INTRODUCTION

Topic	Summary	For more information
Who is identitii?	<p>identitii is an Australian financial technology (FinTech) company, based in Sydney, NSW, that provides enterprise software products and services for the financial services industry.</p> <p>identitii's software can be installed on the premises of customers or in their cloud service, and regular updates are provided from time to time. Customisation services are provided based on customer requirements.</p> <p>identitii's objective is to continue to commercialise its product, Serra, in the financial services industry and to build a global information network for financial institutions using Serra, to enable the secure, trusted and auditable exchange of detailed information over any financial network.</p>	Section 2
What is identitii's business strategy and how does it generate revenue?	<p>identitii's objective is to continue to commercialise its product, Serra, and to generate revenue in two ways:</p> <ol style="list-style-type: none">1. Licensing: identitii's software is available under licence to a financial institution, either under a term licence (e.g. three years) or a perpetual licence. The licence fee includes ongoing releases, bug fixes, support and maintenance. There is also a volume-based component to identitii's pricing model.2. Supply of professional services: identitii provides consulting services relating to the customisation, installation, training and business case preparation of its software. This is charged on a time and materials basis and is typically one-off. <p>identitii's major costs relate to corporate operating expenses, product development, and research & development.</p>	Section 2

Topic	Summary	For more information
What is identitii's product offering and who are identitii's target customers?	<p>identitii's commercialised product is called Serra. Serra is an application that uses blockchain technology to enable the collection and sharing of "Know Your Transaction" information for the financial services industry, with a particular focus on international wire transfers. identitii's target customers are all types of financial institutions, however there are three main categories, being:</p> <ul style="list-style-type: none"> banks with more than \$40 billion in total banking assets (includes Tier 1 banks); banks with total banking assets between \$40 billion and \$500 million; and banks with less than \$500 million in total banking assets, non-bank financial institutions, money transfer businesses and FinTech companies. <p>Serra was formally launched at the 2017 Finovate conference in September 2017.</p>	Section 2
What market does identitii compete in?	<p>identitii operates within the FinTech sector of the financial services industry. The rapid growth in FinTech has transformed the industry and has had significant implications on financial institutions and their needs.</p> <p>identitii's addressable markets are banks and non-bank financial institutions located throughout the world. Currently, identitii's geographical focus is Asia-Pacific.</p>	Section 3
What are the current drivers of competition in this market?	<p>identitii's competitors are predominantly other technology companies and emerging financial networks that provide rich information exchange capabilities.</p> <p>Key drivers of both competition and market share between such providers mainly centre around:</p> <ul style="list-style-type: none"> ability to establish or leverage a network of institutions for information exchange; use of technology to ensure privacy and regulatory compliance; and cost. <p>A more detailed competitor analysis is included in Section 3.4.</p>	Section 3
How is Serra currently used?	<p>identitii has developed and deployed an in-house version of distributed ledger database technology for Serra that provides similar features and benefits of blockchain. Given that blockchain technology is relatively new, identitii's existing customer is in the process of seeking internal approval of blockchain technology within their infrastructure. Accordingly, Serra is currently deployed using a traditional database instead of using blockchain and is configured to enable the customer to move to blockchain in the future once internal approval has been obtained.</p> <p>For further information on Serra, see Sections 2.3.2 and 2.3.4.</p>	Section 2

Topic	Summary	For more information												
How does identitii intend to attract new customers?	<p>identitii utilises and will use a combination of methods to attract customers:</p> <table><tr><th>Channel</th><th>Description</th></tr><tr><td>Direct sales</td><td>The company manages the entire sales process without partner support. Direct sales with large financial institutions can have a long lead-to-close cycle (6 to 12 months).</td></tr><tr><td>Marketplace offerings</td><td>The company provides licenses through an online marketplaces (for example, Microsoft Azure Marketplace). This channel can be more attractive to smaller banks and non-bank financial institutions.</td></tr><tr><td>System integrators</td><td>A system integrator (a specialist IT consulting firm that provides installation services and support services) would approach identitii with a specific customer requirement they have identified and a joint proposal would be made.</td></tr><tr><td>Value added resellers</td><td>The Company's technology can be embedded into another product offering, or white-labelled as a value-added resale.</td></tr><tr><td>Consulting partners</td><td>Consulting firms provide consulting and professional services around the implementation and training of the company's technology.</td></tr></table>	Channel	Description	Direct sales	The company manages the entire sales process without partner support. Direct sales with large financial institutions can have a long lead-to-close cycle (6 to 12 months).	Marketplace offerings	The company provides licenses through an online marketplaces (for example, Microsoft Azure Marketplace). This channel can be more attractive to smaller banks and non-bank financial institutions.	System integrators	A system integrator (a specialist IT consulting firm that provides installation services and support services) would approach identitii with a specific customer requirement they have identified and a joint proposal would be made.	Value added resellers	The Company's technology can be embedded into another product offering, or white-labelled as a value-added resale.	Consulting partners	Consulting firms provide consulting and professional services around the implementation and training of the company's technology.	Section 2
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Consulting partners	Consulting firms provide consulting and professional services around the implementation and training of the company's technology.													
What are identitii's intangible assets and how does it protect its intellectual property?	<p>identitii's key intellectual property includes the source code of products developed by the Company and the processes and technology involved in delivering those products to market.</p> <p>In addition to any protection provided by potential patents, identitii protects its intellectual property through a combination of copyright protections, staff agreements and confidentiality agreements with customers and partners.</p> <p>Importantly, investors should note that identitii's main product, Serra, uses a selection of open source technologies and that identitii does not own this intellectual property. In particular, the blockchain technology that identitii currently uses is open source technology and it is not envisaged that identitii will develop its own blockchain technology.</p> <p>For further information on identitii's patent application, see Section 2.9.4.</p>	Section 2												

1.2 KEY STRENGTHS AND OPPORTUNITIES

Topic	Summary	For more information
Large Addressable Market	identitii's addressable markets are banks and non-bank financial institutions located throughout the world. Currently, identitii's geographical focus is Asia-Pacific. There are approximately 750 financial institutions that are potential customers for identitii in Asia-Pacific.	Section 3
High barriers to entry	<p>There are high barriers to entry given the substantial time investment required for software providers to navigate the approvals and procurement processes of large financial institutions and the complexity of regulations in the financial services industry.</p> <p>There is a high demand for team members who are experienced in software development and blockchain technology, which puts identitii in a favourable position given identitii already has an experienced and respected team.</p>	Section 3
Modern software code	identitii uses modern software languages and industry best practices, which is a competitive advantage as the code base requires less maintenance, and provides the benefit of technological advances versus older coding languages.	Section 2
High quality, experienced board and management team	The board and management team has cross-functional expertise from legal, management consulting, fund raising, scaling businesses, enterprise software, sales and marketing, and finance. This positions identitii well for growth.	Section 6
Patents pending in key geographies	identitii has applied for patent protection in key target geographies. The patent applications if granted will provide additional intellectual property protection to identitii.	Section 2
Subject to effect of network of institutions	<p>identitii's objective is to commercialise software in the financial services industry and to build a global information network for financial institutions using Serra, to enable the secure, trusted and auditable exchange of detailed information over any financial network.</p> <p>As more financial institutions join the network, it becomes easier to attract new customers.</p>	Section 3
Multiple channels to market	identitii uses a combination of channels to market which provides diversification. This reduces the risk of one channel developing slower than expected, affecting the revenue of the Company.	Section 2

Topic	Summary	For more information
Ongoing revenue streams	There are ongoing licence, support and maintenance charges that identitii could receive from potential customers.	Section 2
Tier 1 bank customer	identitii is currently contracted to HSBC, who has deployed the software in India. This gives reputational benefit when speaking with other potential customers due to the due diligence requirements typically required to supply services to a Tier 1 bank. The agreement allows the customer to deploy the software in other geographic regions. The agreement is for a three-year term (subject to termination without cause). Applicants should, however, note the risks with identitii's dependence on a key customer (see Sections 1.3 and 5) and refer to Section 10.5.1 for the terms of the agreement with HSBC.	Section 2

1.3 KEY RISKS

Topic	Summary	For more information
Sufficiency of funding	<p>At the date of this Prospectus, identitii is not cash flow positive, meaning identitii is reliant on raising funds from investors in order to continue its operations. Although the Directors consider that identitii will, on completion of the Offer, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can be met without further funding. The Directors can give no assurance that future funds can be raised by identitii on favourable terms, if at all.</p> <p>identitii has limited financial resources and may need to raise additional funds from time to time to finance the complete development and commercialisation of its products and services and meet its other longer term objectives. identitii may never achieve profitability and its ability to raise additional funds will be subject to, among other things, factors beyond the control of identitii and its Directors, including cyclical factors affecting the economy and the share markets generally.</p>	Section 5
Failure to attract new customers	<p>identitii may fail to attract new customers for a number of reasons, such as the failure to meet customer expectations or requirements, poor customer service, pricing or competition. identitii's ability to retain and renew existing contracts and win new contracts may also be impacted by broader external factors including a slowdown in economic activity, changes to law or changes to regulation. If identitii fails to retain its existing customer, attract further business from that existing customer and attract new customers, identitii's future operating and financial performance may be adversely affected and its reputation may be damaged.</p>	Section 5
Dependence on key customer	<p>identitii is dependent on its ability to retain its existing customer, HSBC. A majority of identitii's business has historically been and is currently carried out under contract to a single customer. Changes in spending levels or in identitii's standing with that customer would affect its financial and operating performance.</p> <p>identitii derives all of its customer revenue as at the date of this Prospectus from this contract and it may be terminated at any time without cause, delayed or incur unforeseen costs in performance which may not be recoverable.</p>	Section 5

Topic	Summary	For more information
Competition	<p>The business of providing enterprise software for the financial services industry in order to solve challenges for international wire transfers is highly competitive and includes companies with significantly greater financial, technical, human, research and development and marketing resources than identitii.</p> <p>There is also currently significant interest in adopting blockchain technology for this purpose including among banks, financial intermediaries, financial technology start-ups and others. identitii's competitors may discover and develop products in advance of identitii and/or products that are more effective than those developed by identitii. As a consequence, identitii's current and future technologies and products may become obsolete or uncompetitive resulting in adverse effects on revenue, margins and profitability.</p>	Section 5
Product disruption	<p>The rapid pace of innovation and development within the industry, together with the high number of competitors mean that there is no guarantee identitii's products will be effective or economic. There is a risk is that competitors' products, services or offerings may render identitii's products, services or offerings obsolete or uncompetitive. In particular, the enterprise software market and financial services industry has been rapidly evolving, with both new entrants and established participants operating in specific areas of expertise.</p>	Section 5
Business strategy risk	<p>identitii has only recently launched its product and most of its history has been at the product development stage.</p> <p>identitii's future growth and financial performance is dependent on identitii's ability to successfully execute its business strategy. This will be impacted by a number of factors, including identitii's ability to:</p> <ul style="list-style-type: none"> • expand through new channels and develop within Australian and international financial services markets for its current commercialised products and services; • ability to successfully commercialise its current products and services and being able to provide these products and services; • innovate and successfully commercialise new products that are appealing to customers; and • comply with regulatory requirements (reflecting the sensitive regulatory nature or highly regulated environment in which identitii's target customers operate their businesses). 	Section 5

Topic	Summary	For more information
Inability to retain key staff	identitii currently employs a number of key management personnel and identitii's future depends on retaining qualified personnel. The loss of any of these people's services could materially and adversely affect identitii and may impede the achievement of its product development and commercialisation objectives.	Section 5
New entrant in the financial services industry with limited trading history	<p>identitii is a relatively new entrant in the provision of enterprise software to the financial services industry market. It therefore faces the risks common to any new company including:</p> <ul style="list-style-type: none"> • building its depth and infrastructure; • successfully obtaining market penetration and strategic partners to secure market share; • increasing its product and brand recognition; and • obtaining acceptance by end consumers. <p>Investors should consider identitii's business and prospects in light of the risks, uncertainties, expenses and challenges that it may face as an early-stage business. If identitii is not successful in addressing such risks, identitii's business prospects and financial performance may be materially and adversely affected.</p>	Section 5
Dependence on technology rights and intellectual property	<p>There is a risk that as yet unknown third parties may assert intellectual property claims in relation to blockchain, including any of the technologies or services associated with identitii's block-chain based products, services or offerings.</p> <p>Irrespective of the merit of any rights or claims asserted by third parties, such claims may adversely affect identitii. There is also a risk that identitii's investment may be indirectly adversely affected if a third party claim or asserted right reduces confidence in the long-run viability of the blockchain industry.</p>	Section 5

1.4 KEY FINANCIAL METRICS

Topic	Summary	For more information																																										
What is the key financial information of the Company?	<p>The summarised pro forma financial position of identitii after the Offer is set out in the Financial Section of this Prospectus. Should identitii be successful in raising \$11 million and listing on the ASX, the pro forma balance sheet as at 31 December 2017 would show:</p> <ul style="list-style-type: none">total assets of \$12.113 million;total liabilities of \$0.431 million; anda net equity position of \$11.681 million. <p>To date the Company has not been profitable and has been investing heavily in ongoing product development and improvement of its core technology.</p> <p>The table below sets out a summary of the Pro Forma Historical balance sheet based on the reviewed statutory historical balance sheet as at 31 December 2017, adjusted for certain pro forma adjustments to reflect the impact of the change in capital structure that will take place as part of the Offer, as if it was in place as at 31 December 2017.</p> <table><tr><th>\$'000</th><th>Pro Forma</th></tr><tr><td colspan="2">Assets</td></tr><tr><td colspan="2">Current assets</td></tr><tr><td>Cash and cash equivalents</td><td>11,698</td></tr><tr><td>Trade and other receivables</td><td>397</td></tr><tr><td>Total current assets</td><td>12,095</td></tr><tr><td colspan="2">Non-current assets</td></tr><tr><td>Computer & Office equipment</td><td>18</td></tr><tr><td>Total non-current assets</td><td>18</td></tr><tr><td>Total assets</td><td>12,113</td></tr><tr><td colspan="2">Liabilities</td></tr><tr><td colspan="2">Current liabilities</td></tr><tr><td>Trade and other payables</td><td>(431)</td></tr><tr><td>Total current liabilities</td><td>(431)</td></tr><tr><td>Total liabilities</td><td>(431)</td></tr><tr><td colspan="2"> </td></tr><tr><td>Net assets</td><td>11,681</td></tr><tr><td colspan="2">Equity</td></tr><tr><td>Retained earnings</td><td>(4,519)</td></tr><tr><td>Share capital</td><td>16,200</td></tr><tr><td>Total equity</td><td>11,681</td></tr></table> <p>Refer to Section 4.4, Table 4.3, for the notes relating to the above</p>	\$'000	Pro Forma	Assets		Current assets		Cash and cash equivalents	11,698	Trade and other receivables	397	Total current assets	12,095	Non-current assets		Computer & Office equipment	18	Total non-current assets	18	Total assets	12,113	Liabilities		Current liabilities		Trade and other payables	(431)	Total current liabilities	(431)	Total liabilities	(431)			Net assets	11,681	Equity		Retained earnings	(4,519)	Share capital	16,200	Total equity	11,681	Section 4
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Topic	Summary	For more information
Does identitii currently have any debt facilities?	identitii currently has no debt facilities.	Section 4
What is identitii's dividend policy?	<p>The Company plans to invest all cash flow into the business in order to maximise growth. Accordingly, no dividends are expected to be paid in the foreseeable future following the Company's listing on ASX.</p> <p>The Directors cannot and do not give any assurances as to the extent, timing, level of franking or payment of any dividends in any future period as all of the foregoing are dependent upon a number of factors including the level of future earnings, the amount of tax paid, the financial position of identitii, future operating conditions and future cash requirements to fund growth.</p>	Section 4

1.5 DIRECTORS AND KEY MANAGEMENT

Topic	Summary	For more information
Who are the Directors of identitii and what is their experience?	<p>identitii Directors, as at the date of this Prospectus, are:</p> <ul style="list-style-type: none"> • Mr. Michael Aston - Non-Executive Chairman • Mr. Nicholas Armstrong - Executive Director and Chief Executive Offer • Mr. Martin Rogers - Non-Executive Director <p>Further details of the expertise and experience of Directors is set out in section 6. The Board intends to appoint an additional director prior to the Listing Date. On finalisation of the appointment, identitii intends to lodge a supplementary prospectus with ASIC. This supplementary prospectus will contain information on the role, expertise, independence or affiliation, interests and remuneration.</p>	Section 6
Who is on the management team of identitii and what is their expertise?	<p>identitii management, as at the date of this Prospectus, are:</p> <ul style="list-style-type: none"> • Mr. Nicholas Armstrong - Chief Executive Officer • Ms. Margarita Claringbold - Chief Financial Officer • Mr. Benjamin Buckingham - Chief Operating Officer • Mr. James Andrew-Smith - Chief Information Officer • Mr. Elliot Shepherd - Chief Technology Officer <p>Further details of the expertise and experience of the executive team is set out in Section 6.</p>	Section 6

1.6 KEY PEOPLE, INTERESTS AND BENEFITS

Topic	Summary	For more information														
Who are the owners of Identitii and what will be their interest at Completion?	<p>The owners of Identitii are the Existing Shareholders. On completion of the Offer, they will collectively hold 73.1% of the total Shares on issue.</p> <p>The Existing Shareholders with the largest shareholding are:</p> <ul style="list-style-type: none"> 275 Invest 2 Pty Ltd as trustee for the 275 Invest Trust (275 Invest) (275 Invest is the family company of one of the Company's co-founders, Nicholas Armstrong); and Holywell Ford Pty Ltd as trustee for the Beechcroft Trust (Holywell) (Holywell is the company of one of the Company's co-founders, Eric Knight); and Wodi Wodi Pty Ltd as trustee for the Wodi Wodi Trust (Wodi Wodi) (Wodi Wodi is the company of Thomas Damian Roche). <p>On Completion, 275 Invest will hold 17.24%, Holywell will hold 8.5%, and Wodi Wodi will hold 5.58% of the total Shares on issue.</p> <p>With the exception of 275 Invest, Holywell and Wodi Wodi:</p> <ul style="list-style-type: none"> no Existing Shareholders will hold or have voting power in 5% or more of the Shares on the completion of the Offer; and the Directors do not expect any single Shareholder to control the Company on the completion of the Offer. 	Section 7														
What are the Director shareholdings?	<p>The Directors are expected to hold a direct or indirect interest in the following securities on completion of the Offer (assuming none of the Options held by the Directors or any other person are exercised):</p> <table border="1"> <thead> <tr> <th>Name</th><th>Securities</th><th>% of issued share capital (un-diluted)</th></tr> </thead> <tbody> <tr> <td rowspan="2">Mr. Nicholas Armstrong</td><td>9,398,340 Shares</td><td rowspan="2">17.24%</td></tr> <tr> <td>1,350,000 Options</td></tr> <tr> <td>Mr. Martin Rogers</td><td>2,126,670 Shares</td><td>3.90%</td></tr> <tr> <td rowspan="2">Mr. Michael Aston</td><td>166,666 Shares</td><td rowspan="2">0.31%</td></tr> <tr> <td>400,000 Options</td></tr> </tbody> </table> <p>The Board intends to appoint an additional director prior to the Listing Date. On finalisation of the appointment, Identitii intends to lodge a supplementary prospectus with ASIC. This supplementary prospectus will contain information on the role, expertise, independence or affiliation, interests and remuneration.</p>	Name	Securities	% of issued share capital (un-diluted)	Mr. Nicholas Armstrong	9,398,340 Shares	17.24%	1,350,000 Options	Mr. Martin Rogers	2,126,670 Shares	3.90%	Mr. Michael Aston	166,666 Shares	0.31%	400,000 Options	Section 6
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Mr. Martin Rogers	2,126,670 Shares	3.90%														
Mr. Michael Aston	166,666 Shares	0.31%														
	400,000 Options															

Topic	Summary	For more information
<p>What significant benefits are payable to Directors and the other persons connected with identitii or the Offer?</p>	<p>Nicholas Armstrong is the chief executive officer of the Company and is entitled to receive an annual fixed remuneration of \$160,000 (exclusive of superannuation). Nicholas will also be eligible to participate in the Equity Incentive Plan.</p> <p>Non-executive Directors will be entitled to receive fees as remuneration for their services. Refer to Section 6.3.2 for further information.</p>	<p>Section 6</p>

1.7 OVERVIEW OF THE OFFER

Topic	Summary	For more information
Who is the issuer of this Prospectus?	identitii Limited (ABN 83 603 107 044).	Section 9
What is the Offer?	<p>This Prospectus relates to an initial public offer of up to approximately 14.7 million Shares at a price of \$0.75 each to raise up to \$11 million.</p> <p>The Shares being offered will represent 26.9% of the total Shares on issue on completion of the Offer.</p>	Section 7
What is the purpose of the Offer and what is the proposed use of proceeds received in connection of with the Offer?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> • raise capital to accelerate the growth of identitii's business; • provide identitii with the benefits of an increased profile that arises from being a listed entity; • support the Company's Expenditure Program; • achieving Listing on the ASX to broaden the shareholder base and provide a liquid market for the Shares; • provide identitii with access to the capital markets to improve capital management flexibility; • assist in attracting and retaining quality staff; • pay the expenses of the Offer; and • provide further working capital for the Company. 	Section 2 and Section 7
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Underwriter. A summary of the Underwriting Agreement including the events which would entitle the Underwriter to terminate the Underwriting Agreement, is set out in Section 10.6.	Section 7 and Section 9

What is the proposed capital structure and Market Capitalisation of the Company following the Offer?

Section 7

Total number of Shares at the date of this Prospectus	39,852,133
Total number of Shares available under the Offer	14,666,666
Total number of Shares on issue on completion of the Offer	54,518,799
Options	4,885,918
Equity Incentive Plan Options	5,300,000 ¹
Indicative Market Capitalisation	\$41,000,000 ²
Total proceeds from the Offer (before costs)	\$11,000,000

¹ This includes 1,350,000 Options to be granted to Nicholas Armstrong under the Equity Incentive Plan and assumes that identitii grants an additional 3,950,000 Options under the Equity Incentive Plan by the Listing Date. For more detail on the granted Options see Section 10.4.

² Equal to the total number of Shares on issue on completion of the Offer multiplied by the Offer Price rounded up to the nearest million.

The capital structure of identitii pre-IPO and post-IPO will be as follows:

Security	Pre-IPO	%	Post-IPO	%
Shares	39,852,133	86.47%	54,518,799	84.26%
Options	6,235,918	13.53%	10,185,918 ¹	15.74%
Fully diluted capital	46,088,051	100%	64,704,717²	100%

¹ This assumes identitii grants an additional 3,950,000 Options under the Equity Incentive Plan by the Listing Date (see Section 6.3.4 for more information on the Equity Incentive Plan). As at the Prospectus Date, identitii have granted the Options set out in Section 10.4, of which 4,585,918 Options have vested. For further information on the Options see Section 10.4.

² This is calculated as the aggregate of the total number of Shares on Completion of the Offer and the number of Shares issued on exercise and conversion of the Options and Equity Incentive Plan Options (assuming the applicable conditions have been satisfied and the applicable exercise price has been paid). For more detail on the granted Options see Section 10.4.

Topic	Summary	For more information																								
Expenditure Program – how the Company will use the funds raised from the Offer	<p>On completion of the capital raising under the Prospectus, identitii aims to complete the following objectives:</p> <ul style="list-style-type: none"> • complete further demonstrations of its product to prospective customers in the Asia-Pacific and other jurisdictions where possible; • continue prosecution and maintenance of identitii's existing patent applications; • continue to recruit and retain highly skilled software engineers and other support staff; • increase the administrative resources available to support the growing business; and • investing in research and development to ensure that the Company's technology remains current. <p>identitii's anticipated use of funds raised under this Prospectus is summarised in the table below. Applicants should note that the anticipated expenditure program may vary from the actual expenses incurred by the Company.</p> <table border="1"> <thead> <tr> <th>Use of funds</th><th>\$ million</th><th>%</th></tr> </thead> <tbody> <tr> <td>Further product development and commercialisation</td><td>3.99</td><td>36.3%</td></tr> <tr> <td>Investment in Intellectual Property protection</td><td>0.12</td><td>1.1%</td></tr> <tr> <td>Investment into research & development</td><td>1.07</td><td>9.7%</td></tr> <tr> <td>Capital expenditure on office fit out and hardware</td><td>0.64</td><td>5.8%</td></tr> <tr> <td>Working capital and corporate operating expenses</td><td>4.12</td><td>37.5%</td></tr> <tr> <td>Pay the costs associated with the Offer¹</td><td>1.06</td><td>9.6%</td></tr> <tr> <td>TOTAL</td><td>11.0</td><td>100%</td></tr> </tbody> </table> <p>As detailed above, a significant portion of the funds raised from the Offer (approximately 37.5%) will be utilised to fund the working capital and corporate operating expenses of the Company, enabling it to pay employee and consultant expenses, engage in marketing, advertising and public relations activities, utilise hosting, subscription and cloud services and pay other operating expenses including travel costs for international business development, office, accounting, legal and administrative expenses.</p> <p>As at the date of this Prospectus, the Company is unable to provide a more detailed breakdown of how these funds will be applied.</p> <p>Shareholders should note that the above estimated expenditures will be subject to modification on an ongoing basis depending on the progress of the Company's activities. Due to market conditions and/or any number of other factors (including the risks outlined in Section 5), actual expenditure levels may differ significantly to the above estimates.</p> <p>¹ Pursuant to the Underwriting Agreement, the Underwriter is entitled to \$660,000, being 6% of the total funds raised under the Offer. See Section 7.3 for more details.</p> <p>identitii intends to undertake the program of works described in its Expenditure Program above over a 24 month period commencing from the Listing Date.</p>	Use of funds	\$ million	%	Further product development and commercialisation	3.99	36.3%	Investment in Intellectual Property protection	0.12	1.1%	Investment into research & development	1.07	9.7%	Capital expenditure on office fit out and hardware	0.64	5.8%	Working capital and corporate operating expenses	4.12	37.5%	Pay the costs associated with the Offer ¹	1.06	9.6%	TOTAL	11.0	100%	Section 2 and Section 7
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Topic	Summary	For more information
Working Capital	On Completion of the Offer under this Prospectus, identitii will have sufficient working capital to carry out its objectives for a period of 24 months from its Listing (as detailed in this Prospectus).	Section 2
Financial forecast	<p>The financial forecast for FY18F is based on reviewed results for 1H18 and the Directors best estimates for 2H18, having regard to actual results to 30 June 2018 based on identitii's unaudited management accounts and trading performance up until the date of lodgement of this Prospectus. identitii believes that revenue forecasts relating to early stage businesses are uncertain and there are a number of significant matters outside its control relating to identitii's future performance.</p> <p>In light of these factors and having regard to ASIC Regulatory Guide 170, the Directors consider at this stage identitii is unable to provide potential investors with reliable revenue, profit or cash flow projections or forecasts beyond FY18F – other than having sufficient working capital to carry out the stated objectives (which has been calculated on an estimated expenditure basis without any revenue for a 24-month period).</p> <p>Potential investors should take into account this uncertainty and lack of financial forecast in considering the risks in investing in identitii's Shares.</p>	N/A
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).	Section 7
Will the Shares be quoted?	<p>The Company has applied to ASX for admission to the Official List of ASX and quotation of Shares on ASX (which is expected to be under the code ID8).</p> <p>If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7
Will any Shares be subject to escrow arrangements?	<p>Yes. The Company expects that, in accordance with the ASX Listing Rules, mandatory escrow arrangements will apply to up to 22,306,772 Shares held by the Existing Shareholders. In addition, voluntary escrow arrangements will apply in respect of a further 5,313,621 Shares. The total number of Shares expected to be subject to escrow represents up to approximately 51% of the total number of Shares on issue on completion of the Offer. Shares may be released earlier in certain circumstances.</p> <p>No escrow will apply to Shares issued under the Offer.</p>	Section 7
What is the allocation policy?	The allocation of Shares will be determined by the Joint Lead Managers and identitii.	Section 7

Topic	Summary	For more information
Is there any brokerage, commission or stamp duty payable by Applicants?	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</p> <p>See Section 10.6 for details of various fees payable by the Company to the Joint Lead Managers.</p>	Section 9
What are the tax implications of investing in the Shares?	<p>Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 9. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>	Section 9
How can I apply?	<p>Applications for Shares can only be made by completing the Application Form attached to this Prospectus and must be for a minimum of 3,000 Shares (\$2,250) and thereafter in multiples of 1,000 Shares (\$750).</p>	Section 7
When will I confirm that my Application is successful?	<p>It is expected that initial holding statements will be dispatched by standard post on or around Tuesday, 18 September 2018.</p>	Section 7
When can I sell my Shares on ASX?	<p>It is expected that trading of Shares on ASX will commence on or about Wednesday, 19 September 2018.</p> <p>It is the responsibility of each applicant to confirm their holding before trading their Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p>	Section 7
Can the Offer be withdrawn?	<p>identitii reserves the right to not proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Section 7
Where can I find more information about this Prospectus or the Offer?	<p>All enquiries in relation to this Prospectus should be directed to the identitii Offer Information Line on:</p> <ul style="list-style-type: none"> • within Australia: 02 9235 9940; or • outside Australia: +61 2 9235 9940, <p>from 9:00am to 5:00pm (AEST), Monday to Friday.</p> <p>If you are unclear in relation to any matter, or are uncertain as to whether identitii is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>	Section 7

2.

COMPANY OVERVIEW



identitii ltd.

2. COMPANY OVERVIEW

2.1 ABOUT IDENTITII

identitii, founded on 28 November 2014, is a FinTech company, based in Sydney, which provides enterprise software products and services for the financial services industry. All of identitii's software development is performed in-house by its own software development team comprised of software engineers, product managers and user interface designers.

identitii's software can be installed either on the premises of its customers or in their cloud service and regular updates are provided from time to time. Customisation services are also provided by identitii based on customer requirements.

identitii's objective is to continue commercialisation of its product, Serra, in the financial services industry and to build a global information network for financial institutions using Serra, to enable the secure, trusted and auditable exchange of detailed information over any financial network.

In recent years the amount of information and level of detail required to be transferred for each financial transaction has increased in part due to increased regulatory and financial crime compliance requirements.

"Know Your Transaction" is a term adopted by identitii to describe the collective information to be transferred between financial institutions for an international wire transfer through a universal messaging standard. Such information may include for example information to satisfy Know Your Customer requirements, processing and payment instructions, settlement information, timestamping, general supporting documentation and other general financial information.

2.2. THE HISTORY OF IDENTITII

2014

- identitii (previously known as Sparro) is founded by Nicholas Armstrong and Eric Knight

2015

- Sparro participates in the Fintech Innovation Lab Asia-Pacific in Hong Kong
- Sparro launches two Proof of Concepts with Tier 1 banks

2016

- Sparro re-brands to identitii
- identitii is a joint winner of the SWIFT Innotribe Industry Challenge on Compliance
- identitii launches a Proof of Value with SWIFT and seven banks
- identitii is recognised as a KPMG Global Fintech Emerging Star

2017

- identitii commences requirements gathering for HSBC
- identitii is a winner of the Peer Award at the Citi Tech for Integrity Challenge

2018

- identitii completes its first production deployment its Tier 1 banking customer
- identitii is accepted into the Mastercard Start Path program

2.3 IDENTITII'S CURRENT COMMERCIALISED PRODUCT

2.3.1 SERRA

identitii's commercialised product is called Serra. Serra is an application that uses blockchain technology to enable the collection and sharing of "Know Your Transaction" information for the financial services industry, with a particular focus on international wire transfers. Serra has several add-ons that are in development which provide additional functionality, and may in the future be sold as stand-alone products. For example, a future Serra add-on could be used to provide reporting and analytics about "Know Your Transaction" information.

2.3.2 HOW DOES SERRA USE BLOCKCHAIN TECHNOLOGY?

Blockchain technology is built around the concept of a common ledger which records activity in a secure, trusted and auditable manner. Once activity is recorded in the ledger, it is unable to be changed without the agreement of all parties. This activity is time stamped and can be historically searched, providing an audit trail of who did what and when. Security is maintained by the use of 'keys' which are unique numbers that ensure access control.

Serra uses blockchain technology to ensure that financial institutions who want to share "Know Your Transaction" information can rely on the information they are accessing. This is used to verify the audit trail of changes that have been made to the information. Unlike a public blockchain, the blockchain technology that Serra uses is a private blockchain, which requires permission to access.

The blockchain technology that Serra uses also generates unique identifiers which act as a reference to "Know Your Transaction" information. These unique identifiers are called 'identitii tokens'. The blockchain technology ensures that all tokens are unique and will never be overwritten, which means they can be reliably accessed in the future.

identitii have also developed and deployed an in-house version of distributed ledger database technology for Serra that provides similar features and benefits of blockchain. Where blockchain is not an approved technology of a customer, Serra can be used with this traditional database and then later migrated to blockchain.

2.3.3 WHAT ARE IDENTITII TOKENS?

identitii tokens are globally unique identifiers assigned to each transaction that enable "Know Your Transaction" information to be stored and retrieved from Serra. Quite simply, a user can input an identitii token into the Serra user interface, and if that user has permission, access the associated "Know Your Transaction" information. The identitii tokens have been designed so that they are compatible with existing financial networks as well as bank legacy systems.

2.3.4 WHO IS CURRENTLY USING SERRA?

identitii has a global framework agreement with HSBC, a top 20 global bank, and a version of Serra has been deployed in production with that customer in India. With this customer, Serra is deployed using the traditional database instead of using blockchain. Serra is configured to enable the customer to move to blockchain in the future. The Company is receiving revenue under this agreement and there are also other opportunities to derive more revenue from this customer. The agreement is for a three year term (subject to termination without cause).

A summary of the key terms of the framework agreement is set out in Section 10.5.1.

2.3.5. FEATURES & BENEFITS OF SERRA

Serra was designed in consultation with a number of leading financial institutions. The table below highlights the key features and benefits of Serra are highlighted in Figure 1 below.

Figure 1: Features and benefits of Serra

FEATURE	BENEFIT
Globally unique identifier	Provides a single reference for "Know Your Transaction" information that might be stored in different locations, enabling a financial institution time to recover such information securely and quickly.
A timeline view of events associated with a financial transaction	Provides a visual record of activity that is recorded in the blockchain, in a secure, trusted and auditable way.
Customisable Graphical User Interface	Allows financial institutions to collect "Know Your Transaction" information from their customers in a self-service manner, reducing delays in processing financial transactions.
Compatible with legacy systems	Enables utilisation of existing financial institutions' legacy systems saving money from costly system replacements and staff training.
Connection with 3rd party data sources	Provides up-to-date 3rd party information in near real time.
Tamper-proof audit trail of documents	Financial institutions are provided with a secure, trusted and auditable proof that a "Know Your Transaction" information has not been tampered with or modified over time and may use such proof to show compliance to auditors and regulators.
Advanced search of documents	Employees can access "Know Your Transaction" information in a fast and intuitive way by searching using information associated with an identity token.
Permissions	Financial institutions may share information only with relevant parties as configured.

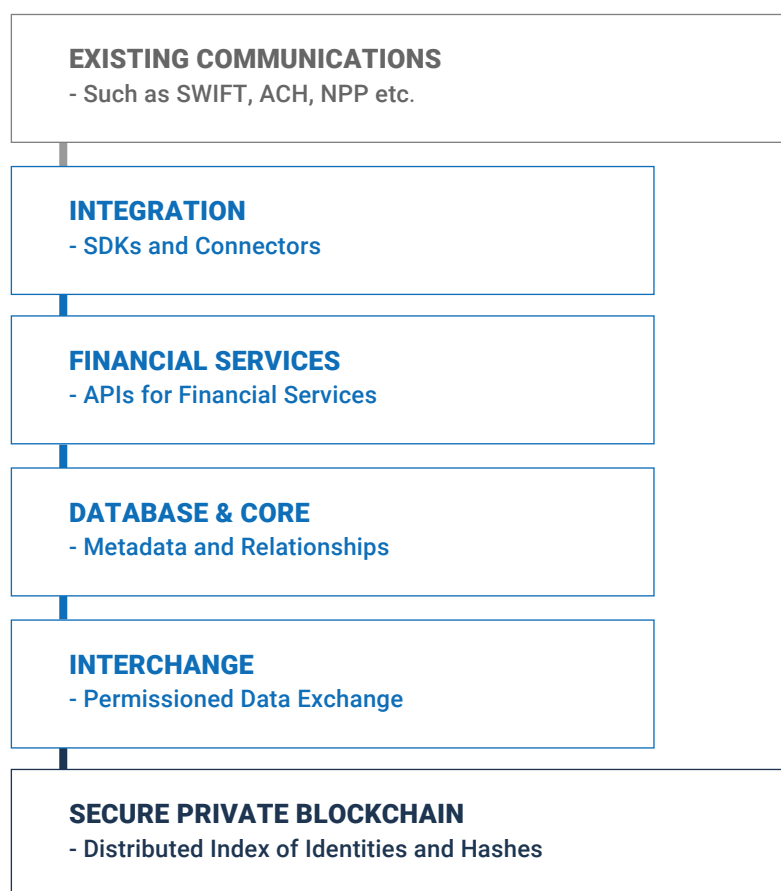
Secure and efficient
information exchange

Information does not have to be sent via fax or email, as in existing
legacy systems, reducing the transaction processing period and reducing
compliance-related operational costs.

2.4 WHAT IS SERRA'S CORE TECHNOLOGY?

Serra's core technology is arranged into five layers of services which work together as a single platform that provides a means of connecting documents, data and records in a secure, trusted and auditable index, as summarised in Figure 2 below.

Figure 2: Serra's core technology



Set out below is an explanation of each of the five layers of service.

Integration

- Converts financial messages from existing payment networks and custom message types within a financial institution's infrastructure to a format usable by Serra. Serra's services also allow a financial institution to add related content to a transaction from internal repositories, such as customer data.

Financial Services

- Handles any functionality or logic specific to the Financial Services Industry. For example, by using the database and core layer to track a payment linked to a supporting invoice.

Database and Core

- Responsible for storing documents, their metadata, relationships, access logs and audit trail. Relationships are the links between different documents. For example, a customer and a payment, the payment and an invoice. Also

responsible for security policies controlling access to documents and their individual attributes.

Interchange

- Facilitates the secure and direct transfer of documents, messages and records with other features of Serra. These services implement communication with multiple layers of encryption, permissions and detailed message auditing.

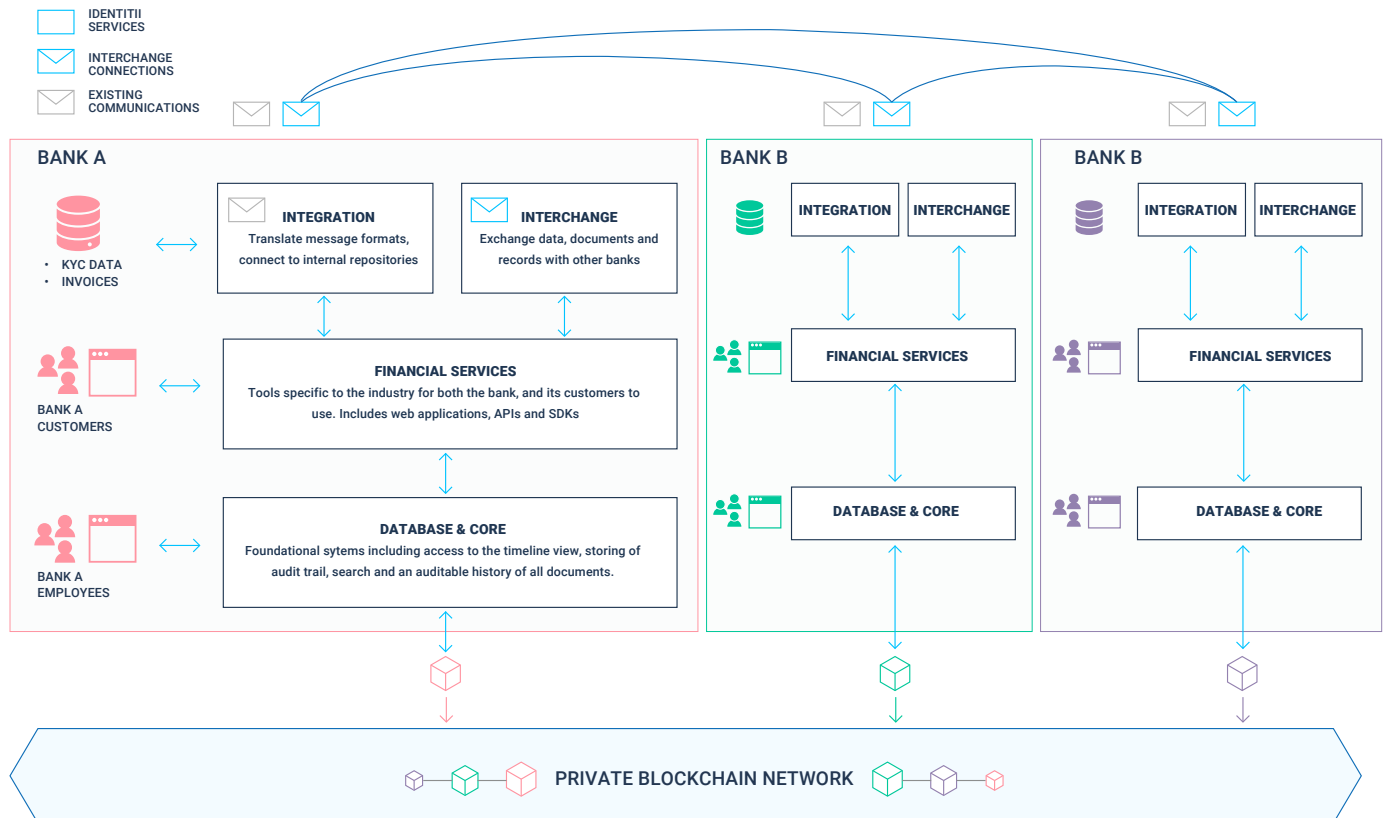
Secure Private Blockchain

- Enables the verification of content exchanged between parties and gives each party an assurance that the information was exchanged securely. Only cryptographic hashes (which is essentially a unique identifier for a document) are saved on the blockchain, which means details about the document are not disclosed on the blockchain.

Interaction of the five layers of services

- You can see a high-level example of how these layers interact when deployed in 3 separate financial institutions in figure 3. Each of these financial institutions has a direct relationship. Using the identitii platform they can exchange data and documents via the interchange services.

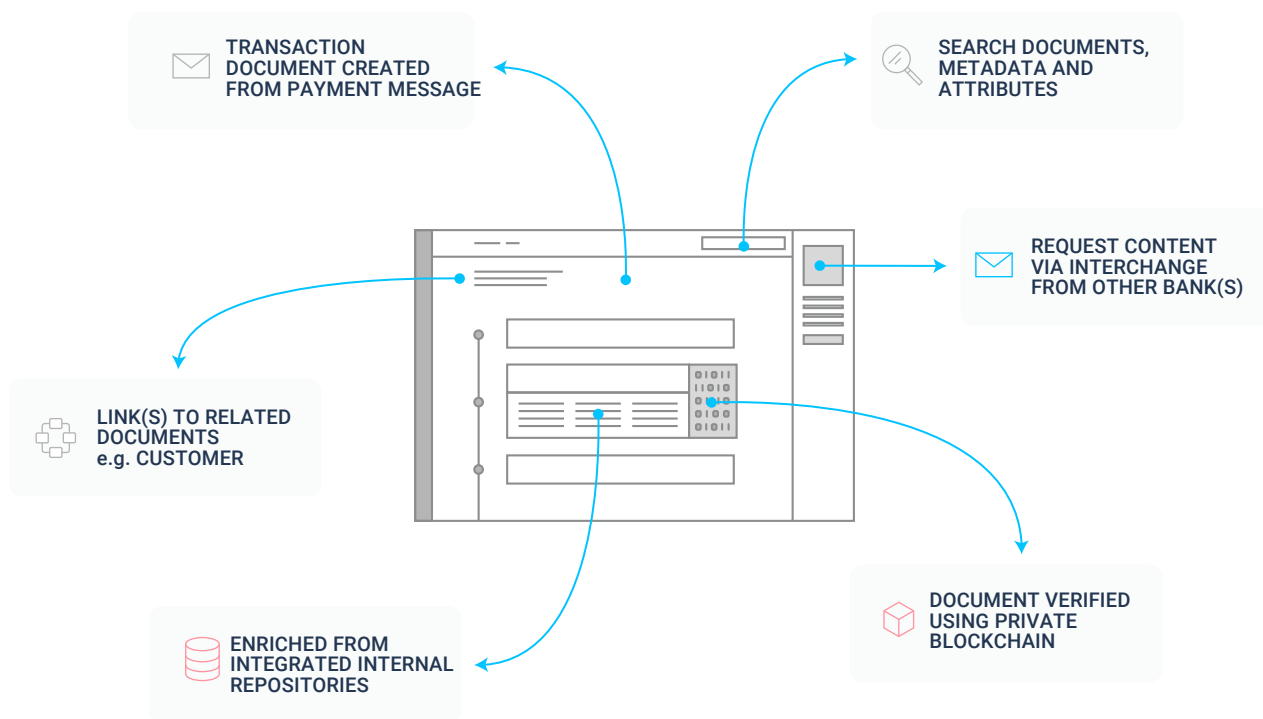
Figure 3: An example deployment of 'Serra' in multiple banks



User Experience

In Figure 4 below you can see an abstract view of how identitii's web application appears to an employee of a customer.

Figure 4: The user experience of 'Serra'



2.5 IDENTITII'S BUSINESS STRATEGY

identitii's business strategy is to:

- continue to commercialise its product, Serra, to generate revenue in the manner described in Section 2.5.4;
- continue to develop Serra add-ons and, where appropriate, develop these as stand alone products;
- build on its existing customer relationship to derive more revenue and utilise the reputational benefit that comes with a Tier 1 bank customer;
- explore partnership opportunities and efficiently integrate with incumbent financial network service providers;
- utilise its strategic presence in the Asia-Pacific to focus on expanding its customer base and revenue streams in Asian markets by advancing the commercialisation of Serra; and
- invest in internal research and development to add to identitii's intellectual property portfolio.

identitii develops its software in-house which allows identitii to control the software design and development end-to-end and build institutional knowledge of identitii's software.

For this strategy to be successful, identitii is of the opinion that brand recognition and sales would need to be increased first in Asian markets to add credibility to identitii.

2.5.1 KEY DEPENDENCIES OF IDENTITII'S BUSINESS STRATEGY

The key factors that identitii will depend on to meet its objectives include:

COMMERCIALISATION OF SERRA

identitii's business strategy relies on the Company successfully continuing to commercialise its product, Serra, in the financial services industry. This includes identitii being able to sell and implement instances of Serra and complete additional development and professional services required to meet its target customers' requirements.

INTELLECTUAL PROPERTY

identitii's business strategy relies on identitii being able to leverage intellectual property created in its product, Serra. identitii relies on this intellectual property and associated development know-how creating a competitive advantage for identitii over other enterprise software companies to create a compelling value proposition for institutions. For further information see Section 2.9 below.

KEY CUSTOMER

identitii's business strategy relies on leveraging identitii's relationships in the market, including identitii's relationship with its Tier 1 bank customer. identitii relies on maintaining its reputation of being able to execute and use the deployment of identitii's technology as a case study for future sales.

KEY PERSONNEL

identitii has put in place measures to retain, reward and recruit relevant and key personnel such as the Equity Incentive Plan.

Applicants should carefully read all of the risk factors outlined in Section 5 which may also have an impact on the performance of identitii

2.5.2 WHO ARE IDENTITII'S TARGET CUSTOMERS?

identitii targets all types of financial institutions, however there are three main categories as set out in Figure 5 below.

Figure 5: Three main categories of target customers

Segment	Description
Category 1 institutions	Banks with more than \$40 billion in total banking assets (includes Tier 1 banks)
Category 2 institutions	banks with total banking assets between \$40 billion and \$500 million
Category 3 institutions	banks with less than \$500 million in total banking assets, non-bank financial institutions, money transfer businesses and FinTech companies

2.5.3 WHAT DOES IDENTITII'S PIPELINE LOOK LIKE?

identitii currently has 45 potential opportunities at different stages of the sales pipeline, two of which are at an advanced stage.¹ This pipeline spans opportunities in Asia-Pacific, Europe, North America, Africa and the Middle East. The typical lead to close conversion time for enterprise software sales is between 12 to 18 months. There are a number of variables that can affect this including (but not limited to) budget cycles, internal stakeholder support, vendor onboarding complexity, and level of customisation required.

2.5.4 HOW DOES IDENTITII GENERATE REVENUE?

identitii generates revenue in two ways:

- **Licensing:** identitii licences Serra to a financial institution, either for a fixed term or under a perpetual licence. The licence fee includes ongoing releases, bug fixes, and support and maintenance. There is also a volume-based component to identitii's pricing model where customers are charged per identitii token generated. Serra is installed within a customer's own infrastructure (on-premises) or in their cloud tenant (private cloud).
- **Supply of professional services:** identitii provides consulting services relating to the customisation, installation, training, and business case preparation for Serra. This is charged on a time and materials basis and is one-off. In the case of large Tier 1 clients identitii would be supported by consulting and integration partners for this work.

identitii's key costs which impact revenue are:

- direct costs to generate income, primarily comprising resourcing of sales, product support and ongoing development of Serra; and
- operating expenses, which primarily comprise general corporate and administrative costs.

¹ A potential customer qualifies for the sales pipeline after having completed a meeting with the identitii business development team for a demonstration of Serra. There is no certainty that qualified customers will be converted to paying customers and identitii has insufficient sales history, having launched its Serra software in September 2017, to provide any reasonable estimate of the likely conversion rate.

2.5.5 HOW DOES IDENTITII INTEND TO TARGET NEW CUSTOMERS?

identitii utilises a combination of methods to attract customers as set out in Figure 6 below.

Figure 6: Methods of attracting customers

Channel	Description
Direct sales	The Company manages the entire sales process without partner support. Direct sales with large financial institutions can have a long lead-to-close cycle (6 to 12 months).
Marketplace offerings	The Company provides licenses through an online marketplaces (for example, Microsoft Azure Marketplace). This channel can be more attractive to smaller banks and non-bank financial institutions.
System integrators	A system integrator is a specialist IT consulting firm that provides installation services and support services only. A system integrator may approach identitii with a specific customer requirement they have identified and a joint proposal would be made.
Value added resellers (VARs)	The company's technology can be embedded into another product offering, or white-labelled as a value-added resale.
Consulting partners	Consulting firms provide consulting and professional services around the implementation and training of the company's technology.

2.6 WHAT ARE IDENTITII'S COMPETITIVE ADVANTAGES?

identitii believes its key competitive advantages include:

- a highly skilled team of software engineers and well-designed software delivery methodologies;
- a product that mitigates the shortcomings of existing legacy networks rather than trying to replace them, which is attractive to an industry that is risk averse when it comes to mission critical systems, due to the long-established integrity, reliability and trust of these existing networks;
- identitii's reference customer is a Tier 1 bank in the top 20 banks globally, which may provide reputational comfort to other customers;
- it has an enabling technology to existing financial networks such as SWIFT which in turn provides partnership opportunities with incumbent service providers; and
- a strategic presence in Asia-Pacific which gives a potential edge to identitii over European and US competitors who are not focused on the Asian markets.

2.7 FINANCING OF EARLY-STAGE AND ONGOING OPERATIONS

identitii's early operational funding capital was the private capital provided by identitii's co-founders. identitii has since raised \$4 million in paid up capital since 2014 through several financing rounds.

identitii has also relied on support from the Commonwealth Government of Australia Department of Industry, Innovation & Science in two forms, firstly ongoing support from the R&DTI, and secondly through the receipt of a \$1 million Accelerating Commercialisation Grant. This has enabled identitii to develop and deploy its core product and service, fund operational costs and capital expenditures and market to customers.

The funds raised from this IPO are anticipated to be sufficient to ensure that identitii has the funds to continue to develop, deploy and market its products and services over at least 24 months from Listing (as further detailed in Section 2.8 below).

2.8 OVERVIEW OF THE COMPANY'S EXPENDITURE PROGRAM

identitii intends to raise \$11 million under the Offer. This will provide funding to carry out its stated objectives after Listing and will support the Company's business plan of expanding channels to market in key geographies and increasing product development roadmap. This will be achieved by:

- investing in research and development to ensure that the Company's technology remains current;
- expanding the software engineering team size over the next 12 months;
- continue prosecution and maintenance of identitii's existing patent applications;
- hiring business development, account management, pre-sales and professional services resources in key Asia-Pacific markets (Hong Kong and Singapore); and
- hiring product support resources to meet customer and partner support and training requirements across relevant locations.

In order to support an increased sales pipeline, irrespective of the channel, sufficient pre-sales and professional services resources are required to support the conversion of opportunities. identitii intends to undertake the program of works described in its Expenditure Program above over a 24 month period commencing from the Listing Date.

identitii's major costs relate to corporate operating expenses, product development and research & development. On Completion of Offer under the Prospectus, the Company will have sufficient working capital to carry out its objectives for a period of 24 months from its Listing.

2.9 IDENTITII'S INTELLECTUAL PROPERTY

2.9.1 IDENTITII'S INTANGIBLE ASSETS

identitii's key intellectual property includes the source code of products developed by identitii, including the proprietary software code base and the custom continuous integration software code, and the processes and technology involved in delivering those products to market, including the know-how in relation to software development processes, best practice development, architecture and banking systems.

2.9.2 HOW IS THE INTELLECTUAL PROPERTY OF IDENTITII PROTECTED?

In addition to any protection provided by potential patents, identitii protects its intellectual property through a combination of the following:

- **copyright protections** – identitii asserts copyright on software created by identitii employees and consultants;
- **terms and conditions of employment** – identitii requires its permanent, fixed term and casual employees to sign contracts that contain appropriate provisions relating to the non-use and non-disclosure of confidential information and the granting and affirming of ownership rights in intellectual property used and created by such employees while at identitii; and
- **confidentiality agreements with customers and partners** – identitii requires customers and partners to sign standard agreements that contain provisions relating to the non-use and non-disclosure of confidential information and the acknowledgement of ownership of intellectual property by identitii.

identitii owns registered trademarks for the brand name "identitii" and has applied for registration of "Serra" as a trademark.

Importantly, investors should note that identitii's main product, Serra, uses a selection of open source technologies and that identitii does not own this intellectual property. In particular, the blockchain technology that identitii currently uses is open source technology and it is not envisaged that identitii will develop its own blockchain technology.

2.9.3 PATENTS

A patent is a legally enforceable and exclusive right to commercially exploit an invention for a defined period of time in a particular territory. In general, the requirements of obtaining a patent include that the claimed invention is novel, involves an inventive step and meets subject matter eligibility requirements.

A granted patent can provide the owner of the patent long-term protection. In Australia, a standard patent provides up to 20 years protection and an innovation patent provides up to eight years protection.

The protection to the owner of the patent lies in the legal right to prevent third parties exploiting the invention. The right to commercially exploit any invention includes the right of the owner of a granted patent or the owner of a patent application to licence and sublicense their rights under each.

There is no uniform patent criteria or law globally and therefore patent applications are required in multiple jurisdictions in order to obtain international protection.

2.9.4 IDENTITII'S PATENT APPLICATION

identitii has applied for an international patent application published under the Patent Cooperation Treaty (PCT) with International Publication Number WO 2017/027900 A1 priority date 14 August 2015. The identitii patent application was made within the framework of the PCT and relates to a new method for enriching financial transactions with a distributed blockchain layer that sits separately to the existing financial messaging system, for example, SWIFT.

A PCT application will go through an examination process according to a set of standards accepted by all the signatories to the treaty. This makes the process easier if the applicant decides to pursue patent protection in those countries, as a lot of the groundwork has already been done.

The outcome of this process is not binding and subsequent assessment is typically performed by patent offices in each country, after individual national patent applications have been filed. Whilst most countries require a local patent application to be filed, in some cases regional patent applications can be filed covering a group of individual countries.

As at the date of this Prospectus identitii has entered the national filing phase in several key markets, including Australia, Hong Kong, Europe, United States, Canada and India.

identitii expects to proceed to the examination stage in each of the above markets upon receipt of the proceeds from the Offer. Examination typically takes 12 months from the date of request, however as most markets provide an expediated process identitii expects that this stage could be completed severally in each of the markets which provide such processes by March 2019.

3.

INDUSTRY OVERVIEW

3. INDUSTRY OVERVIEW

3.1 INTRODUCTION

identitii operates within the FinTech sector of the financial services industry. The rapid growth in FinTech has transformed the industry and has had significant implications on financial institutions and their needs. In particular, identitii, through its enterprise software product, Serra, has identified and responded to demand for alternatives to traditional financial services with a particular focus on finding solutions to problems for transmitting information (such as “Know Your Transaction” information) over international wire transfers and similar services.

3.1.1 WHAT IS “KNOW YOUR TRANSACTION” INFORMATION?

“Know Your Transaction” information is a term adopted by identitii to describe the collective financial information for a financial transaction transferred between financial institutions for an international wire or similar transfer through a universal messaging standard.¹ Such information may include information to satisfy “Know Your Customer” requirements, processing and payment instructions, settlement information, timestamping, general supporting documentation and other general financial information.

In recent years the amount of required information for a financial transaction has evolved to include detailed customer information, purpose of payment information and ultimate beneficiary details, due to increased regulatory and financial crime compliance requirements

3.1.2 WHAT ARE INTERNATIONAL WIRE TRANSFERS?

At a basic level, a wire transfer is an electronic transfer of money across a financial network administered by hundreds of financial institutions. Accordingly, an international wire transfer generally involves the transfer of money from one country to another, typically carried out by a financial institution. International wire transfers include four broad categories, as summarised in Figure 7 below.

¹ An example of a universal messaging standard is ISO 20022, the standard developed by the International Organisation for Standardization for electronic data interchange between financial institutions. Another example is OASIS Universal Business Language that is currently being used by the Digital Business Council in Australia.

Figure 7: Categories for international wire transfers

Description		Example
Consumer to Business	An international wire transfer from a consumer to a business	Payments made by consumers for the purchase of shares in an overseas corporation through a financial institution in another country
Business to consumer	An international wire transfer made from a business to a consumer	Reimbursement payments made by a business to a customer's bank account located in another country
Business to Business	An international wire transfer made from a business to a business	International supplier or contractor payments and/or the purchase of goods and services from an overseas provider
Consumer to consumer	An international wire transfer made from a consumer to another consumer	Payment from an individual in one country to an individual in another country

Financial institutions typically settle international wire transfers through various international financial networks (for example, through the SWIFT network).

3.1.3 WHAT IS SWIFT?

SWIFT stands for the Society for Worldwide Interbank Financial Telecommunication and provides a network that enables financial institutions worldwide to send and receive messages about financial transactions (including international wire transfers). SWIFT transports financial messages, commonly called a SWIFT message, but does not hold accounts for its members and does not perform any form of clearing or settlement.

SWIFT oversees the messaging network by which financial institutions use to transfer money instructions. Each financial institution in the SWIFT network is issued a unique code between 8 and 11 characters long. This code is known as a bank identifier code (BIC) or SWIFT ID.

SWIFT messages are formatted in such a way that they can only carry limited information, and in some cases may not contain all the information required to process a transaction. A lack of necessary information can result in the need for financial institutions to manually investigate, requiring emails, faxes, phone calls and courier services in order to establish and convey the necessary information. While SWIFT is taking steps to improve the information that can be carried by a SWIFT message, such as the Global Payments Innovation (GPI) initiative, the challenge of ensuring that all of SWIFT's 11,000+ participating institutions² uniformly adopt systems and practices that meet the new standards remains.

identitii's technology can provide a solution to the challenges faced by missing information, importantly without requiring a change to the SWIFT message format

² Highlights 2017 – 2017 messaging traffic and operational performance, SWIFT's website, viewed 30th June 2018, <https://www.swift.com/about-us/highlights-2017>.

3.2 AN OVERVIEW OF CHALLENGES FOR INTERNATIONAL WIRE TRANSFERS

Financial institutions are generally facing growing pressure to complete international wire transfers faster and more cost effectively. At the same time, financial institutions are facing increases in regulatory burden and a push to lower risk of their banking activities. For example, the Financial Action Task Force, an intergovernmental organisation founded to develop policies to combat money laundering, requires financial institutions to, amongst other things, know the purpose of the funds they are transferring and verify the source of funds involved in a transaction.³

International wire transfers may require that a settlement instruction moves through multiple financial institutions, rather than directly from ordering institution to beneficiary institution (the person ultimately receiving the wire transfer who is usually another financial institution). Because the instruction can pass through several intermediary financial institutions, it can lead to communication inefficiencies, time-consuming manual processes, high-costs and slow settlement speeds. Customers are demanding faster, cheaper and more transparent solutions as they operate in increasingly complex supply chains that depend on settlement of international payments to run smoothly. You can find some of the challenges faced by financial institutions in executing international wire transfers in Figure 8 below.

Figure 8: Challenges for international wire transfers⁴

Challenge	Description
Time	The length of time it takes beneficiaries to receive their payment
Accuracy	Differences in amount sent and received
Tracking	Difficulty of tracking payment status
Consistency	Inconsistency of data requirements by different banks
Quality	Quality of remittance data sent with payments
Costs	Costs and predictability of costs of making a payment
Payment issues	The time and difficulty of dealing with rejections, stopping payments and performing payment repairs

International wire transfers are subject to a range of compliance regulations, including those relating to sanctions and money laundering. The cost of compliance for payments has been increasing and record fines have been levied on institutions failing to meet requirements in recent years. Since the financial crisis of 2008 until 2016, enforcement of financial regulations resulted in \$321 billion in financial penalties.⁵ To prevent this value from increasing financial institutions have focused on stricter compliance processes. As a result, financial institutions have withdrawn from some banking relationships, especially with banks and countries that do not meet updated risk models.⁶

Where additional information is required about a payment, a series of manual processes occur between the requesting financial institution, and the ordering financial institution to retrieve or find additional information required (e.g. supporting information for the purpose of a payment).

3 FATF - Guidance For A Risk-Based Approach Money Or Value Transfer Services, 2016 - Page 27, Box 3 <<http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-RBA-money-value-transfer-services.pdf>>

4 EuroFinance Corporate Treasury Network / The future of payments: a corporate treasury perspective, 2018 - Page 3 <<https://www.swift.com/resource/future-payments-corporate-treasury-perspective>>

5 BCG - Global Risk 2017: Staying the Course In Banking, 2017 - Page 4 and 5 <<https://www.bcg.com/publications/2017/financial-institutions-growth-global-risk-2017-staying-course-banking.aspx>>

6 A crackdown on financial crime means global banks are derisking, The Economist, published 8th July 2017, viewed 30th June 2018.

3.3 ADDRESSABLE MARKETS

identitii's addressable markets are banks and non-bank financial institutions located throughout the world and its current geographical focus is Asia-Pacific.

An estimate of the potential market opportunity for identitii can be made based on the number of organisations in these economic areas.

Global bank numbers for which Moody's has detailed information indicate that, as at June 2018, there are 29,000 banks in North America, 9,000 banks in Europe, Middle East and Africa, 3,000 in Asia-Pacific and 3,000 in Latin America, bringing the total to 44,000 banks and 382,000 non-bank financial institutions worldwide.⁷ Limiting the numbers to those who participate in the SWIFT network, gives a total addressable market of around 11,000 institutions, with approximately 750 in Asia-Pacific.

The total volume of international wire transfers made each year around the globe is extremely large and growing, with approximately 30 million SWIFT messages being sent per day.⁸

3.4 COMPETITIVE MARKET

The market for supplying enterprise software in connection with "Know Your Transaction" information is highly competitive. identitii's competitors are predominantly other technology companies and emerging financial networks that provide rich information exchange capabilities.

Key drivers of both competition and market share between such providers mainly centre around:

- ability to establish a network of institutions for information exchange;
- use of technology to ensure privacy and regulatory compliance; and
- cost.

The market for supplying enterprise software in connection with "Know Your Transaction" information to financial institutions is summarised below in Figure 9.

Figure 9: Companies that supply enterprise software in connection with "Know Your Transaction" information

Name	Business Summary
JP Morgan	Established the Interbank Information Network (IIN). The IIN uses blockchain technology to minimise friction in the global payments process by enabling the sharing of information between different parties to the payment
Cambridge Blockchain	Cambridge Blockchain has created a "Know Your Customer" verification tool for financial institutions in partnership with IHS Markit
SWIFT gpi	SWIFT gpi aims to improve the customer experience in cross-border payments by increasing the speed and transparency of transactions, and providing a unique transaction reference between participants

⁷ Moody's Analytics | BankFocus, Bureau Van Dijk's website, viewed 4th July 2018, < <https://www.bvdinfo.com/en-apac/our-products/company-information/International-products/bankfocus>>.

⁸ SWIFT FIN Traffic & Figures, SWIFT's website, viewed 30th June 2018, <<https://www.swift.com/about-us/swift-fin-traffic-figures>>.

Name	Business Summary
R3	R3 is a distributed ledger consortium funded by member institutions. R3 has developed a solution that leverages distributed ledger technology to enable fast, efficient and cost-effective cross-border payments
Ripple	Ripple connects banks, payment providers, digital asset exchanges and corporates via RippleNet to enable institutions to send money globally. Ripple's product xCurrent enables financial institutions some additional "Know Your Transaction" information to be sent across RippleNet
Tierion	Tierion enables the creation of an audit trail for business processes and a blockchain timestamp proof to digital documents and data. Tierion also supports regulatory compliance by enabling proof to regulators that data and documents have not been altered
Factom	Factom offers a distributed recordkeeping platform that leverages the audit characteristics of blockchain technology, as well as aiming to ensure that document records cannot be altered

3.5 BARRIERS TO ENTRY

identitii believes there are a number of barriers to entry which may limit the ability of new market participants to enter the market in which identitii operates. These barriers to entry include:

- **Research and Development Costs.** New competitors will need to invest a significant amount of time and capital into the design, development, testing and launch of marketable enterprise software solutions offerings. In addition, any new software enhancements and features must be regularly added to the platform in response to customer feedback and regulatory changes that frequently occur in the financial services industry;
- **Industry Acceptance.** In an industry dealing with the transfer of large amounts of money, banks are understandably cautious about new, unproven and, as yet, untested solutions. It can take years to achieve industry acceptance via an established reference customer;
- **Competition for Industry Talent.** New competitors will need to attract a sufficient number of adequately skilled and knowledgeable individuals to provide software development, sales and marketing, sophisticated administrative services and other business related functions. Additionally, these individuals often want to be associated with an established and reputable brand; and
- **Brand and Reputation.** New competitors will need to enter the market with an extensive sales and marketing program, which is likely to be costly and time intensive, in order to sufficiently build reputation and brand recognition within the financial services industry. Reputation and branding within the financial services industry is important for any market player as customers are typically attracted to well-known brands that are industry recognised compared to new market entrants.

4.

FINANCIAL INFORMATION

4. FINANCIAL INFORMATION

4.1. INTRODUCTION

4.1.1 BACKGROUND

In June 2018, identitii Pty Ltd was converted into a public company. The financial statements of identitii Limited are a continuation of identitii Pty Ltd. The historical financial information presented in this financial Section has been based on the audited and reviewed accounts of identitii Ltd (formerly identitii Pty Ltd).

4.1.2 OVERVIEW OF FINANCIAL INFORMATION

The summary financial information for identitii in this Section 4 includes:

- Historical Financial Information, comprising the:
 - statutory historical income statements for FY16, FY17, 1H17 and 1H18;
 - statutory historical cash flow statements for FY16, FY17, 1H17 and 1H18; and
 - statutory historical balance sheet as at 31 December 2017,(together, the **Historical Financial Information**).
- Pro forma historical financial information, comprising the pro forma historical balance sheet as at 31 December 2017 (the **Pro Forma Historical Financial Information**).
- Forecast Financial Information, comprising the:
 - forecast statutory income statement for FY18F; and
 - forecast statutory cash flow statement for FY18F,(together, the **Forecast Financial Information**).

The Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information are collectively the **Financial Information**.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- Management's discussion and analysis of the Historical and Forecast Financial Information (see Section 4.6);
- the Directors' best estimate general and specific assumptions and commentary underlying the Forecast Financial Information (refer to Section 4.7);
- the analysis of the key sensitivities in respect of the Forecast Financial Information (refer to Section 4.8); and
- identitii's proposed dividend policy (refer to Section 4.9).

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5, the significant accounting policies set out in Section 11 and other information contained in this Prospectus.

The Financial Information has been reviewed and reported on by KPMG Financial Advisory Services (Australia) Pty Ltd (**KPMG Transaction Services**), whose Investigating Accountant's Report is set out in Section 8.

identitii has a 30 June financial year end. As such, any references in this Section to “FY” refer to a 30 June financial year end and “HY” refer to a 31 December financial half year.

All amounts disclosed in the tables in this Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$100,000. Any discrepancies between totals and sums of components in tables or figures contained in this Prospectus are due to rounding.

4.2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 OVERVIEW

The Financial Information in this Prospectus has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards (AAS) issued by the Australian Accounting Standards Board (AASB), which are consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board. identitii’s significant accounting policies are set out in Section 11 and have been consistently applied throughout the financial periods presented, unless otherwise stated.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Directors are responsible for the preparation and presentation of the Financial Information.

In accordance with AASB 8: Operating Segments, identitii has one reportable segment, being the development and sale of financial technology to enable institutions to securely exchange auditable information.

4.2.2 PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been extracted from identitii’s audited statutory financial statements for FY16 and FY17 and reviewed statutory financial statements for 1H18 (which include comparative financial information for 1H17).

The statutory financial statements for FY16 and FY17 were audited by KPMG, which has issued an unqualified opinion. The statutory financial statements for 1H18 (including comparative financial information for 1H17) were reviewed by KPMG, which has issued an unqualified opinion.

In the financial statements for each of FY16, FY17 and 1H18, without qualifying their opinion, the auditors have included in their auditor’s report, a section in accordance with the requirements of Auditing Standard ASA 570, under the heading material uncertainty related to going concern. The uncertainty relating to identitii’s going concern assumption is based on identitii being reliant on receiving additional funding including the approval of the Accelerating Commercialisation Grant and the proposed Offer in order to be in a position to pay its debts as and when they became due. The Directors are confident that the completion of the Offer for \$11 million, and from the application of existing funds, the Company will have sufficient working capital to meet its debts as they arise and to continue trading as a going concern. The auditors also raised an Emphasis of Matter in accordance with Auditing Standard ASA 706 in the FY17 financial statements, in relation to the restatement of a share-based payment expense in the FY16 financial statements.

The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the reviewed statutory historical balance sheet as at 31 December 2017 with pro adjustments made to reflect identitii’s capital structure that will be in

place following completion of the Offer as if they had occurred at 31 December 2017.

The Pro Forma Historical Financial Information has been reviewed by KPMG Transaction Services, whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of the report. Refer to Section 4.4 for a reconciliation between the reviewed statutory historical balance sheet of identitii, and the pro forma historical balance sheet, as at 31 December 2017.

Investors should note that past results are not a guarantee of future performance.

4.2.3 PREPARATION OF FORECAST FINANCIAL INFORMATION

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus.

The Forecast Financial Information has been prepared by identitii based on an assessment of current economic and operating conditions and best estimate general and specific assumptions regarding future events and actions as set out in Section 4.7.

The Forecast Financial Information is based on reviewed results for 1H18 and the Directors' best estimates for 2H18, having regard to actual results to 30 June 2018 based on identitii's unaudited management accounts, and trading performance up until the date of lodgement of the Prospectus. The Forecast Financial Information represents identitii's best estimates of the financial performance and cash flows which they expect to report in their general purpose statutory financial statements for FY18.

The Forecast Financial Information is subject to the risks set out in Section 5. The inclusion of these assumptions and the risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Forecast Financial Information presented in the Prospectus has been reviewed by KPMG Transaction Services, Investors should note the scope and limitations of the Investigating Accountant's Report (refer to Section 8).

identitii believes the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial information, and that this may have a material positive or material negative effect on identitii's actual financial performance or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies many of which will be outside the control at identitii, the Directors and management, and are not reliably predictable. Accordingly, identitii, the Directors, nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information unless otherwise noted.

identitii has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Forecast Financial Information should be read in conjunction with the best estimate assumptions in Section 4.7, the sensitivity analysis in Section 4.8, the risk factors in Section 5 and other information set out in this Prospectus

4.2.4 EXPLANATION OF CERTAIN NON-IFRS MEASURES

identitii uses certain measures to manage and report on the business that are not recognised under AAS. These measures are collectively referred to as non-IFRS measures (**non-IFRS financial measures**). The principal non-IFRS financial measures that are referred to in this Prospectus include the following:

- EBITDA is earnings before interest, taxation, depreciation and amortisation; and
- EBIT is earnings before interest and taxation.

These measures are reconciled to profit/(loss) after tax in Section 4.3.

Although the Directors believe that these measures provide useful information about the financial performance of identitii, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with the AAS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS, they do not have standard definitions, and the way identitii has calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

4.3. HISTORICAL AND FORECAST INCOME STATEMENTS

4.3.1 OVERVIEW

The table below sets out the statutory income statements for FY16, FY17 and FY18F. For an explanation of the key income statement line items refer to Section 4.6.

Table 4.1 - Statutory historical and forecast income statements

\$'000	Notes	FY16	FY17	FY18F
Revenue	(a)	169	1,222	1,402
Research and development expenses	(b)	(242)	(1,396)	(1,822)
Employee and consultant expenses		(182)	(1,158)	(2,142)
Other operating expenses		(147)	(398)	(554)
EBITDA		(403)	(1,730)	(3,116)
Depreciation and amortisation	(c)	-	(134)	(3)
EBIT		(403)	(1,863)	(3,119)
Net interest income/(expense)		(4)	4	2
Profit before tax		(406)	(1,859)	(3,117)
Tax	(d)	-	(45)	(50)
Profit/(loss) after tax		(406)	(1,905)	(3,167)

Notes:

- (a) Revenue comprises Research and Development Tax Incentive (R&DTI) Refund, Accelerating Commercialisation Australia Government Grants, and Professional Services fees from services rendered to customers for technology development work performed by identitii.
- (b) Expenses incurred in relation to eligible R&D activities under the R&DTI requirements.
- (c) Amortisation expense in FY17 reflects 12 months of amortisation charge for the token intangible asset capitalised in FY16. The token was fully written down in FY17.
- (d) Tax expense is recognised in relation to a government grant from Accelerating Commercialisation Australia which is treated as assessable income for tax purposes. The Company also claims the R&DTI Refund, and therefore is required to pay tax on the gross amount of grant income received, taxed at a concessional rate of 10%.

The table below sets out the statutory income statements for 1H17 and 1H18.

Table 4.2 - Statutory historical income statements for 1H17 and 1H18

\$'000	Notes	1H17	1H18
Revenue	(a)	301	768
Research and development expenses	(b)	(582)	(850)
Employee and consultant expenses		(584)	(793)
Other operating expenses		(299)	(275)
EBITDA		(1,164)	(1,150)
Depreciation and amortisation	(c)	(67)	-
EBIT		(1,231)	(1,150)
Net interest income/(expense)		(1)	(1)
Profit/(loss) before tax		(1,231)	(1,151)
Tax	(d)	-	(40)
Profit/(loss) after tax		(1,231)	(1,191)

Notes:

- (a) Revenue comprises R&DTI Refund, Accelerating Commercialisation Australia Government Grants, and Professional Services fees from services rendered to customers for technology development work performed by identitii.
- (b) Expenses incurred in relation to eligible R&D activities under the R&DTI requirements.
- (c) Amortisation expense in 1H17 reflects 6 months of amortisation charge for the token intangible asset. The token was fully written down in FY17.
- (d) Tax expense is recognised in relation to a government grant from Accelerating Commercialisation Australia which is treated as assessable income for tax purposes. The Company also claims the R&DTI, and therefore is required to pay tax on the gross amount of grant income received, taxed at a concessional rate of 10%.

4.4. PRO FORMA HISTORICAL BALANCE SHEET

4.4.1 OVERVIEW

The pro forma historical balance sheet as at 31 December 2017 in Table 4.3 is based on the reviewed statutory historical balance sheet as at 31 December 2017, adjusted for certain pro forma adjustments to reflect the impact of the change in capital structure that will take place as part of the Offer, as if it was in place as at 31 December 2017.

The pro forma historical balance sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of Identitii's view of its future financial position upon Listing or future financial position.

Table 4.3 Pro forma historical balance sheet as at 31 December 2017

\$'000	Notes	31-Dec-17	Impact of Offer	Pro Forma
ASSETS				
<i>Current assets</i>				
Cash and cash equivalents	(a)	1,711	9,987	11,698
Trade and other receivables		397	-	397
Total current assets		2,108	9,987	12,095
<i>Non-current assets</i>				
Computer & Office equipment		18		18
Total non-current assets		18		18
Total assets		2,126	9,987	12,113
LIABILITIES				
<i>Current liabilities</i>				
Trade and other payables		(431)	-	(431)
Total current liabilities		(431)	-	(431)
Total liabilities		(431)	-	(431)
Net assets		1,694	9,987	11,681
EQUITY				
Retained earnings	(b)	(3,581)	(937)	(4,519)
Share capital	(c)	5,276	10,924	16,200
Total equity		1,694	9,987	11,681

Notes:

- (a) Pro forma cash increases by \$9,987,000 as a result of the cash proceeds from the Offer (\$11,000,000), partially offset by payment of transaction costs associated with the Offer (\$1,013,000). This results in net proceeds of \$9,987,000.
- (b) Pro forma retained losses increase by \$937,000 as a result of the reversal of the share options reserve amounting to \$648,000 following the vesting and exercise of the employee option share plan prior to the Offer, and \$289,000 of transaction costs of the Offer that are not able to be offset against contributed equity under AAS.
- (c) As a consequence of the Offer, share capital increases by \$10,924,000 through the issue of new Shares of \$11,000,000 and \$648,000 following the vesting and exercise of the employee option share plan prior to the Offer, less transaction costs of \$723,000 that under AAS are offset against equity. The Company has on issue 4,485,918 options as at the date of this Prospectus, refer to Section 10.4 for the terms of these options.

4.4.2 LIQUIDITY, CAPITAL RESOURCES AND INDEBTEDNESS

Following Completion of the Offer, identitii's principal source of funds will be cash on its balance sheet.

identitii expects that its operating cash flows, together with cash on its balance sheet will be sufficient to meet its operational requirements and business needs, and position identitii to grow its business in accordance with the entity's stated objectives. Historically identitii has a cash burn rate of \$0.3 million per month, based on the average operating expenditure of the business for the period July 2017 to May 2018, the majority of which relates to employee associated costs (excluding the non-cash ESOP expense).

identitii had pro forma cash and cash equivalents of \$11,698,000 as at 31 December 2017, reflecting the expected cash and cash equivalents balance had the pre-IPO loan and Offer occurred as at 31 December 2017.

Table 4.4 Net cash/(debt) as at 31 December 2017

\$000	Actuals	Pro forma
Cash and cash equivalents	1,711	11,698
Current and long-term debt	-	-
Total net cash/(debt)	1,711	11,698

identitii's cash flows for FY16, FY17, 1H17, 1H18 and FY18F are set out in Section 4.5.

4.4.3 CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Operating lease commitments includes contracted amounts for rental of premise. Contractual rental increase clauses have been factored into the commitments disclosed.

The future minimum lease payments under a non-cancellable lease as at 31 December 2017 are presented in Table 4.5.

Table 4.5 Statutory contractual obligations and commitments as at 31 December 2017

\$000	
<i>Operating lease commitments</i>	
Less than one year	86
Between 1 and 3 years	44
Total	130

4.5. HISTORICAL AND FORECAST CASH FLOW STATEMENTS

The table below sets out the statutory cash flow statements for FY16, FY17 and FY18F.

Table 4.6 Statutory historical and forecast cash flow statements

\$'000	Notes	FY16	FY17	FY18F
<i>Cash flows from operating activities</i>				
Receipts from government grants	(a)	44	454	463
Receipts from customers	(b)	-	161	202
Payments to suppliers and employees		(354)	(1,973)	(3,608)
Cash flows from operating activities		(310)	(1,359)	(2,943)
<i>Cash flows from investing activities</i>				
Payment for property, plant and equipment		(134)	-	(28)
Other cash items from investing activities	(c)	-	-	534
Cash flows from investing activities		(134)	-	506
<i>Cash flows from financing activities</i>				
Proceeds/ (repayments) from borrowings		140	(134)	(80)
Proceeds from the issue of Shares	(d)	308	1,597	2,057
Interest received/ (paid)		-	4	3
Finance costs		(4)	(2)	-
Other cash items from financing activities	(e)	-	169	474
Cash flows from financing activities		444	1,634	2,454
Net cash flows		(-)	276	18

Notes:

- (a) Receipts from government grants in FY17 and FY18F represents the cash received in relation to the Accelerating Commercialisation Australia Government Grants (\$1.0 million in total paid quarterly to March 2018).
- (b) Receipts from customers represents cash received from Professional Services provided to customers for technology development work performed.
- (c) Other cash items from investing activities represents the actual cash received from the ATO in relation to R&DTI Refund received in 2018.
- (d) Proceeds from the issue of Shares represents net cash proceeds from the issue of ordinary shares of \$0.3 million in FY16, and \$1.6 million in FY17. In addition, the Company raised \$2.1 million in external funds through a capital raise in October 2017.
- (e) Other cash items from financing activities primarily represents cash received from loans secured against the R&DTI Refund. Identitii has no loans or debt facilities as at the date of this Prospectus.

Table 4.7 Statutory historical cash flow statements for 1H17 and 1H18

\$'000	Notes	1H17	1H18
<i>Cash flows from operating activities</i>			
Receipts from government grants	(a)	-	398
Receipts from customers		30	-
Payments to suppliers and employees		(877)	(1,504)
Cash flows from operating activities		(847)	(1,106)
<i>Cash flows from investing activities</i>			
Payment for property, plant and equipment		-	(21)
Other cash items from investing activities		-	-
Cash flows from investing activities		-	(21)
<i>Cash flows from financing activities</i>			
Proceeds/ (repayments) from borrowings		(214)	(80)
Proceeds from the issue of Shares	(b)	1,597	2,097
Interest received/ (paid)		(1)	(1)
Finance costs		-	-
Other cash items from financing activities	(c)	169	544
Cash flows from financing activities		1,552	2,561
Net cash flows		705	1,434

Notes:

- (a) Receipts from government grants represents the cash received in relation to the Accelerating Commercialisation Australia Government Grants.
- (b) Proceeds from the issue of Shares represents net cash proceeds from the issue of ordinary shares in the Company of \$1.6 million in 2016. In addition, the Company raised \$2.1 million in external funds through a capital raise in October 2017.
- (c) Other cash items from financing activities primarily represents cash received from loans secured against the R&DTI Refund. identitii has no loans or debt facilities as at the date of this Prospectus.

4.6. MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL AND FORECAST FINANCIAL INFORMATION

4.6.1 OVERVIEW

This Section 4.6 sets out a discussion of the main factors which affected identitii's operating and relative financial performance in FY16, FY17, 1H17, 1H18 and a discussion of the key factors and assumptions underpinning the forecast financial performance in FY18F. Comments relating to the forecast financial performance in FY18F should be read in conjunction with the key forecast assumptions set out in Section 4.7.

The discussion of these general factors is intended to provide a brief summary only and does not detail all the factors that affected historical operating and financial performance, nor everything which may affect identitii's operating and financial performance in the future.

The information in this Section 4.6 should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.6.2 REVENUE AND OTHER INCOME

identitii derives revenue largely through the following means:

- **Accelerating Commercialisation Australia Government Grant** – is earned when project milestones are achieved. identitii was successful in securing the Accelerating Commercialisation Grant from the Australian Government in January 2017. A total grant of \$1.0 million was received by identitii quarterly to March 2018.
- **R&D Tax Incentive Refund** – is earned when eligible research and development expenditure is incurred and R&D tax credits can be recognised as a result of incurring the research and development expenditure. A total refund of \$1.5 million has been received by identitii to date. identitii may continue to be eligible for further refunds. The R&DTI refund may not continue in future years if identitii no longer meets the eligibility requirements for grants under the R&DTI refund or if the incentive program is modified or terminated.
- **Professional services** – is earned when work is completed and invoiced for services rendered. Professional Services are provided to customers for technology development work performed by identitii.

4.6.3 OPERATING EXPENSES

Key operating expenses categories for identitii include:

- **Research and development expenses** – are eligible costs incurred in the research and development of identitii's product Serra (refer to Section 2.3 for further information). These eligible costs comprise employee expenses, consulting expenses, and general office expenses that support the ongoing research and development activities.
- **Employee and consultant expenses** – are employee costs incurred who are predominantly software developers, software engineers and business development managers. Consultants are engaged to provide specific domain knowledge, expertise, and introductions within the financial services industry.
- **Other operating expenses** – include travel costs for international business development, office, accounting, legal, and administrative expenses.

Table 4.8 Summary of historical and forecast income statements

\$'000	FY16	FY17	FY18F
Accelerating Commercialisation Grant	-	454	496
Professional Services	-	161	186
R&D Tax Incentive Refund	169	607	720
Revenue	169	1,222	1,402
Operating expenses	(572)	(2,952)	(4,518)
EBITDA	(403)	(1,730)	(3,116)
Summary of historical and forecast cash flow statements			
Cash flows from operating activities	(310)	(1,359)	(2,943)
Cash flows from investing activities	(134)	-	506
Cash flows from financing activities	444	1,634	2,454
Net cash flows	(-)	276	18

4.6.4 FY17 COMPARED TO FY16

Revenue

Revenue of \$1.2 million in FY17 increased by \$1.1 million compared to FY16 largely driven by an increase in the R&D Tax Incentive Refund of \$0.6 million. \$0.5 million of Accelerating Commercialisation Australia Grant was received in FY17, as well as \$0.2 million in relation to Professional Service fees. The Company started earning revenue from Professional Services in September 2016 through financial institutions having signed up for paid trials of Serra.

Total operating expenses

Total operating expenses of \$3.0 million in FY17 increased by \$2.4 million compared to FY16 largely driven by an increase in:

- expenses incurred on product development and R&D activities of \$1.2 million;
- employee and consultant expenses of \$1.0 million mainly attributable to an increase in headcount and the associated salary and on cost expenses of; and
- other operating expenses as the scale and size of the business increased to support continued product development.

Depreciation and amortisation

Amortisation expense of \$0.1 million in FY17 reflects the one year amortisation of the token intangible asset. The Token intangible asset represents development expenditure that was capitalised and recognised as an asset. Capitalised development expenditure is measured at cost less accumulated amortisation. Whilst future economic benefits are probable, the pace at which blockchain technology continues to develop means that such benefits are likely to flow within a 12 month period and therefore the useful life was assessed as being one year. Therefore in FY17 the token was fully amortised and written down.

Net cash flows

Net cash flows from operating activities decreased in FY17 to \$(1.4) million from \$(0.3) million in FY16, predominately due to the increase in operating expenses outlined above as the Company was in a product development stage.

Overall net cash flows increased to \$0.3 million in FY17 driven predominately from proceeds raised from the issue of new ordinary shares.

4.6.5 FY18F COMPARED TO FY17

Revenue

Revenue of \$1.4 million in FY18F increased by \$0.2 million compared to FY17 largely driven by an increase in the R&D Tax Incentive Refund of \$0.1 million, and a slight increase in the Accelerating Commercialisation Australia Grant and Professional Services fees.

Total operating expenses

Total operating expenses of \$4.5 million in FY18F increased by \$1.6 million compared to FY17 largely driven by an increase in:

- employee and consultant expenses of \$1.0 million mainly attributable to an increase in headcount and associated salary and on cost expenses; and
- expenses incurred on product development and R&D activities of \$0.4 million, as the Company reallocates a portion of total operating expenditure to R&D expense, based on tax advice from identitii's tax advisor. The R&D expenditure is reflective of a percentage allocation of the FY18F operating expenditure.

Depreciation and amortisation

No amortisation expense is forecast in FY18F. Given the continued loss making position of the Company as it continues to focus on product development, all costs in relation to research and development are expensed as incurred. As such, there is no intangible assets on the Company's balance sheet as at 31 December 2017.

Net cash flows

Net cash flows from operating activities are forecast to decrease in FY18F to \$(2.9) million from \$(1.4) million in FY17 predominately due to the increase in operating expenses outlined above to support continued product development.

Overall net cash flows decreased to \$18,000 in FY18F, compared to \$0.3 million in FY17 driven by the increase in operating expenses outlined above offset by the cash proceeds from a \$2.1 million capital raise in October 2017.

4.6.6 1H18 COMPARED TO 1H17

Table 4.9 Summary of historical and forecast income statements and cash flow statements

\$'000	1H17	1H18
Accelerating Commercialisation Grant	-	398
Professional Services	48	-
R&D Tax Incentive Refund	253	370
Revenue	301	768
Operating expenses	(1,465)	(1,918)
EBITDA	(1,164)	(1,150)
Summary of historical and forecast cash flow statements		
Cash flows from operating activities	(847)	(1,106)
Cash flows from investing activities	-	(21)
Cash flows from financing activities	1,552	2,561
Net cash flows	705	1,434

Revenue

Revenue of \$0.8 million in 1H18 increased by \$0.5 million compared to 1H17. This was largely driven by the increase in the Accelerating Commercialisation Australia Grant of \$0.4 million and the R&D Tax incentive refund of \$0.1 million.

Total operating expenses

Total operating expenses of \$1.9 million in 1H18 increased by \$0.5 million compared to 1H17. This was mainly driven by an increase in R&D expenses of \$0.3 million related to increasing headcount and consultants to support continued product development.

Net cash flow

Net cash flows from operating activities decreased in 1H18 to \$(1.1) million from \$(0.8) million in 1H17 predominately due to the increase in operating expenses outlined above to support continued product development.

Overall net cash flow was \$1.4 million in 1H18, compared to \$0.7 million in 1H17 primarily driven by the cash proceeds from a \$2.1 million capital raise in October 2017.

4.7. ASSUMPTIONS UNDERLYING THE FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on various best estimate assumptions concerning future events, including those set out below, which should be read in conjunction with the Investigating Accountant's Report in Section 8, the risk factors set out in Section 5, the sensitivity analysis set out in Section 4.8 and all other information set out in this Prospectus.

identitii believes the best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial information.

The actual results are likely to vary from that forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of identitii and its Directors, and are not reliably predictable.

Accordingly, none of identitii, its Directors, or any other person can give you any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

4.7.1 GENERAL ASSUMPTIONS

In preparing the Forecast Financial Information, the following general assumptions relating to the forecast period have been adopted by identitii:

- No material changes in applicable AAS or other mandatory professional reporting requirements or the Corporations Act, which have a material impact on identitii's financial performance, financial position, accounting policies, financial reporting or disclosure; and
- Completion of the Offer proceeds in accordance with the timetable and terms detailed in the Investment Overview set out in Section 1 of this Prospectus and are underwritten.

The Forecast Financial Information is based on reviewed results for 1H18 and the Directors' best estimates for 2H18, having regard to actual results to 30 June 2018 based on identitii's unaudited management accounts, and trading performance up until the date of lodgement of the Prospectus.

In preparing the Forecast Financial Information, the following best estimate specific assumptions and policies have been adopted by identitii:

REVENUE AND OTHER INCOME

Revenue and other income comprise of Accelerating Commercialisation Australia Government Grant, R&D Tax Incentive Refund, and Professional services as detailed in section 4.6.

Accelerating Commercialisation Australia Government Grant revenue is based on when expected project milestones are achieved. The funding was paid quarterly to March 2018, recognising \$496,000 in actual grant revenue received in FY18F.

R&D Tax Incentive Refund is forecast based on the tax credits that are recognised when eligible R&D expenditure is incurred. A total refund of \$1.5 million has been received by identitii to date. identitii may continue to be eligible for further refunds. The R&DTI refund received may not continue in future years if identitii no longer meets the eligibility requirements for grants under the R&DTI refund or if the incentive program is modified or terminated.

Professional services are forecast with reference to the stage of completion of the transaction and where the outcome of the project can be reliably estimated. Professional services recognised in FY18F relates to actual invoiced amounts for services completed

OPERATING EXPENSES

Research and development expenses

Research and development expenses are forecast based on the stage of development phase of an R&D activity.

Employee & consultant expenses

Employee expenses are forecast based on an employee by employee basis of existing salary and on costs. On costs include superannuation, payroll taxes and annual leave accrual.

Employee expenses include the expense in relation to the recognition of the settlement of equity settled share based compensation benefits (ESOP) Options. The employee Options were exercised on a cashless basis, and converted to equity of the Company. Refer to Section 7.4 for the Shareholder structure of identitii.

Consultant expenses are forecast based on an agreed scope of work undertaken to be delivered by the consultants.

Other operating expenses

Other operating expenses are forecast based on the day to day operational requirements of identitii, as well as any forecast change in business activity that would cause a change to these expenses.

The Company expects the above operating expenses will continue at similar levels in the short term. However, management forecast there will be \$0.3 million additional costs per annum post IPO associated with being a publicly listed entity. These costs are expected to commence on completion of the IPO and include the remuneration of two additional Non-Executive Directors, additional audit and legal costs, listing fees, share registry costs, Directors' and officers' insurance premiums, investor relations, annual general meeting and annual report costs. The historical and forecast financial information presented in this Section has not be adjusted to include incremental public company costs given the Company has been in a ramp up product development phase in the corresponding periods.

4.8. SENSITIVITY ANALYSIS

The Forecast Financial Information included in Section 4.3.1 is based on a number of estimates and assumptions as described in Sections 4.7. These estimates are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of identitii, identitii's Directors and management, and based upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in the Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out below in Table 4.10 is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key assumptions.

The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not indicated to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown. For the purposes of this analysis, the operating expenses sensitivity is presented in terms of the impact on forecast EBITDA and NPAT for FY18F.

Table 4.10 Sensitivity analysis

	Type of variation	Potential impact on FY18F EBITDA/NPAT
Operating expenses	+/-5%	226

Note: The sensitivity assumption has been calculated in isolation from changes in other variables and based on full year FY18F operating expenses.

Care should be taken in interpreting the sensitivity. The estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions, in order to illustrate the likely impact on the Forecast Financial Information. In practice, changes in assumptions may offset each other or be additive, and it is likely that management would respond to any adverse change in one item to seek to minimise the net effect on identitii's EBITDA.

4.9. DIVIDEND POLICY

identitii has not forecast a dividend payment in FY18F. The Company plans to invest all cash flow into the business in order to maximise growth. Accordingly, no dividends are expected to be paid in the foreseeable future following the Company's listing on ASX.

The Directors cannot and do not give any assurances as to the extent, timing, level of franking or payment of any dividends in any future period as all of the foregoing are dependent upon a number of factors including the level of future earnings, the amount of tax paid, the financial position of identitii, future operating conditions and future cash requirements to fund growth.

4.10. FORTHCOMING CHANGES TO AUSTRALIAN ACCOUNTING STANDARDS

AASB 15 – Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue which will replace AASB 118 which covers contracts for goods and services. The new standard is based on the core principle that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new standard is effective for all reporting periods commencing 1 January 2018 and therefore applicable from 1 July 2018 for identitii. identitii will therefore implement the standard in the FY19 reporting period, accompanied with a reconciliation from the old standard to the new standard for FY19 in line with requirements of the standard.

The Directors have completed their assessment of the impact of the effect of AASB 15 on FY18F and have determined that there is unlikely to be a material impact in regard to when revenue has been recognised.

AASB 16 – Leases

The AASB has issued a new standard AASB 16 Leases. The standard provides a single lessee accounting model and requires lessees to account for leases under an on-balance sheet model, with the distinction between operating and finance leases being removed.

The new standard is effective for all reporting periods commencing 1 January 2019 and therefore applicable from 1 July 2019 for identitii.

The Directors have not yet evaluated the impact of adoption of this standard on identitii's financial statements.

AASB 9 – Financial Instruments (and applicable amendments)

This standard addresses the classification, measurement and derecognition of financial instruments. It has also introduced revised rules around hedge accounting and impairment.

The new standard is effective for financial years commencing on or after 1 January 2018 and therefore applicable from 1 July 2018 for identitii.

The Directors have completed their assessment of the impact of the effect of AASB 9 Financial Instruments (and applicable amendments) and have determined that there is unlikely to be a material impact on identitii's financial statements.

5.

RISKS

5. RISKS

This Section describes some of the potential risks associated with identitii's business and risks associated with an investment in Shares. It does not purport to list every risk that may be associated with an investment in Shares now or in the future. The occurrence or consequences of some of the risks described in this Section are partially or completely outside of the control of identitii, its Directors and its management.

The selection of risks has been based on the assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. That assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

There can be no guarantee that the Company will deliver on its business strategy, or that the forecasts or any forward looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

Before applying for Shares, investors should satisfy themselves that they have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for them, having regard to their own personal circumstances, investment objectives, financial circumstances and tax position. If investors are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for them, they should seek professional guidance from their solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

5.1 BUSINESS RISKS ASSOCIATED WITH THE COMPANY

- **Sufficiency of funding:** At the date of this Prospectus identitii is not cash flow positive, meaning identitii is reliant on raising funds from investors in order to continue its operations. Although the Directors consider that identitii will, on completion of the Offer, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can be met without further funding. identitii has limited financial resources and may need to raise additional funds from time to time to finance the complete development and commercialisation of its products and services and meet its other longer term objectives. identitii may never achieve profitability and its ability to raise additional funds will be subject to, among other things, factors beyond the control of identitii and its Directors, including cyclical factors affecting the economy and the share markets generally. The Directors can give no assurance that future funds can be raised by identitii on favourable terms, if at all.
- **Failure to attract new customers:** identitii may fail to attract new customers for a number of reasons, such as the failure to meet customer expectations or requirements, poor customer service, pricing or competition. identitii's ability to retain and renew existing contracts and win new contracts may also be impacted by broader external factors including a slowdown in economic activity, changes to law or changes to regulation. If identitii fails to retain its existing customer, attract further business from that existing customer and attract new customers, identitii's future operating and financial performance may be adversely affected and its reputation may be damaged.
- **Competition:** The business of providing enterprise software for the financial services industry in order to solve challenges for international wire transfers is highly competitive and includes companies with significantly greater financial, technical, human, research and development and marketing resources than identitii. There is also currently significant interest in adopting blockchain technology for this purpose including among banks, financial intermediaries, financial technology start-ups and others. identitii's competitors may discover and develop products in advance of identitii and/or products that are more effective than those developed by identitii. As a consequence, identitii's current and future technologies and products may become obsolete or uncompetitive resulting in adverse effects on revenue, margins and profitability.
- **Product disruption:** The rapid pace of innovation and development within the industry, together with the high number of competitors mean that there is no guarantee identitii's products will be effective or economic. There is a risk that competitors' products, services or offerings may render identitii's products, services or offerings

obsolete or uncompetitive. In particular, the enterprise software market and financial services industry has been rapidly evolving, with both new entrants and established participants operating in specific areas of expertise.

- **Business strategy risk:** identitii's future growth and financial performance is dependent on identitii's ability to successfully execute its business strategy. This will be impacted by a number of factors, including identitii's ability to:
 - expand through new channels and develop within Australian and international financial services markets for its current commercialised products and services;
 - ability to successfully commercialise its current products and services and being able to provide these products and services;
 - innovate and successfully commercialise new products that are appealing to customers; and
 - comply with regulatory requirements (reflecting the sensitive regulatory nature or highly regulated environment in which identitii's customers operates their business).
- **Dependence on key customer:** identitii is dependent on its ability to retain its existing customer. A majority of the identitii's business has historically been and is currently carried out under contract to a single customer. Changes in spending levels or in identitii's standing with that financial institution would affect its financial and operating performance. identitii derives all of its revenue (other than R&DTI income) as at the date of this Prospectus from this contract and it may be terminated at any time without cause, delayed or incur unforeseen costs in performance which may not be recoverable.
- **Inability to retain key staff:** identitii currently employs a number of key management personnel and identitii's future depends on retaining qualified personnel. The loss of any of these people's services could materially and adversely affect identitii and may impede the achievement of its product development and commercialisation objectives. Further the successful development of identitii will require the services of additional staff. There can be no assurance that identitii will be able to attract appropriately qualified and experienced additional staff and this may adversely affect identitii's prospects of success.
- **New entrant in the financial services industry with limited trading history:** identitii is a relatively new entrant in the provision of enterprise software to the financial services industry market. It therefore faces the risks common to any new company including building its depth and infrastructure, successfully obtaining market penetration and strategic partners to secure market share, increasing its product/brand recognition and obtaining acceptance by end consumers. Investors should consider identitii's business and prospects in light of the risks, uncertainties, expenses and challenges that it may face as an early-stage business. If identitii is not successful in addressing such risks, identitii's business prospects and financial performance may be materially and adversely affected.
- **Regulatory risk:** identitii operates its business within a complex regulatory environment. In particular, its products encompass regulatory areas such as Know Your Customer (KYC), Anti-Money Laundering (AML) and Counter-Terrorism Financing Rules (CTF) which are contained within a number of federal and state-based regulations in Australia, as well as requirements in other foreign jurisdictions in which it operates. Those laws and regulations are complex, can change frequently, and have tended to become more stringent over time and subject to judicial interpretation.

Changes in these laws and regulations (including interpretation and enforcement) could adversely affect identitii's financial performance. Whilst identitii is not a regulated entity, its customers are and changes in these laws and regulations pose a flow-on effect risk to identitii. The introduction of these and other new regulations may also result in increased expense for identitii as it may have to review or redevelop its products.
- **Security breach risk:** An intruder might conceivably breach identitii's network, compromising the products developed by identitii, integrity or availability of the identitii service resulting in loss of customers and damage to the identitii brand and reputation. identitii is managing this risk through its internal security certification program and has designed its managed services to minimise the potential for loss of data through backup operations, and the implementation of technical security controls within its managed service offering including, but not limited to, identification and authentication services, audit and logging services and infrastructure segregation.
- **Material contract risk:** There are a number of existing contracts which are material to identitii's business. Further contracts will likely be entered into by identitii which will also be material to its business. Many of these contracts are, or will be, governed by laws other than laws of Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia. There may be regulatory or practical considerations which frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties. These matters may have a significant adverse effect on identitii's ability to enforce its contracts and may have a significant adverse effect more generally on the Company's business and profitability.

- **Global and jurisdictional challenges:** identitii targets customers in, and intends to provide products and services to customers in, a number of jurisdictions around the world. This broadens the scope of most general risks to identitii, as changes in regulation and legislation can affect the identitii in ways that are difficult to predict. In some jurisdictions, government policies and procedures regulating banking may still be in their infancy, potentially resulting in local laws and practices that are time consuming and resource-intensive to comply with, or which are unclear. Required approvals may be difficult to obtain. Some of the jurisdictions in which identitii may operate in the future may experience sudden civil unrest or major political change. identitii's operations may be adversely affected by the risks associated with operating in such jurisdictions, which may impact on its ability to grow the business in overseas markets.
- **Insurance risk:** Although identitii maintains insurance, no assurance can be given that adequate insurance will continue to be available to identitii in the future on commercially acceptable terms. Additionally, there is a possibility that events may arise which are not covered by identitii's insurance policies. In those circumstances, identitii will be liable to cover such costs regardless of the quantum. This could affect identitii's ability to conduct and operate its business.
- **Customer liability risks:** There is no assurance that unforeseen adverse events or service defects will not arise. Adverse events or service defects could expose identitii to liability to customers, including under claims or litigation, resulting in monetary damages being awarded against identitii. In such event, identitii's liability may not be covered by, or exceed the limits of, its insurance coverage and identitii may incur reputational damage as a result.
- **Potential acquisitions risks:** As part of its business strategy, identitii may make acquisitions of or significant investments in, complementary companies, services, technologies and/or products. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements and achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.
- **Exchange rates risks:** identitii operates internationally and in more than one foreign currencies. Accordingly, fluctuations in prevailing exchange rates affect the Company's profitability. For example, identitii pays its website hosting costs in US dollars. If the Australian dollar falls relative to the US dollar, those costs increase in Australian dollar terms, reducing identitii's profitability. Currently, most of the Company's customer revenues are in US dollars (although R&D grants were historically received in Australian dollars) and most of its costs are in Australian dollars. However, the mix of currencies in which identitii pays its costs and earns its revenues is changing over time. As that mix changes, there may be a greater impact on profitability in Australian dollar terms.
- **Going concern risk:** identitii's audit for FY17 contains a note emphasising uncertainty around identitii's ability to continue as a 'going concern' in the event identitii is unable to secure sufficient funding from a capital raising. Notwithstanding the 'going concern' note included in Section 11.2, the Directors believe that there are reasonable grounds to believe that identitii will be able to continue as a going concern. However, in the event that the Offer is not completed successfully or is delayed, there is significant uncertainty as to whether identitii can meet its commitments to its creditors and continue as a going concern, which is likely to have a material adverse effect on identitii's activities.
- **Expenditure program:** identitii has not entered in contracts for a number of the material items covered by the Expenditure Program, nor does it have binding quotations in relation to such items. Rather the Directors have determined that following the successful close of the Offer, identitii will be well positioned to negotiate the exact terms for such contracts. identitii has indicative quotations for major expenditures items. The Directors have extensive experience in the enterprise software industry and have prepared the anticipated expenditure detailed in Section 1.7 based partly on discussions with or indicative quotes obtained from potential suppliers of those services and their own experience of the likely costs for those expenditure items. While the Directors are confident identitii will be able to source suitable suppliers, there is a risk that identitii may not be able to source those suppliers at the estimated expenditure in Section 1.7.
- **Research & Development Tax Incentive Risk:** The Company has received a portion of its revenue through governmental research and development income grants including the R&DTI refund. The grants and R&DTI refund received may not continue in future years if identitii no longer meets the eligibility requirements for grants under the R&DTI refund or if the incentive program is modified or terminated.

5.2 INTELLECTUAL PROPERTY AND TRADE SECRETS RISKS

- **Dependence on technology rights and intellectual property:** Obtaining and protecting intellectual property

rights over all the technologies and products connected with identitii's products, services or offerings will be essential to commercialisation and realising its growth potential. The prospects of identitii's products, services and offerings generating a profit and increasing in value depend significantly on its ability to obtain interests in all relevant intellectual property, maintain trade secret protection and operating without infringing the proprietary rights of third parties. In this regard, identitii and its Directors offer no assurance that any intellectual property which it acquires will afford identitii or the holder commercially significant protection of its products or technologies, or that any of the projects that may arise from technologies will have commercial applications

identitii expects, but does not warrant, that it will implement all reasonable endeavours to acquire and protect its interests in intellectual property. However, no assurance can be given that any measures taken to this end will be sufficient. There is a risk that as yet unknown third parties may assert intellectual property claims in relation to blockchain, including any of the technologies or services associated with identitii's block-chain based products, services or offerings. Irrespective of the merit of any rights or claims asserted by third parties, such claims may adversely affect identitii. There is also a risk that identitii's investment may be indirectly adversely affected if a third party claim or asserted right reduces confidence in the longer-run viability of the blockchain industry.

- **Patent risk:** identitii cannot give any assurances that the identitii Patent Application will be granted. Third parties may also object to the grant of the identitii Patent Application on grounds which may include alleged infringement of their patents. While identitii is not aware of its products infringing any third party's patent, identitii has not undertaken an exhaustive assessment of existing patents to determine any potential infringement. Accordingly, there is a risk that a third party may claim that identitii's technology (including as set out in the identitii Patent Application) infringes that third party's patent. There is also no guarantee that grant of a patent under the identitii Patent Application will provide adequate protection for the intellectual property, or that third parties will not infringe or misappropriate its patents or any other rights. In addition, there can be no assurance that identitii will not have to pursue litigation against other parties to assert its rights.
- **Infringement of third party IP rights:** If a third party accuses identitii of infringing its intellectual property rights or if a third party commences litigation against identitii for the infringement of patent or other intellectual property rights, identitii may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that identitii incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time. In addition, parties making claims against identitii may be able to obtain injunctive or other equitable relief that could prevent identitii from further developing discoveries or commercialising its products and services. In the event of a successful claim of infringement against identitii, it may be required to pay damages and obtain one or more licences from the prevailing third party. If it is not able to obtain these licences at a reasonable cost, if at all, it could encounter delays in product and service delivery and loss of substantial resources while it attempts to develop alternative products and services. Defence of any lawsuit or failure to obtain any of these licences could prevent identitii from commercialising available products and services and could cause it to incur substantial expenditure.
- **Trade secrets risks:** identitii relies on its trade secrets, which include information relating to the development of its technology and integration with its customers. The protective measures that identitii employs may not provide adequate protection for its trade secrets. This could erode identitii's competitive advantage and materially harm its business. identitii cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that identitii will be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret.

5.3 GENERAL INVESTMENT RISK FACTORS

- **Price of Shares:** The price of Shares quoted on ASX may rise or fall, and the Shares may trade below or above the Offer Price due to a number of factors, including:
 - general economic conditions, including interest rates, exchange rates, inflation rates and commodity prices;
 - fluctuations in the local and global market for listed stocks;
 - changes to government policy, legislation or regulation;
 - inclusion in or removal from market indices;
 - the nature of markets in which identitii operates;
 - general and operational business risks; and
 - global hostilities, tensions and acts of terrorism.
- **Force majeure risks:** Force majeure is a term generally used to refer to an event beyond the control of a party claiming that the event has occurred. Significant catastrophic events – such as war, acts of terrorism, loss of power, cyber security breaches or global threats – or natural disasters – such as earthquakes, fire or floods or the outbreak of epidemic disease – could disrupt identitii's operations and impair deployment of its solutions by its

customers, interrupt critical functions, reduce demand for identitii's products, prevent customers from honouring their contractual obligations to identitii or otherwise harm the business. To the extent that such disruptions or uncertainties result in delays or cancellations of the deployment of identitii's products and solutions, its business, results of operations and financial condition could be harmed.

- **Equity market fluctuations:** Investors are strongly advised to regard an investment in identitii as a long-term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. This means that the market price of Shares may decrease or increase from time to time. identitii cannot guarantee its future earnings and cannot provide a guaranteed level of return to investors.
- **Existing shareholders retain a significant stake:** Following the completion of the Offer, the Existing Shareholders will retain 75.14% of the issued capital of identitii (excluding any shares acquired by existing shareholders under the Offer). Existing Shareholders may be in a position to exert significant influence over matters relating to the Company, including the election of Directors, or the approval of a transaction involving the Company. Any significant sale of Shares, or the perception of a sale of Shares, by Existing Shareholders might have adverse effects on the prices of the Shares.
- **Economic conditions:** The operating and financial performance of identitii is influenced by a variety of general economic and business conditions in the primary markets it operates or plans to operate (including US, Australia and Asia), including the level of inflation, international share markets, interest and currency exchange rates and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on identitii's business or financial situation including its ability to fund ongoing operations.
- **Changes in tax laws:** New tax laws could be enacted at any time. Those enactments could harm identitii's business and financial performances. Further, existing tax laws could be interpreted, changed, modified or applied adversely to identitii.
- **Long term investment:** Investors are strongly advised to regard an investment in identitii as a long-term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. The Company cannot guarantee its future earnings and cannot provide a guaranteed level of return to investors.
- **No dividends expected in the foreseeable future:** identitii does not expect to declare any dividends to holders of the Shares in the foreseeable future. Consequently, investors may need to rely on sales of their Shares after price appreciation (which may never occur) as the only way to realise any future gains on their investment. Investors seeking access to dividends should not purchase the Shares.
- **Government:** Changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and investor returns.

5.4 CONCLUDING COMMENTS

The above list of risk factors ought not to be taken as an exhaustive one of the risks faced by identitii or by investors in identitii. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of identitii and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, return of capital or the market value of those Shares.

Investment in identitii must be regarded as speculative and neither identitii nor any of its Directors or any other part associated with the preparation of this Prospectus guarantees that any specific objectives of identitii will be achieved or that any particular performance of identitii or of the Shares, including those offered by this Prospectus, will be achieved.

6.

BOARD AND MANAGEMENT

6. BOARD AND MANAGEMENT

6.1. BOARD OF DIRECTORS

The Directors bring to the Board a breadth of expertise and skills, including relevant industry experience and technology backgrounds. The Directors of the Company comprises:



MR. MICHAEL ASTON (INDEPENDENT NON-EXECUTIVE CHAIRMAN)

(Appointed June 2018)

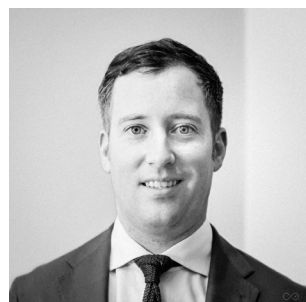
- Michael Aston is an experienced senior executive and FinTech entrepreneur with an international career in building and leading global technology businesses.
- In 2013, Michael was appointed Business Executive Advisor to Accenture to help implement its strategy and advisory for addressing the transforming payments landscape for financial services businesses. He works with a number of start-up technology companies in a range of roles. Michael has been involved in a number of major national payments initiatives including United Kingdom's Faster Payments, Singapore's FAST, Australia's New Payments Platform and Thailand's National ePayments. Michael also advises financial services businesses on new developments in payments such as open banking, micro-services and blockchain technologies. He presents to central banks, regulators and global and national banks on disruption in the payments industry and the potential implications for the international and domestic payments markets.
- As Chief Executive Officer, Chairman and co-founder of Distra Pty Limited, Michael oversaw its growth from 2001 to become one of the leading next generation payments platforms used by the largest payments processors. Under his leadership, Distra was acquired in September 2012, by ACI Worldwide, a US based global leader in payments applications.
- During his career, Michael has operated throughout Europe, North America and the Asia-Pacific region and across a range of sectors including government, finance, IT&T and transport, overseeing the development, sale and implementation of "mission critical" solutions to sophisticated government and blue chip corporate clients.
- Michael has held a number of executive and board positions with large global corporates including UK defence company GEC Marconi, Serco Systems Limited, a global systems engineering group and CAE Incorporated, the world's leading supplier of flight simulators.
- An engineering and business graduate, Michael is a member of the Australian Institute of Directors and has received a NSW Pearcey Award for entrepreneurship in 2013.



MR. MARTIN ROGERS (NON-EXECUTIVE DIRECTOR)

(Appointed January 2018)

- Martin is a start-up investor and company director and has a depth of experience in incubating companies and publicly listed organisations. Martin has experience in many aspects of financial, strategic and operational management. Martin has been both an investor and senior executive in a private funded advisory business in the technology, science and life sciences sectors, where he has been instrumental in enhancing the value of those investments.
- Martin is the Chief Investment Officer of KTM Ventures Innovation Fund LP, an early stage venture capital limited partnership. Currently Martin is also director of Independent Reserve, a leading Australian institutional cryptocurrency exchange.
- Martin was previously chairman of ASX listed entities Actinogen Medical Ltd, OncoSil Medical Ltd, Rhinomed Ltd and non-executive director of Cellmid Ltd and Chief Executive Officer and managing director of ASX/NASDAQ listed Prima Biomed Ltd.
- Martin has Chemical Engineering and Computer Science degrees.



MR. NICHOLAS ARMSTRONG (EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER)

(Appointed November 2014)

- Nicholas is an entrepreneur, with 13 years' experience in building and scaling technology businesses. Nicholas co-founded identitii in 2014 with Eric Knight and is also the CEO.
- From 2007 to 2014 Nicholas was founder and CEO of COzero Holdings Ltd (**COzero**) and led the company through multiple rounds of funding to Series B in late 2013, when a Japanese strategic investor took a majority stake in the company. COzero is an energy technology company with several products including EnergyLink.io (AI powered energy management software) and MarketLink (OTC trading software). COzero was the fastest growing company in Australia in 2011 according to BRW. From 2005 to 2006 Nicholas was founder and CEO of Greentricity, an online renewable energy retail company. Greentricity was acquired in late 2006 by Australian Power & Gas, a subsidiary of AGL Energy Limited.
- Nicholas holds a Bachelor of Science (Psychology, Human Geography) from the University of Sydney.

Each Director above has confirmed to identitii that he or she anticipates being available to perform their duties as a Non-Executive or Executive Director, as the case may be, without constraint from other commitments. The Board intends to appoint an additional director prior to the Listing Date. On finalisation of the appointment, identitii intends to lodge a supplementary prospectus with ASIC. This supplementary prospectus will contain information on the role, expertise, independence or affiliation, interests and remuneration.

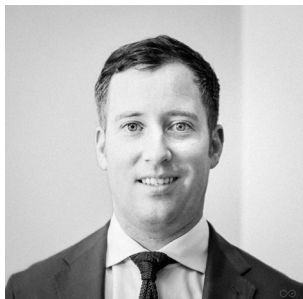
6.1.1 INDEPENDENCE

In determining whether a Director is “independent”, the Board has adopted the definition of this word in the ASX Recommendations. Consequently, a Director will be considered “independent” if that Director is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board will consider the materiality of any given relationship on a case-by-case basis, with the Board Charter to assist in this regard. The Board considers that Michael Aston is an independent Director, free from any business or any other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of that Director's judgement and each is able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

As Chief Executive Officer, Nicholas Armstrong is not currently considered by the Board to fulfil the role of an independent Director. Martin Rogers is also not currently considered by the Board to fulfil the role of an independent Director due to the fact that he is associated with the Underwriter of the Offer. The Board has considered the entity's immediate requirements as it transitions to an ASX listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience for the Company after listing. The Board will regularly review the independence of each Director in light of interests disclosed to the Board and will disclose any change to ASX, as required by the ASX Listing Rules.

6.2. EXECUTIVE TEAM



MR. NICHOLAS ARMSTRONG (CHIEF EXECUTIVE OFFICER)

(Appointed 2014)

Refer to Board profile



MS. MARGARITA CLARINGBOLD (CHIEF FINANCIAL OFFICER)

(Appointed 2018)

Margarita is a qualified Chartered Accountant with over 20 years' experience in large corporate environments and professional services. Margarita has held senior finance leadership roles across ASX listed top 100 companies and large multinational organisations, and more recently has been working closely with emerging companies as Chief Financial Officer and as a key member of the executive management teams. Margarita has extensive skills in the areas of corporate services, fundraising support and due diligence, as well as a high level of commercial skill having worked in publicly listed companies in the telecommunications and online advertising industries. Margarita also specialises in working with tech startups, and has developed specialist domain knowledge for software-as-a-service, data and FinTech companies.



MR. BENJAMIN BUCKINGHAM (CHIEF OPERATING OFFICER)

(Appointed 2016)

Benjamin was previously a management consultant at McKinsey & Company, working across strategy, information technology and operations. Benjamin started his career as a banking & finance lawyer at Allens Linklaters, working as an advisor to financial institutions. Ben holds a Bachelor of Science and Bachelor of Laws from the University of Sydney.



MR. JAMES ANDREW-SMITH (CHIEF INFORMATION OFFICER)

(Appointed 2018)

James has over 15 years' experience developing enterprise software systems for both corporate and start-up entities.

Prior to joining identitii he was leading development at ARCHFASHION for over 6 years, successfully building a platform for integrating hundreds of inventory and marketing systems to communicate in near real time.

Before this he spent 6 years as a consultant specialising in integration projects for telephony, integrations, document management and business intelligence, with clients including Suncorp, AAMI, Telecom NZ, UCMS and AAPT.

From 2003 to 2006 he worked at AAPT as an Information Systems Architect.



MR. ELLIOT SHEPHERD (CHIEF TECHNOLOGY OFFICER)

(Appointed 2016)

Elliot is a passionate and proactive programmer with more than 10 years' experience in designing solutions to complex problems. Elliot was previously lead architect at Ninja Blocks, a leading IoT start-up acquired by AGL. Prior to Ninja Blocks, Elliot helped build the first flight & hotel meta-search engines at wego.com. Elliot has helped design a modern core banking system for a regional Australian bank, and has consulted at multiple banks in Australia.

6.3. INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of identitii; or
- underwriter to the Offer or financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of identitii;
- property acquired or proposed to be acquired by identitii in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of identitii or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 INTERESTS OF ADVISERS

identitii has engaged the following professional advisers:

- KTM Capital Pty Limited has acted as Joint Lead Manager and Underwriter to the Offer. identitii has paid or agreed to pay the Joint Lead Manager and Underwriter the fees described in Section 10.6.1 for these services.
- Canaccord Genuity (Australia) Ltd has acted as Joint Lead Manager to the Offer. KTM Capital Pty Limited has paid or agreed to pay Canaccord the fees described in Section 10.7 for these services from its underwriting fees.
- Watson Mangioni Lawyers Pty Limited has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, \$150,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Watson Mangioni Lawyers Pty Limited in accordance with its normal time-based charges.
- KPMG Transaction Services has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to financial due diligence enquiries. The Company has paid, or agreed to pay, approximately \$95,000 (excluding disbursements and GST) for the above services up until the date of this Prospectus.

These amounts, and other expenses of the Offer, will be paid by identitii out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.3.

6.3.2 DIRECTOR INTERESTS & REMUNERATION

CHIEF EXECUTIVE OFFICER

The Company has entered into an employment contract with Nicholas Armstrong to document his employment with the Company. Nicholas is the CEO of the Company. Nicholas will receive an annual fixed remuneration of \$160,000 (exclusive of superannuation). Nicholas will also be eligible to participate in the Equity Incentive Plan.

Nicholas may terminate his employment contract by giving 3 months' notice in writing. The Company may terminate by giving 3 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, the Company may terminate Nicholas' employment contract immediately without notice. Nicholas' employment contract also includes a restraint of trade period of 12 months following expiry of the notice period. Enforceability of such restraint of trade is subject to all usual legal requirements.

NON-EXECUTIVE DIRECTORS

The Constitution provides the Directors are entitled to remuneration for their services as a Director (excluding, for these purposes, the salary of any executive Director) as determined by the Company in general meeting. This amount has been fixed by identitii at \$250,000. As at the date of this Prospectus, the annual directors' fees currently agreed to be paid by identitii are \$75,000 to the Chairman, Mr. Michael Aston and \$50,000 to Mr. Martin Rogers.

The remuneration of Directors must not include a commission on, or a percentage of profits or income. Superannuation payments are included in these amounts.

The non-executive Directors are entitled to participate in the Equity Incentive Plan.

DIRECTOR PROTECTION DEEDS

identitii has entered into a director protection deed with each Director. Under these deeds, identitii has agreed to provide to each Director access to the books and records of identitii while they are a Director and for a period of seven years from when they cease to be a Director and identitii has also agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as Director.

Pursuant to the Constitution, identitii may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the director protection deeds, identitii has agreed to obtain and maintain such insurance during each Director's period of office and for the period of seven years after the Director ceases to be a Director.

DIRECTORS' HOLDINGS

Directors are not required under the Constitution to hold any Shares. On Completion, the number of Shares and Options held by Directors are expected to be as follows:

Name	Shares	Options at the Listing Date	Percentage	
			At the Listing Date (un-diluted)	At the Listing Date (fully diluted)
Mr. Nicholas Armstrong	9,398,340	1,350,000	17.24%	16.61%
Mr. Martin Rogers	2,126,670	0	3.9%	3.31%
Mr. Michael Aston	166,666	400,000	0.31%	0.88%

Optionholder	Options	Exercise Price ¹	Vesting Conditions	Grant date	Expiry date
Mr. Michael Aston	400,000	\$0.75	Vest over 2 years as follows: <ul style="list-style-type: none"> • 25% (being 100,000) on appointment as a director of identitii; • 75% in equal monthly instalments over the following 24 months (being 150,000 on 1 July 2019 and 150,000 on 1 July 2020) 	1 July 2018	1 July 2028
Mr. Nicholas Armstrong	1,350,000	\$0.75	Vest in equal monthly instalments over 36 months	1 August 2018	1 August 2028

¹ The exercise price per Option is the amount payable per Share on exercise of the Option.

Directors (and their controlled entities) are entitled to participate in the Offer of Shares. Assuming they do, the relevant interests of the Directors will change (and the extent of the change will depend on the number of Shares acquired).

Final Directors' security holdings will be notified to the ASX on Listing. Directors may hold their interests in securities shown above directly, or indirectly through holdings by companies or trusts

OTHER INFORMATION

Directors may also be reimbursed for reasonable travel and other expenses incurred in attending to identitii's affairs. Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as Director of identitii or a subsidiary. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.3.3 MANAGEMENT'S INTERESTS & REMUNERATION

CHIEF EXECUTIVE OFFICER

See Section 6.3.2.

CHIEF FINANCIAL OFFICER

Executive service agreement – Ms. Margarita Claringbold

Margarita Claringbold has been engaged by the Company pursuant to the terms of a written Executive Service Agreement dated 1 August 2018 to oversee all company secretarial and finance functions. Margarita has also been appointed as Chief Financial Officer and Company Secretary in connection with the performance of the role under the executive services agreement. The executive services agreement is in effect until terminated.

Margarita is to receive \$11,000 per month (exclusive of GST), with provision for additional days of work as required (such additional days to be remunerated through a pro-rata payment where applicable). Margarita will devote an average of 1.5 days per week to providing the services under the executive services agreement. The executive services agreement may be terminated by without cause either the Company or Margarita upon three months' written notice to the other party.

Margarita has agreed to resign as Chief Financial Officer and Company Secretary upon termination of the executive services agreement. The executive services agreement otherwise contains terms typical for agreements of this nature, including provisions relating to restraints, ownership of intellectual property, limitation on disclosure of confidential information and warranties from Margarita.

CHIEF OPERATING OFFICER

The Company has entered into an employment contract with Benjamin Buckingham to document his employment with the Company. Benjamin is the Chief Operating Officer of the Company. Benjamin will receive an annual fixed remuneration of \$160,000 (exclusive of superannuation). Benjamin will also be eligible to participate in the Equity Incentive Plan.

Benjamin may terminate his employment contract by giving 3 months' notice in writing. The Company may terminate by giving 3 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, the Company may terminate Benjamin's employment contract immediately without notice. Benjamin's employment contract also includes a restraint of trade period of 6 months following expiry of the notice period. Enforceability of such restraint of trade is subject to all usual legal requirements.

CHIEF INFORMATION OFFICER

The Company has entered into an employment contract with James Andrew-Smith to document his employment with the Company. James is the Chief Information Officer of the Company. James will receive an annual fixed remuneration of \$160,000 (exclusive of superannuation). James will also be eligible to participate in the Equity Incentive Plan.

James may terminate his employment contract by giving 3 months' notice in writing. The Company may terminate by giving 3 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, the Company may terminate James' employment contract immediately without notice. James' employment contract also includes a restraint of trade period of 6 months following expiry of the notice period. Enforceability of such restraint of trade is subject to all usual legal requirements.

CHIEF TECHNOLOGY OFFICER

The Company has entered into an employment contract with Elliot Shepherd to document his employment with the Company. Elliot is the Chief Technology Officer of the Company. Elliot will receive an annual fixed remuneration of \$160,000 (exclusive of superannuation). Elliot will also be eligible to participate in the Equity Incentive Plan.

Elliot may terminate his employment contract by giving 3 months' notice in writing. The Company may terminate by giving 3 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, the Company may terminate Elliot's employment contract immediately without notice. Elliot's employment contract also includes a restraint of trade period of 6 months following expiry of the notice period. Enforceability of such restraint of trade is subject to all usual legal requirements.

OTHER EMPLOYEES

Each other employee of the Company is employed under an individual employment agreement. These establish total compensation including a base salary, superannuation contribution, short and long term incentive arrangements; variable notice and termination provisions of 2 weeks to 3 months; intellectual property ownership and assignment conditions, confidentiality provisions and leave entitlements, as a minimum, as per the National Employment Standards.

6.3.4 EMPLOYEE INCENTIVE ARRANGEMENTS

identitii has established an Equity Incentive Plan to assist in the attraction, motivation and retention of management and employees of identitii.

identitii may offer additional incentive schemes to the management and employees over time.

EQUITY INCENTIVE PLAN

The Equity Incentive Plan is a long term incentive plan, under which Options or performance rights to subscribe for or be transferred Shares (Plan Awards) may be offered to eligible employees (including a director employed in an executive capacity or any other person who is declared by the Board to be eligible) selected by the Directors at their discretion.

The invitations issued to eligible employees will include information such as vesting conditions and any trading restrictions on dealing with Shares allocated on vesting or exercise of a Plan Award. Upon acceptance of an invitation, the Directors will grant Plan Awards in the name of the eligible employee. On vesting, one Plan Award is exercisable into or entitles the holder to one Share. Unless otherwise specified in an invitation, the Directors have the discretion to settle Plan Awards with a cash equivalent payment. Participants in the Equity Incentive Plan will not pay any consideration for the grant of the Plan Awards unless the Directors otherwise determine.

Plan Awards will not be listed and may not be transferred, assigned or otherwise dealt with except with the approval of the Directors (or by force of law upon death to the participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy). Plan Awards will only vest where the vesting conditions (if any) and any other relevant conditions advised to the participant by the Directors have been satisfied. The Directors may determine such conditions (including vesting conditions) at their discretion. An unvested Plan Award will lapse in a number of circumstances including where performance conditions (if any) are not satisfied within the relevant time period, the participant deals with the Plan Award in breach of the rules of the Equity Incentive Plan, or in the opinion of the Directors, a participant has acted fraudulently or dishonestly.

If a participant's employment or engagement with identitii (or its subsidiaries) terminates before the Plan Awards have vested, the Plan Awards that have not vested will lapse, unless the invitation provides otherwise or the Directors in their absolute discretion determine that some or all of the unvested Plan Awards will be treated in another manner. Where Plan Awards have vested prior to the termination of a participant's employment or engagement with identitii (or its subsidiaries) the participant will have a period of time to exercise the vested Plan Awards before they lapse.

Where there is a takeover bid made for shares in identitii, the Directors must, and where there is a scheme of arrangement proposed in relation to identitii, the Directors may, consider whether, and may in their absolute discretion determine that, all or a part of the participant's unvested Plan Awards will become vested Plan Awards. If there are certain variations of the share capital of identitii including a capitalisation or rights issue, subdivision, consolidation or reduction in share capital, the Directors may make such adjustments as they consider appropriate under the Equity Incentive Plan, in accordance with the provisions of the ASX Listing Rules.

Participants who are holding a Plan Award issued pursuant to the Equity Incentive Plan have no rights to dividends and no rights to vote at meetings of identitii until that Plan Award is vested and, where required, exercised, and the participant is the holder of a Share. Shares issued upon vesting and, where required, exercise, of the Plan Awards will upon allotment rank equally in all respects with other Shares. identitii will apply for quotation on ASX of the Shares issued under the Equity Incentive Plan. No Plan Awards or Share may be offered under the Equity Incentive Plan if to do so would contravene the Corporations Act, the ASX Listing Rules or instruments of relief issued by ASIC from time to time.

GRANTS OF AWARDS UNDER THE EQUITY INCENTIVE PLAN

identitii will reserve 5,950,000 Options for issue to eligible employees under the Equity Incentive Plan during FY2019. As at the date of this Prospectus, identitii has not made a grant of awards under the Equity Incentive Plan, however intends to grant up to 5,300,000 Options by the Listing Date. For more detail of the Options see Section 10.4.

6.4. CORPORATE GOVERNANCE

This Section explains how the Board will oversee the management of the Company's business. The Board is responsible for the overall corporate governance of the Group. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company. In conducting business with these objectives, the Board is focused on ensuring that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The main policies and practices adopted by the Company are summarised below. In addition, many governance elements are contained in the Constitution. Details of the Company's key policies and practices and the charters for the Board and each of its committees are available at www.identitii.com.

Under ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. While the ASX Corporate Governance Principles and Recommendations are not compulsory, identitii will and in accordance with Listing Rule 4.10, advise the market whether it meets the ASX Corporate Governance Principles and Recommendations and if not, state why not. See Section 6.4.11 for a summary of the Company's current departures from the ASX Corporate Governance Principles and Recommendations

6.4.1 BOARD CHARTER

The Board has adopted a written charter to provide a framework for the effective operation of the Board. The charter addresses the following matters and responsibilities of the Board:

- the roles and responsibilities of the Board;
- the role and responsibilities of the Chairman and company secretary;
- the delegations of authority of the Board to both committees of the Board, the Chief Executive Officer and other management of identitii;
- the membership of the Board, including in relation to the Board's composition and size and the process of appointment and re-election of Directors, independence of Directors and conduct of individual Directors;
- Board process, including how the Board meets; and
- the Board's performance evaluation processes, including in respect of its own performance, and the performance of the Board committees, individual Directors and senior executives.

The management function is conducted by, or under the supervision of the Chief Executive Officer as directed by the Board (and by officers to whom the management function is properly delegated by the Chief Executive Officer).

Directors are entitled to request additional information at any time they consider it appropriate. The Board collectively, and each Director individually, may seek independent professional advice, subject to the approval of the Chairman, or the Board as a whole.

6.4.2 BOARD COMMITTEES

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. Standing committees established by the Board are the Audit and Risk Committee and the Nomination and Remuneration Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

6.4.3 AUDIT AND RISK COMMITTEE

Under its charter, the Audit and Risk Committee must have at least three members, a majority of whom must be independent and all of whom must be non-executive Directors. Currently Mr. Michael Aston (chairman), Mr. Martin Rogers and Mr. Nicholas Armstrong are members of this committee.

The primary role of this committee includes:

- overseeing the process of financial reporting, internal control, financial and non-financial risk management and compliance and external audit;
- monitoring the Company's compliance with laws and regulations and its own policies;
- encouraging effective relationships with, and communication between, the Board, Management and the Company's external auditor; and
- evaluating the adequacy of processes and controls established to identify and manage areas of potential risk.

6.4.4 NOMINATION AND REMUNERATION COMMITTEE

Under its charter, the Nomination and Remuneration Committee must have at least three members, a majority of whom (including the chairman) must be independent Directors. Currently Mr. Michael Aston (chair), Mr. Martin Rogers and Mr. Nicholas Armstrong are members of this Committee.

The main functions of the committee are to assist the Board with a view to establishing a Board of effective composition, size, diversity, expertise and commitment to adequately discharge its responsibilities and duties, and assist the Board with a view to discharging its responsibilities to Shareholders and other stakeholders to seek to ensure that the Company

- has coherent remuneration policies and practices which enable the Group to attract and retain Directors and executives who will create value for Shareholders, including succession planning for the Board and executives;
- fairly and responsibly remunerates Directors and executives, having regard to the performance of the Company, the performance of the executives and the general remuneration environment;
- has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis; and
- has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet the Company's needs.

6.4.5 RISK MANAGEMENT POLICY

The identification and proper management of the Company's risk are important priorities of the Board. The Company has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to the Company's operations, and the Company's commitment to designing and implementing systems and methods appropriate to minimise and control its risk.

The Board is responsible for overseeing and approving risk management strategy and policies, monitoring risk management, and establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed. The Board will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations. The Board has in place a system whereby management is required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

6.4.6 DIVERSITY POLICY

identitii values a strong and diverse workforce and is committed to developing measurable objectives to achieve diversity and inclusion in its workplace. identitii has implemented a Diversity Policy which is overseen by the Remuneration and Nomination Committee and which aligns the Group's management systems with the commitment to develop a culture and business model that values and achieves diversity in its workforce and on its Board. In its annual report, identitii will disclose the measurable objectives for achieving diversity and progress towards the policy's goals, and will also disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

6.4.7 CODE OF CONDUCT

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to be followed by all employees and officers, which sets out the standards of conduct expected of our business and identitii's employees, taking into account identitii's legal and other obligations to its stakeholders.

6.4.8 CONTINUOUS DISCLOSURE POLICY

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, the Company will be required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under ASX Listing Rules and the Corporations Act. The Company has adopted a policy to take effect from listing on ASX which establishes procedures which are aimed at ensuring that Directors, officers and employees are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. Under the policy, the Board will be responsible for managing identitii's compliance with its continuous disclosure obligations.

6.4.9 SECURITIES TRADING POLICY

identitii has adopted the Trading Policy to take effect from listing on the ASX for dealing in Shares, which is intended to explain the types of conduct in dealings in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects identitii and Directors and employees against the misuse of unpublished information which could materially affect the value of securities. Subject to certain exceptions, including exceptional financial circumstances, the policy defines certain 'prohibited periods' during which trading in Shares by identitii's Directors, officers and key management personnel is prohibited. Those prohibited periods are currently:

- the period starting on 1 July in the relevant year until the day following the announcement to ASX of the full-year results;
- the period starting on 1 January in the relevant year until the day following the announcement to ASX of the half-year results; and

In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information.

6.4.10 COMMUNICATION WITH SHAREHOLDERS

identitii's aim is to ensure that Shareholders are kept informed of all major developments affecting the state of affairs of identitii. In addition to identitii's continuous disclosure obligations, identitii recognises that potential investors and other interested stakeholders may wish to obtain information about identitii from time to time and identitii will communicate this information regularly to Shareholders and other stakeholders through a range of forums and publications. All ASX announcements made to the market, including annual and half year financial results, will be posted on identitii's website at www.identitii.com as soon as practicable following their release by ASX. The full text of all notices of meetings and explanatory material, identitii's annual report and copies of all investor presentations made to analysts and media briefings will be posted on identitii's website. The website will also contain a facility for the Shareholders to direct queries to identitii.

6.4.11 DEPARTURE FROM ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

Departure from ASX Corporate Governance Principles and Recommendations	Reason for departure
<p>ASX Recommendation 1.5: A listed entity should have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them. The Company is required to disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them.</p>	<p>While the Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity, it currently has no female board members or senior executives. The Company recognises the importance of building a strong female presence across all tiers of the business. In this regard, and as the Company grows and Board/ employee positions become available, attention will be given to identifying opportunities for improving gender diversity across the organisation.</p> <p>Once listed, the Company will disclose in greater detail the measurable objectives for achieving gender diversity and its progress in achieving such objectives.</p>
<p>ASX Recommendation 2.1: The board of a listed entity should have a remuneration committee which has at least three members, a majority of whom are independent directors.</p>	<p>Due to the size of the Company and the Board, the nomination and remuneration committee comprises of Michael Aston (Chair), Martin Rogers and Nicholas Armstrong.</p> <p>As the Company expands and brings on additional independent Directors, it is the Company's intention to have the nomination and remuneration committee comprise of a majority of independent Directors.</p>
<p>ASX Recommendation 2.4: A majority of the board of a listed entity should be independent directors.</p>	<p>The Board currently comprises three directors. One member of the Board is and independent non-executive director, one is an executive director and one is a non-independent non-executive director.</p> <p>This is a departure from ASX Principle 2.4, which requires a majority of the Board comprise independent directors, however the Board believes that the qualifications, experience and expertise of the non-independent directors bring considerable benefit to the Company and is appropriate to adequately represent the majority shareholders of the Company.</p>
<p>ASX Recommendation 4.1: The board of a listed entity should have an audit committee which has at least three members, all of whom are non-executive directors and a majority of whom are independent directors.</p>	<p>Due to the size of the Company and the Board, the audit and risk committee comprises of Michael Aston (Chair), Martin Rogers and Nicholas Armstrong.</p> <p>As the Company expands and brings on additional independent non-executive Directors, it is the Company's intention to have the audit and risk committee comprise of non-executive Directors, a majority of whom are independent and a chair who is not the chair of the Board.</p>

7.

DETAILS OF THE OFFER



identitii ltd.

7. DETAILS OF THE OFFER

7.1 THE OFFER

This Prospectus relates to an initial public offering of Shares by identitii. identitii will issue approximately 14.7 million new Shares at an Offer Price of \$0.75 per Share.

On Completion of the Offer, approximately 40 million Shares will be held by Existing Shareholders, which are subject to certain escrow arrangements described in Section 7.6.

The total number of Shares on issue on the Completion of this Offer will be approximately 54.5 million and all Shares will rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.13.

The Offer has been fully underwritten by the Underwriter. A summary of the Underwriting Agreement, including the events which would entitle the Underwriter to terminate the Underwriting Agreement, is set out in Section 10.6.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.2 PURPOSE OF THE OFFER AND USE OF PROCEEDS

The purpose of the Offer is to:

- raise capital to accelerate the growth of identitii's business;
- provide identitii with the benefits of an increased profile that arises from being a listed entity;
- support the Company's Expenditure Program;
- achieving Listing on the ASX to broaden the shareholder base and provide a liquid market for the Shares;
- provide identitii with access to the capital markets to improve capital management flexibility;
- assist in attracting and retaining quality staff;
- pay the expenses of the Offer; and
- provide further working capital for the Company.

7.3 SOURCES AND USES OF FUNDS

The Offer is expected to raise approximately \$11 million. identitii's anticipated use of funds raised under this Prospectus will be applied as follows:

Use of funds	\$ million	%
Further product development and commercialisation	3.99	36.3%
Investment in intellectual property protection	0.12	1.1%
Investment into research & development	1.07	9.7%
Capital expenditure on office fit out and hardware	0.64	5.8%
Working capital and corporate operating expenses	4.12	37.5%
Pay the costs associated with the Offer	1.06	9.6%
TOTAL	11.0	100%

The total costs of the Offer (excluding GST) are estimated to be approximately \$1.06 million and are expected to be applied towards the items set out below.

Cost item	\$ million
Underwriting and management fees	0.66
Legal fees	0.15
Accounting fees	0.10
Printing and design	0.01
Other	0.14
Total	1.06

As detailed above, a significant portion of the funds raised from the Offer (approximately 37.5%) will be utilised to fund the working capital and corporate operating expenses of the Company, enabling it to pay employee and consultant expenses, engage in marketing, advertising and public relations activities, utilise hosting, subscription and cloud services and pay other operating expenses including travel costs for international business development, office, accounting, legal and administrative expenses.

As at the date of this Prospectus, the Company is unable to provide a more detailed breakdown of how these funds will be applied.

Shareholders should note that the above estimated expenditures will be subject to modification on an ongoing basis depending on the progress of the Company's activities. Due to market conditions and/or any number of other factors (including the risks outlined in Section 5), actual expenditure levels may differ significantly to the above estimates.

7.4 SHAREHOLDING STRUCTURE

The details of the ownership of Shares immediately prior to and on Completion are set out in Figure 10 below.

Figure 10: Details of ownership of Shares prior to and on Completion of the Offer

Shareholder	Shareholding immediately prior to the Offer (Shares)	Shareholding immediately prior to the Offer (%)	Shareholding post-IPO (Shares)	Shareholding post-IPO (%) (un-diluted)
Existing Owners	39,852,133	100%	39,852,133	73.1%
New Shareholders	Nil	0%	14,666,666	26.9%
Total	39,852,133	100%	54,518,799	100%

7.5 CONTROL IMPLICATIONS OF THE OFFER

The owners of Identitii are the Existing Shareholders. On completion of the Offer, they will collectively hold 73.1% of the total Shares on issue.

The Existing Shareholders with the largest shareholding are:

- 275 Invest 2 Pty Ltd as trustee for the 275 Invest Trust (**275 Invest**) (275 Invest is the family company of one of the Company's co-founders, Nicholas Armstrong);
- Holywell Ford Pty Ltd as trustee for the Beechcroft Trust (**Holywell**) (Holywell is the company of one of the Company's co-founders, Eric Knight); and
- Wodi Wodi Pty Ltd as trustee for the Wodi Wodi Trust (**Wodi Wodi**) (Wodi Wodi is the company of Thomas Damian Roche).

On completion of the Offer, 275 Invest will hold 17.24%, Holywell will hold 8.5%, and Wodi Wodi will hold 5.58% of the total Shares on issue.

With the exception of 275 Invest, Holywell and Wodi Wodi:

- no Existing Shareholders will hold or have voting power in 5% or more of the Shares on the completion of the Offer; and
- the Directors do not expect any single Shareholder to control the Company on the completion of the Offer.

7.6 ESCROW ARRANGEMENTS

A number of Shareholders are restricted from dealing in their Shares. These restrictions are either imposed by the ASX or have been agreed to voluntarily.

With respect to ASX imposed restrictions, the ASX Listing Rules require that certain persons or entities such as seed capitalists, promoters and related parties enter into restriction agreements under which they are restricted from dealing in a specified number of their Shares for up to 24 months from the date of quotation of those Shares. The restriction agreements will be in the form required by the ASX Listing Rules over such number of Shares and for such period of time as determined by the ASX, and restrict the ability of the holder of the Shares from disposing of, creating any security interest in or transferring effective ownership or control of such Shares.

With respect to voluntary restrictions, a number of persons and entities have also agreed to voluntary restrictions for a specific period of time on similar terms to the ASX restriction agreements.

The Company expects that, in accordance with the ASX Listing Rules, mandatory escrow arrangements will apply to up to 22,306,772 Shares held by the Existing Shareholders. In addition, voluntary escrow arrangements will apply in respect of a further 5,313,621 Shares. The total number of Shares expected to be subject to escrow represents up to approximately 51% of the total number of Shares on issue on completion of the Offer. The tables below sets out the periods during which certain Shareholders are restricted from dealing in their Shares pursuant to ASX restrictions and voluntary restrictions.

MANDATORY ESCROW

ASX, may as a condition of granting identitii's application for admission to the Official List of ASX and quotation of its Shares, classify certain of its existing Shares and Options as restricted securities. Any such classification will restrict the transfer of effective ownership or control of any restricted securities without written consent of the ASX and for such period as the ASX may determine. The terms of any such restriction or escrow arrangements will be determined by the ASX in accordance with the ASX Listing Rules. Details of any such restrictions or escrow arrangements will be disclosed prior to commencement of the quotation of identitii's Shares.

Escrowed party	Shares held in escrow	Options held in escrow
Directors		
Mr. Nicholas Armstrong ¹	9,397,714	1,350,000
Mr. Martin Rogers ¹	2,026,659	Nil
Mr. Michael Aston ¹	166,666	400,000
Seed capitalists		
Seed capitalists who are related parties or promoters ¹	17,399,296	Nil
Seed capitalists (not related parties or promoters) ²	2,746,348	Nil
Transferee of restricted security		
Various ¹	1,056,054	Nil
Professional/consultant		
Various ¹	494,987	Nil

¹ Securities escrowed for 24 months post Listing Date.

² Securities escrowed until 12 months from date of issue (being 22 September 2017 or on 4 December 2017) or 24 months post Listing Date.

Note – The ASX will make the final determination of the mandatory escrow to be applied to Shares and Options which may be different from that set out in this Prospectus.

VOLUNTARY ESCROW

All employees who were issued Shares under an employee share option plan which was in place prior to the IPO, and who are not subject to mandatory escrow (**Employee ESOP Shareholders**) have agreed to enter into a restriction agreement with identitii which restricts them from dealing with 5,313,621 Existing Shares held by them (being Shares that are not subject to mandatory escrow).

The restriction on dealing is broadly defined and includes, among other things, selling, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act where the act or omission would have the effect of transferring effective ownership or control of any the Shares or agreeing to do any of those things.

These restrictions will terminate on the second anniversary of the Listing Date. However, these restrictions may be released early to enable Employee ESOP Shareholders to accept an offer under a takeover bid in relation to its Shares provided holders of not less than 50% of the Shares not subject to the restrictions then on issue have accepted the takeover bid or to enable the Shares of Employee ESOP Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act. Additionally, Employee ESOP Shareholders are entitled to transfer any or all of its existing Shares to a complying superannuation fund of which it is a member.

Escrowed party	Shares held in escrow	Options held in escrow
<i>Employees</i>		
Various ¹	5,313,621	Nil

¹ Securities escrowed for 24 months post Listing Date

7.7 CORPORATE, FINANCIAL AND OTHER INFORMATION ABOUT IDENTITII

Details of identitii's formation, registration and tax status, along with information regarding the Group's corporate structure, are set out at Section 10.

The Company's pro forma balance sheet as at 31 December 2017, including details of the pro forma adjustments, is set out in Section 4.4.

The Company's capitalisation and indebtedness as at 31 December 2017, before and following Completion, is set out in Section 4.

The Directors believe that on Completion identitii will have sufficient funds available from the cash proceeds of the Offer to fulfil the purposes of the Offer and meet identitii's current stated business objectives.

7.8 TERMS AND CONDITIONS OF THE OFFER

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in identitii).
What are the rights and liabilities attached to the securities?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.13.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being \$0.75 per Share.
What is the Offer Period?	<p>The key dates, including details of the Offer Period relating to each component of the Offer, are set out on page iv.</p> <p>The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time.</p> <p>identitii and the Joint Lead Managers may vary the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or any Applicants).</p> <p>If the Offer is cancelled or withdrawn before Completion, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.</p>
Who is eligible to apply?	The Offer is open to all investors who have a registered address in Australia and are not located in the United States.

Topic	Summary
What are the cash proceeds to be raised?	\$11 million is expected to be raised under the Offer.
Is the Offer underwritten?	<p>Yes, The Underwriter has fully underwritten the Offer pursuant to the Underwriting Agreement. Details are provided in Section 10.6.</p> <p>See Section 6.3.1 for details of various fees payable by identitii to the Joint Lead Managers and Underwriter.</p>
What is the minimum and maximum Application size under the Offer?	<p>The minimum Application under the Offer is \$2,250 (3,000 Shares) and thereafter in multiples of 1,000 Shares (\$750). There is no maximum value of Shares that may be applied for under the Offer.</p> <p>identitii reserves the right to reject any Application or to allocate a lesser number of Shares than applied.</p>
What is the allocation policy?	The allocation of Shares will be determined by the Joint Lead Managers and the Company.
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be dispatched by post on or about Tuesday, 18 September 2018.</p> <p>Refunds to applicants under the Offer who make an Application and are scaled back will be made as soon as possible following Completion, which is expected to occur on or about Monday, 17 September 2018.</p>
Will the securities be quoted?	<p>The Company has applied to ASX for admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code "ID8").</p> <p>Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>identitii will be required to comply with the ASX Listing Rules, subject to any waivers obtained by identitii from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit identitii to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.</p>
When are the securities expected to commence trading?	<p>It is expected that trading of the Shares on ASX will commence on or about Wednesday, 19 September 2018.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p> <p>identitii, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, even if such person received confirmation of allocation from the Offer Information Line, a broker or otherwise.</p>
Has any ASIC relief or ASX waiver been obtained or relied on?	No.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.6.
Are there any tax considerations?	Refer to Section 9.
Is there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.

Topic	Summary
Can the Offer be withdrawn?	<p>Yes. The Offer can be withdrawn by identitii at any time prior to Completion.</p> <p>identitii reserves the right not to proceed with the Offer at any time before the issue of Shares to the successful Applicants.</p> <p>If the Offer does not proceed or complete, Application Monies will be refunded to Applicants. No interest will be paid on any Application Monies being refunded.</p> <p>For further information see Section 7.11</p>
What should you do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the identitii Offer Information Line on 02 9235 9940 or +61 2 9235 9940 (outside Australia) between 9.00am and 5.00pm (AEST) Monday to Friday.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether identitii is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>

7.9 HOW TO APPLY

Applications for Shares can only be made by completing the Application Form attached to this Prospectus and must be for a minimum of 3,000 Shares (\$2,250) and thereafter in multiples of 1,000 Shares (\$750).

Your Application Form must be accompanied by a cheque for the full amount of your Application. Cheques are to be drawn in Australian dollars and made payable to “identitii Limited – Share Offer” and crossed “Not Negotiable”. Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn.

identitii reserves the right to reject any Application or to allocate fewer Shares than the number applied for by any investor.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, identitii may still accept the Application. identitii’s decision as to whether to accept the Application or how to construe, amend or complete it shall be final, but no Applicant will be treated as having offered to purchase more Shares than indicated by the amount of the cheque for the Application Monies.

7.10 WHEN TO APPLY

Applications may be lodged at any time after the issue of this Prospectus. However, as set out in the Prospectus, applications received during the ASIC exposure period will not be processed until after the expiry of that period.

The Offer will remain open until 5:00pm (AEST) on Wednesday, 12 September 2018, unless the Company elects to close the Offer earlier or extend the Offer, in each case without prior notice.

Early lodgement of your Application is recommended as the Offer may be closed early

7.11 DISCRETION REGARDING THE OFFER

identitii may withdraw the Offer at any time before Completion. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Joint Lead Managers and identitii also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or (subject to the terms of any guaranteed allocations referred to in this Prospectus) allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.12 CHESS AND ISSUER SPONSORED HOLDINGS

identitii will apply to participate in ASX’s Clearing House Electronic Sub-register System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder’s Holder Identification Number (“HIN”) for CHESS holders or, where applicable, the Securityholder Reference Number (“SRN”) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional

statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. Identitii and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.13 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share held by the Shareholder.

Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

Except as permitted by the Corporations Act, general meetings must be called on at least the minimum number of days' notice required by the Corporations Act (which at the date of this Prospectus is 28 days) and otherwise in accordance with the procedures set out in the Corporations Act.

Dividends

The Board may by resolution either:

- declare a dividend and fix the amount, the time for and method of payment; or
- determine a dividend or interim dividend is payable and fix the amount, the time for and method of payment.

For further information in respect of the Company's proposed dividend policy, see Section 4.9.

Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Listing Rules or the ASX Settlement Operating Rules. Subject to compliance with the ASX Listing Rules and the ASX Settlement Operating Rules, Shares may be transferred by a written instrument of transfer in any usual form or by any other form approved by the Directors.

The Board may, in its absolute discretion, refuse to register a transfer of Shares in any of the circumstances permitted by the ASX Listing Rules. The Board must refuse to register a transfer of Shares when required to do so by the Listing Rules.

Issue of further Shares

Subject to the Corporations Act, the ASX Listing Rules, and the Constitution, the Directors may issue and allot, or dispose, of Shares on terms determined from time to time by the Directors at an issue price that the Directors determine from time to time and to Shareholders whether in proportion to their existing shareholdings or otherwise, or to such other persons as the Directors may determine from time to time. The Directors' power under the Constitution includes the power to grant Options to acquire Shares and issue and allot Shares: with any preferential, deferred or special rights, privileges or conditions; with any restrictions in regard to dividend, voting, return of capital or otherwise; which are liable to be redeemed or converted; or which are bonus Shares for whose issue no consideration is payable to the Company.

Winding up

Without prejudice to the rights of the holders of Shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind all or any of the Company's assets; and for that purpose, determine how it will carry out the division between the different classes of Shareholders, but the liquidator may not require a Shareholder to accept any Shares or other securities in respect of which there is any liability.

Non-marketable parcels

Where the Company complies with the relevant procedure outlined in the Constitution, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy Shares on terms and at times determined by the Board.

Variation of class rights

As of the Offer, the Company's only class of shares on issue will be ordinary shares. The rights attached to any class of Shares may be varied in accordance with the Corporations Act.

Dividend reinvestment plan

The Directors may establish a plan under which Shareholders may elect to reinvest cash dividends paid or payable by the Company, by acquiring by way of issue or transfer (or both) Shares. The Directors have no current intention to establish a dividend reinvestment plan.

Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is 3 and the maximum number of Directors is 10 or such lesser number as determined by the Board in accordance with the Corporations Act. Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the managing director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or 3 years, whichever is longer. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. Subject to the Listing Rules, in the case of an equality of votes on a resolution, the chairman of the meeting does not have a casting vote in addition to a deliberative vote.

Directors – remuneration

The Directors, other than an executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum for fees for non-Executive Directors is \$250,000 with the initial remuneration of these Directors set out in Section 6.3.2. Any change to that maximum aggregate sum needs to be approved by Shareholders. Pursuant to the Constitution, non-executive Directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Indemnities

The Company, to the extent permitted by law, indemnifies every person who is or has been a director or secretary of the Company against any liability incurred by that person as an officer of the Company (including liabilities incurred by the officer as a director or secretary of a subsidiary of the Company where the Company requested the officer to accept that appointment), and reasonable legal costs incurred or allegedly incurred by that person as an officer of the Company (including such legal costs incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment). The Company, to the extent permitted by law, may advance to an officer an amount which it might otherwise be liable to pay to the officer in respect of legal costs under the terms of the indemnity outlined above. The Company may enter into a deed with any officer of the Company to give effect to those matters outline in this paragraph.

The Company, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been a Director against liability incurred by that person as a Director.

The Company has entered into director protection deeds with each Director.

Amendment

The Constitution may be amended only by special resolution passed by at least three-quarters of the Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

8.

INVESTIGATING ACCOUNTANTS REPORT

**KPMG Transaction Services**

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
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www.kpmg.com.au

The Directors
identitii Limited
159 Victoria St,
Potts Point
NSW 2011

20 August 2018

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by identitii Limited ("identitii") to prepare this report for inclusion in the Prospectus to be dated on or around 20 August 2018 ("Prospectus"), and to be issued by identitii, in respect of the proposed initial public offering ("IPO") of ordinary shares in identitii and listing on the Australia Securities Exchange (the "Offer").

Expressions defined in the Prospectus have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical and forecast financial information described below and disclosed in the Prospectus.

The pro forma historical and forecast financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of identitii (the responsible party) included in the Prospectus.

The pro forma historical financial information has been derived from the historical financial information of identitii, after adjusting for the effects of pro forma adjustments described in section 4.2 of the Prospectus. The pro forma historical financial information consists of identitii's pro forma historical balance sheet as at 31 December 2017, as set out in section 4.4 of the Prospectus issued by identitii (the "Pro Forma Historical Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 4.2 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective balance sheet.

The Pro Forma Historical Financial Information has been compiled by identitii to illustrate the impact of the Offer on identitii's balance sheet as at 31 December 2017. As part of this process, information about identitii's balance sheet has been extracted by identitii from identitii's reviewed financial statements for the six months period ended 31 December 2017.

The financial statements of identitii for the six months period ended 31 December 2017 were reviewed by KPMG in accordance with Australian Auditing Standards. The review opinion issued to the members of identitii relating to those financial statements were unqualified. In the financial statements for the six month period ended 31 December 2017, without qualifying their opinion, the auditors have included in their auditor's report, a section in accordance with the requirements of Auditing Standard ASA 570, under the heading material uncertainty related to going concern. The uncertainty relating to identitii's going concern assumption is based on identitii being reliant on receiving additional funding including the approval of the Accelerating Commercialisation Grant and the proposed Offer in order to be in a position to pay its debts as and when they became due. The Directors are confident that the subscription of \$11.0 million, and from the application of existing funds, the Company will have sufficient working capital to meet its debts as they arise and to continue trading as a going concern.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in section 4.2 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance

engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Forecast Financial Information and directors' best-estimate assumptions

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to identitii's:

- statutory forecast income statement for the year ending 30 June 2018, as described in section 4.3 of the Prospectus; and
- statutory forecast cash flow statement for the year ending 30 June 2018, as described in section 4.5 of the Prospectus,

(collectively, the "Forecast Financial Information").

The directors' best-estimate assumptions underlying the Forecast Financial Information are described in section 4.7 of the Prospectus. As stated in section 4.2 of the Prospectus, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and identitii's accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in section 4 of the Prospectus, and the directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information is not:
 - prepared on the basis of the directors' best-estimate assumptions as described in the Prospectus; and
 - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and identitii's accounting policies;
- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The directors of identitii are responsible for the preparation of:

- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Financial Information; and
- the Forecast Financial Information, including the directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 4.4 of the Prospectus, comprising of the pro forma historical balance sheet as at 31 December 2017, is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 4.4 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and identitii's accounting policies.

Forecast Financial Information and the directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information for the year ending 30 June 2018 do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
 - is not prepared on the basis of the directors' best-estimate assumptions as described in section 4.7 of the Prospectus; and
 - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and identitii's accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by identitii management and adopted and disclosed by the directors in order to provide prospective investors with a guide to the potential financial performance of identitii for the year ending 30 June 2018.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based

relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of identitii. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in identitii, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivity as described in section 4.8 of the Prospectus. The sensitivity analysis described in sections 4.8 of the Prospectus demonstrates the impact on the Forecast Financial Information of a change in operating expense assumption. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of identitii, that all material information concerning the prospects and proposed operations of identitii has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of identitii and from time to time, KPMG also provides identitii with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 4 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully



Matthew Saunders
Authorised Representative



Thomas Eade
Authorised Representative

Financial Services Guide

Dated 20 August 2018

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), Matthew Saunders and Thomas Eade as authorised representatives of KPMG Transaction Services (**Authorised Representatives**), authorised representative numbers 404266, and 1261422, respectively.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representatives and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representatives are authorised to provide
- how KPMG Transaction Services and its Authorised Representatives are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representatives
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representatives are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;

- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives is

authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representatives' responsibility to you

KPMG Transaction Services has been engaged by identitii Ltd (**identitii**) to provide general financial product advice in the form of a Report to be included in the Prospectus dated on or around 20 August 2018 (Prospectus) prepared by identitii in relation to the initial public offering of shares in identitii on the ASX (**Offer**).

You have not engaged KPMG Transaction Services or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representatives are acting for any person other than the identitii.

KPMG Transaction Services and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the identitii, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Prospectus before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the identitii. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the identitii has agreed to pay KPMG Transaction Services \$95,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not

receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representatives and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide audit services to identitii for which professional fees are received. Over the past two years professional fees of \$49,000 have been received from the identitii respectively. None of those services have related to the Offer or alternatives to the Offer.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor

of, the identitii or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representatives know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO
Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representatives using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue

Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Matthew Saunders and Thomas Eade
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

9. TAXATION

The following taxation summary provides a general overview of the Australian tax implications to Australian resident and non-resident investors who acquire and hold the Shares under the Offer contained in this Prospectus. This summary is based on the tax laws of Australia as at the date of this Prospectus.

The Australian tax laws are complex and the following is not intended to be a complete statement of the possible implications for investors. It is your responsibility to be satisfied as to the particular taxation treatment that applies to your investment.

You should seek independent professional advice with respect to the tax consequences applicable to your individual circumstances before investing.

The following discussion assumes you hold the Shares on capital account. A different treatment may apply if you hold the Shares on revenue account, for example if you are a share trader.

9.1 AUSTRALIAN INVESTORS

9.1.1 CAPITAL GAINS TAX

Australian income tax laws contain a capital gains tax (CGT) regime. Shareholders who hold Shares on capital account will be subject to the CGT regime on disposal of those Shares. For CGT purposes, you acquire your Shares on the date the Shares are issued or allotted to you. The cost base and reduced cost base of Shares acquired is generally the amount you pay to acquire the Shares plus any incidental costs of acquisition and disposal of the Shares.

Gains on the disposal of Shares held on capital account will be subject to the CGT provisions. A capital gain will arise where the capital proceeds received exceed the cost base of the Shares. Conversely, you incur a capital loss where the capital proceeds received on disposal are less than the reduced cost base of the Shares.

Capital losses made in the same or prior years can typically be offset against any capital gains made in the current year. Any remaining net capital gain is included in assessable income and taxed. Where a net capital loss is incurred it may be carried forward indefinitely and offset against future capital gains subject to the loss recoupment rules.

Individuals and trusts in certain circumstances may be entitled to a 50% discount on capital gains derived where they have held the Shares as a CGT asset for 12 months or more before their disposal.

9.1.2 STAMP DUTY

No stamp duty is payable on the issue or transfer of Shares. Under current stamp duty legislation, no stamp duty would be payable on subsequent transfers of the Shares as long as the Shares remain quoted on the ASX.

9.1.3 TAXATION OF DIVIDENDS

Australian resident individuals

Dividends paid to you will be included in your assessable income in the income year they are paid. Dividends you receive may be franked or unfranked. Franked dividends have “franking credits” attached and reflect the Australian corporate tax paid on the profits out of which the dividends are paid. The dividends and any franking credits attached should be included in your assessable income.

You will be entitled to a tax offset equal to the franking credits received, provided you are a “qualified person”. In general terms, to be a qualified person two tests must be satisfied being the “holding period rule” and the “related payments rule”. These rules will, in broad terms, be satisfied where you have held the Shares at risk for at least 45 continuous days (excluding the dates of acquisition and disposal).

Australian resident trusts

Where dividends are paid to Australian resident trusts, the ultimate beneficiaries of the dividends (where they are Australian residents) will generally be entitled to a tax offset based on their share of the franking credit attached to the dividend.

The tax treatment of the dividend will depend on the type of beneficiary receiving the distribution, for example whether the beneficiary is an individual, a corporate entity or a trustee. Where it is the trust itself that is subject to tax on the dividend, then it may be entitled to offset the tax payable against the franking credit.

The benefit of the franking credit will be lost where the trust has a net loss or does not have any net income. However, if the trust has at least \$1 of net income, the franking credits will be able to be passed onto those beneficiaries who are presently entitled to income of the trust.

The trustee of a non-fixed trust may be required to make a family trust election in order to enable beneficiaries to utilise the franking credits.

10. ADDITIONAL INFORMATION

10.1 REGISTRATION

identitii was registered as a proprietary company in Victoria, Australia on 28 November 2014, and was converted into a public company limited by shares on 15 June 2018.

identitii will be taxed as an Australian tax resident public company for the purpose of Australian income tax law.

10.2 CORPORATE STRUCTURE

As of the date of this Prospectus, identitii does not have any parent company or interests in other entities.

10.3 SHARE CAPITAL STRUCTURE

Following completion of the IPO, the shareholding structure of identitii will be as follows:

Category	Number of Shares	% ownership interest following completion of IPO
Existing Shares on issue	39,852,133	75.14%
New Shares offered under this Prospectus	14,666,666	24.86%
Total number of Shares on issue on completion of the IPO¹	54,518,799¹	100%
Options	4,885,918 ²	-
Equity Incentive Plan Options	5,300,000 ³	-
Total (fully-diluted share capital)	64,704,717	-

1. Includes the number of Shares available under this Offer plus Shares retained by the Existing Shareholders

2. Corresponding figure represent the number of Shares issuable on the exercise of the Options. This includes 400,000 Options issued to Michael Aston. For more detail on the issued Options see Section 10.4.

3. Identitii will reserve 5,925,000 options for issue to eligible employees under the Equity Incentive Plan during FY2019. This includes 1,350,000 Options granted to Nicholas Armstrong and assumes that Identitii grants up to an additional 3,950,000 Options under the Equity Incentive Plan.

10.4 OPTIONS

As at the Listing Date, the Company will have on issue the following options over Shares:

Number of Options	Vesting Conditions	Exercise Price	Grant Date	Expiry Date
4,485,918	Vested as at the date of this Prospectus	\$0.63099	13 May 2018	28 August 2019
400,000	Vest over 2 years as follows: <ul style="list-style-type: none">• 25% (being 100,000) on appointment as a director of identitii;• 75% in equal monthly instalments over the following 24 months (being 150,000 on 1 July 2019 and 150,000 on 1 July 2020)	\$0.75	1 July 2018	1 July 2028
1,350,000 ¹	Vest in equal monthly instalments over 36 months.	\$0.75	1 August 2018	1 August 2028
3,950,000 ²	Subject to the vesting conditions decided by the Board at the time of granting the award under the Equity Incentive Plan.	\$0.75	On or about the Listing Date	To be decided by the Board at the time of the grant

¹ 1,350,000 Options have been granted to Nicholas Armstrong under the Equity Incentive Plan.

² identitii is proposing to grant up to 3,950,000 Options to its employees under the Equity Incentive Plan at the Offer Price on terms to be decided by the Board, by the Listing Date. For more detail on the Equity Incentive Plan see Section 6.3.4.

10.5 SUMMARY OF MATERIAL CONTRACTS

10.5.1 FRAMEWORK AGREEMENT

The framework agreement is an overarching agreement between identitii and HSBC under which the parties may enter into separate service agreements for the provision of services. The agreement commenced on 1 November 2017 and continues for three years unless terminated earlier. The agreement may be extended by the bank at any time for up to an additional two years on written notice to identitii. Under the agreement, identitii grants a global licence for use of Serra, although the software is currently deployed only in India. The licence commenced on 31 March 2018 (**Licence Date**) and will terminate on 31 March 2021, unless terminated earlier.

The arrangement facilitates the provision of certain software, training, maintenance, customisation and configuration or other services from identitii in consideration for the payment fees. The financial institution is granted for the term of each service agreement a non-exclusive, perpetual, irrevocable and loyalty-free licence to use the software. identitii retains all rights, title and interest in the intellectual property in the software.

identitii is currently receiving revenue under this contract for licence fees and for professional services. The fees which are payable under the arrangement include fees for annual licensing, training, maintenance and for ancillary professional. Charges are determined by a number of factors, including transaction volume, customisation requirements, ongoing support and maintenance, and new feature release. Pricing changes for each renewal term after the first year is to be mutually agreed in writing.

The agreement contains certain standard representations, warranties and undertakings by identitii to HSBC. These include but are not limited to representations and warranties relating to the licenced software, and indemnities relating to regulatory investigations or losses in connection with the services provided by identitii. identitii's liability for claims relating to the provision of services under the agreement is 200% of the fees paid to identitii. identitii indemnifies the financial institution against all losses which arise as a result of the use of open source software.

HSBC may terminate the agreement for convenience on 30 days' prior written notice to identitii or upon the occurrence of any of the following events:

- identitii is subject to an insolvency event;
- there is a change of a controlling interest of identitii;
- identitii commits a material or persistent breach of the agreement;
- HSBC considers that a termination is required by any rule or guidance of any regulatory body that has authority over HSBC; or
- in other limited circumstances.

In the event the bank terminates the agreement on 30 days' notice within 12 months of the Licence Date, the bank must pay identitii the licence fees which would have otherwise been chargeable for the initial 12 month period.

There are no restrictions or exclusivity imposed by the agreement on identitii's ability to deal with other financial institutions.

10.5.2 COMMONWEALTH FUNDING AGREEMENT

identitii and the Commonwealth of Australia (as represented by the Department of Industry, Innovation and Science (ABN 74 599 608 295)) are parties to a Funding Agreement dated 25 January 2017 (**Funding Agreement**).

Pursuant to the terms of the Funding Agreement, the Commonwealth of Australia agreed to provide the Company with funding of up to a maximum of \$1,000,000 for the purposes of developing identitii's technology from an advanced product stage into a financial grade and scalable product. As at the Prospectus Date, identitii has received \$950,000 of funding under the Funding Agreement and expects to receive the balance of funding of \$50,000.

In accordance with the terms of the Funding Agreement, identitii was required to complete the development of its technology by 30 June 2018.

The Funding Agreement imposes certain ongoing obligations on the Company, including attending progress meetings, notifying the Commonwealth of Australia of certain matters and providing reports to the Commonwealth of Australia, and keeping adequate books and records. In certain circumstances, the Commonwealth of Australia may be entitled to recover from the Company funds previously paid (for example, in the event of a breach of the Funding Agreement by the Company which has not been waived by the Commonwealth of Australia). The Funding Agreement provides that for two years from the project start date (ending on 1 November 2018) any change in control of identitii, or a sale of all or part of their technology associated with the project, other than for the purposes of meeting its obligations in ensuring the outcomes of the grant are achieved, each results in the Company breaching its obligations to not deal in their rights.

The Commonwealth of Australia has the right to terminate the Funding Agreement:

- without cause or as a result of a breach by the Company;
- where the Commonwealth of Australia forms the opinion that the Company is affected by a conflict of interest which would prevent the Company from performing its obligations under the Funding Agreement;
- if the Company is unable to make its own financial contributions to the project as required by the Funding Agreement;
- where the Commonwealth of Australia is satisfied that a statement in the Company's funding application is incorrect, incomplete, false or misleading in a way that would have affected its decision to approve provision of funds under the Funding Agreement; or
- upon the occurrence of certain insolvency type events in relation to the Company.

10.5.3 START PATH GLOBAL AGREEMENT

The Start Path Global Agreement is an agreement between identitii and Mastercard International Incorporated (**Mastercard**) under which identitii works intensively with a sponsor from Mastercard to solve operational and strategic business issues (**Program**). The Start Path Global Agreement was executed on 4 April 2018 and will continue until the six-month anniversary from commencement.

All intellectual property created by identitii during the period of the Program remains the property of identitii, provided that it does not include intellectual property of Mastercard.

Under the terms of the agreement, Mastercard is entitled to participate in a capital raising (in certain circumstances) which follows the Program. If Mastercard elects to exercise this right, Mastercard is also entitled to participate in subsequent capital raising so as to maintain its percentage interest in identitii on a fully-diluted basis.

identitii may terminate the agreement if Mastercard materially breaches its terms. Mastercard may terminate without cause at any time by giving written notice.

10.6 UNDERWRITING AGREEMENT

The Offer is being underwritten by the Underwriter pursuant to an underwriting agreement, dated 1 August 2018, between the Underwriter and identitii (**Underwriting Agreement**). Under the Underwriting Agreement, the Underwriter has agreed to manage and underwrite the Offer.

10.6.1 COMMISSIONS, FEES AND EXPENSES

identitii must pay the Underwriter in accordance with the Underwriting Agreement an underwriting fee in aggregate of 6% (plus GST) of the Offer Price per Share on all of the Offer Shares. The Underwriter is responsible for paying Canaccord's Joint Lead Manager fees.

The Underwriter will also receive payment from identitii for the costs and expenses of and incidental to all out-of-pocket expenses of the Underwriter in connection with the Offer and all costs and expenses in respect of any post registration review of the Prospectus undertaken by the ASX, the ASIC or any other regulatory body.

10.6.2 TERMINATION EVENTS

The Underwriter may terminate its obligations to satisfy a shortfall if any of the termination events specified in the underwriting agreement occur before the Offer Shares are allocated under the Offer. The termination events are qualified by a requirement that before being entitled to terminate, the Underwriter must believe, on reasonable grounds acting bona fide, that the relevant termination event has or is likely to have a materially adverse effect on identitii or on the outcome of the Offer or could give rise to a material liability of the Underwriter.

Events of termination include (among others):

- ASIC issues a stop order in relation to the Offer;
- the Prospectus is defective;
- a supplementary or replacement prospectus needs to be lodged with ASIC to complete the Offer without contravention of the Corporations Act;
- the Prospectus or the Offer is withdrawn;
- any person (other than the Underwriter) withdraws its consent to being named in the Prospectus;
- ASX refuses to quote the Shares or will only quote the Shares subject to conditions unacceptable to the Underwriter (acting reasonably);

- an unauthorised change to the capital structure of identitii or any member of the Group takes place;
- a market fall of 10% or more in the S&P/ASX All Ordinaries Index takes place and persists for at least 3 consecutive trading days;
- an outbreak or escalation of hostilities or a state of war exists involving Australia, New Zealand, United States of America, Japan, the People's Republic of China, Canada, Thailand, Singapore, Malaysia, Hong Kong, North Korea or the Commonwealth of Independent States or any of its constituent republics;
- a proposal to introduce into the Parliament of Australia or any State of Australia a new law or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt a new policy, any of which does or is likely to prohibit or regulate, in a materially adverse way, the principal business of identitii, the Offer, capital issues generally or stock markets generally;
- the Small Ordinaries Index decreases to a level that is at least 10% below the level of that Index as at the close of trading on the date of this Agreement and remains at or below that level for 3 consecutive Business Days;
- any material adverse change or disruption to the financial markets of Australia, the United States of America or other major international financial market, or there occurs any change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it impracticable to market the Offer or to enforce contracts to subscribe for the Offer Shares or is reasonably likely to materially and adversely affect the success of the Offer;
- a material adverse change takes place in relation to identitii;
- identitii commits a material contravention of its constitution or the Corporations Act;
- identitii breaches a material obligation under the Underwriting Agreement;
- a director of identitii is charged with an indictable offence;
- a representation or warranty given by identitii under the Underwriting Agreement is untrue or incorrect in any material respect and the matters rendering the warranty untrue or incorrect are not remedied to the satisfaction of the Underwriter;
- any of the material contracts summarised in this Section 9 are amended or terminated without the Underwriter's prior written consent; and
- identitii becomes engaged in any legal proceedings.

However, the Underwriter may not terminate after the occurrence of an event of termination unless it believes on reasonable grounds acting bona fide that the event has or is likely to have a materially adverse effect on identitii or on the outcome of the Offer or could give rise to a material liability of the Underwriter.

10.6.3 INDEMNITY

identitii has agreed to indemnify the Underwriter and its respective officers, employees, advisers and related bodies corporate against all claims, demands, damages, losses, costs, expenses and liabilities suffered or incurred by them as a result of a representation or warranty given by the identitii under the Underwriting Agreement not being true and correct, any breach of the Underwriting Agreement by identitii, the distribution of this Prospectus and the making of the Offer or any advertising or publicity of the Offer issued with the knowledge and consent of the identitii and without the prior written consent of the Underwriter (subject to certain exemptions relating to, among other things, fraud, recklessness, wilful misconduct or gross negligence by the Underwriter).

10.7 CANACCORD MANDATE

The Company entered into a mandate with a Joint Lead Manager, Canaccord, on 8 August 2018 under which it engaged Canaccord to undertake a range of initiatives to transform the Company into one suitable for listing and to manage the Offer. The Offer is only underwritten by the Underwriter and Canaccord and will not underwrite the Offer.

For the services described above, Canaccord will receive a selling fee to be paid by the Underwriter from the proceeds received by the Underwriter as part of the Underwriting Agreement. The Company has also agreed to reimburse Canaccord for reasonable out of pocket expenses incurred in the conduct of its engagement up to an amount agreed in writing by the parties prior to the expenditure.

Subject to certain exclusions, the Company has agreed to keep Canaccord and certain affiliated parties indemnified against losses suffered by them in connection with the Offer.

The mandate otherwise contains terms considered standard for agreements of this nature. The mandate may be terminated by either party at any time, with or without cause, upon written notice to the other

10.8 LEGAL PROCEEDINGS

So far as the Directors are aware, other than as described elsewhere in this Prospectus, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which identitii is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of identitii.

10.9 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

- KTM Capital Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus, its written consent to be named in this Prospectus as Underwriter and Joint Lead Manager to the Offer in the form and context in which it is named;
- Canaccord Genuity (Australia) Limited has given, and has not withdrawn prior to the lodgement of this Prospectus, its written consent to be named in this Prospectus as the Joint Lead Manager to the Offer in the form and context in which it is named;
- Watson Mangioni Lawyers Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus, its written consent to be named in this Prospectus as Australian legal advisor (other than in relation to taxation matters) to identitii in relation to the Offer in the form and context in which it is named;
- KPMG Transaction Services has given, and has not withdrawn prior to the lodgement of this Prospectus, its written consent to be named in the Prospectus as Investigating Accountant to identitii in relation to the Pro Forma Financial Information and Forecast Financial Information in the form and content in which it is named and to the inclusion in this Prospectus of its Investigating Accountant's Report in Section 8 and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they appear in this Prospectus;
- KPMG has also given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to identitii in the form and context in which it is so named; and
- Boardroom Limited has given, and has not withdrawn prior to the lodgement of this Prospectus, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Boardroom Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to identitii.

No entity or person referred to above in this Section 10.10 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above in this Section 10.10 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in this Section 10.10.

identitii has included statements in this Prospectus made by, attributed to or based on statements made by the following parties:

- Boston Consulting Group;
- The Economist;
- EuroFinance Corporate Treasury Network;
- Financial Action Task Force (FATF);
- Moody's Analytics; and
- Society for Worldwide Interbank Financial Telecommunication (SWIFT).

The inclusion of statements made by, attributed to or based on statements made by these parties has not been consented to by the relevant party for the purpose of Section 729 of the Corporations Act and are included in this Prospectus by identitii on the basis of ASIC Corporations (Consent to Statements) Instrument 2016/72 relief from the Corporations Act for statements used from books, journals or comparable publications.

10.10 CONTRACT SUMMARIES

Summaries of contracts set out in this Prospectus are included for the information of potential investors but do not purport to be complete and are qualified by the text of the contracts themselves.

10.11 FOREIGN SELLING RESTRICTIONS

No action has been taken to register or qualify the Shares or the Offer in any jurisdiction outside Australia, or otherwise to permit a public offering of the Shares outside Australia.

The Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, the offer or invitation would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws.

Each Applicant warrants and represents that:

- the Applicant is an Australian citizen or resident in Australia, is located in Australia at the time of the application and is not acting for the account or benefit of any person in the United States or any other foreign person; and
- the Applicant will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or to a United States person, except in transactions exempt from registration under the US Securities Act 1933 as amended, and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold

10.12 PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them

are owned by identitii. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

10.13 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in New South Wales and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales.

10.14 IDENTITII'S WEBSITE

Any references to documents included on identitii's website at www.identitii.com are for convenience only, and none of the documents or other information available on identitii's website is incorporated into this Prospectus by reference.

10.15 STATEMENT OF DIRECTORS

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus and issue of this Prospectus and has not withdrawn that consent.

11. SIGNIFICANT ACCOUNTING POLICIES

11.1 BASIS OF PREPARATION

The financial statements are general purposes financial statements and have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB). The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

11.2 GOING CONCERN

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business and assumes the entity will have sufficient cash resources to pay its debts as and when they become due and payable for at least 12 months from the date of signing the financial report.

11.3 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

11.4 RESEARCH AND DEVELOPMENT

Expenditure during the research and development phase of a project is recognised as expense when incurred. R&D tax credits are recognised in the year they were earned.

11.5 REVENUE

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Revenue recognition relating to the provision of services is determined with reference to the stage of

completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue recognition related to Government grants related to the Accelerating Commercialisation Grant is in instalments when project milestones are achieved.

11.6 EMPLOYEE BENEFITS

11.6.1 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if identitii has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

11.6.2 OTHER LONG-TERM EMPLOYEE BENEFITS

identitii's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

11.6.3 TERMINATION BENEFITS

Termination benefits are expensed at the earlier of when identitii can no longer withdraw the offer of those benefits and when identitii recognises costs for a restructuring. If benefits are payable more than 12 months of the end of the reporting period, then they are discounted.

11.6.4 SHARE BASED PAYMENTS

Equity settled share based compensation benefits are provided to employees. Equity settled transactions are awards of shares, and options over shares that are provided to employees in exchange for the rendering of services. The cost of equity settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price grant date and expected price volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognized in previous periods.

11.7 INCOME TAX

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

11.8 CURRENT TAX

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

11.9 DEFERRED TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

11.10 TAX EXPOSURES

In determining the amount of current and deferred tax the entity takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the entity to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

11.11 PROPERTY, PLANT AND EQUIPMENT

11.11.1 RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

11.11.2 SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to Identitii.

11.11.3 DEPRECIATION

Depreciation is calculated to expense the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

11.12 INTANGIBLE ASSETS

11.12.1 RESEARCH AND DEVELOPMENT

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if development costs could be measured reliably, the product or process was technically and commercially feasible, future economic benefits were probable, and Identitii intended to and had sufficient resources to complete development and to use or sell the asset. Otherwise it was recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

11.12.2 SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

11.12.3 AMORTISATION

Amortisation is calculated to expense the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

11.12.4 LEASES

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expense in the period in which they are incurred.

12. GLOSSARY

TERM	Definition
\$ or A\$	Australian dollars
1H	First half
2H	Second half
Accelerating Commercialisation Grant	The grant described in Section 4.6.2
AEST	Australian Eastern Standard Time
Applicant	A person who submits an Application
Application	An application made to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies or Application Amount	The amount accompanying an Application Form submitted by an investor
ASIC	Australian Securities and Investment Commission
ASX Settlement Operating Rules	The rules of ASX Settlement and Transfer Corporation Pty Ltd
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX
ATO	Australian Tax Office
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations
Board or Board of Directors	The board of directors of the Company
Business Day	Any day that is not a Saturday, Sunday, bank or public holiday in New South Wales, Australia
CEO	Chief executive officer
Chairman	Chairman of the Board of Directors
CHESS	Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act
Closing Date	The date by which Applications must be lodged for the Offer, being Wednesday, 12 September 2018. This date may be varied by the Company and the Underwriter, without prior notice
Company	identitii
Completion	The completion of the Offer, by the date upon which Shares are issued to successful Applicants in accordance with the terms of the Offer
Constitution	The constitution of the Company
Corporations Act	Corporations Act 2001 (Cth)
Corporate Directory	The Corporate Directory at the back of this Prospectus
Director	A member of the Board
DPS	Dividends per Share
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per Share
Equity Incentive Plan	The incentive plan described in Section 6.3.4.

TERM	Definition
Existing Shareholders	The Shareholders of the Company as at the Prospectus Date
Existing Shares	The Shares held by the Existing Shareholders as at the Prospectus Date
Expenditure Program	The anticipated expenditures to be incurred by identitii and funded by the capital raising under this Prospectus as detailed in Section 1.7
Exposure Period	The period of 7 days (or 14 days if extended by ASIC) after the lodgement of the Prospectus with the ASIC during which the Company may not accept Applications.
Financial Information	Has the same meaning given to that term in Section 4.1
Financial Market Infrastructure	A multilateral system among participating financial institutions, including the operator of the system, used for the purposes of recording, clearing, or settling payments, securities, derivatives, or other financial transactions.
Financial Section	Section 4
FinTech	Financial Technology
FY18	Financial year ended 30 June 2018
Group	identitii and its subsidiaries
GST	Goods and services or similar tax imposed in Australia
HSBC	The Hong Kong and Shanghai Banking Corporation Limited
identitii	identitii Limited (ABN 83 603 107 044)
Investigating Accountant	KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd (ABN 43 007 363 215)
IT	Information Technology
Joint Lead Managers	KTM Capital Pty Limited (ACN 086 281 950) and Canaccord Genuity (Australia) Limited (ACN 075 071 466)
Listing or Listed	The admission of the Shares to quotation on the ASX in accordance with ASX Listing Rules
Listing Date	The date on which the Listing occurs
Market Capitalisation	Total market value of the Company on ASX on the Listing Date
NPAT	Net profit after tax
Offer	The Offer under this Prospectus of Shares for issue by the Company
Offer Period	The period from Opening Date and ending on the Closing Date
Offer Price	\$0.75 per Share
Offer Shares	The 14,666,666 Shares being offered under this Prospectus
Official List	the official list of entities that ASX has admitted to and not removed from listing
Opening Date	The date the Offer opens.
Option	An option to acquire a Share
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus is lodged with ASIC, being Wednesday, 22 August 2018
R&DTI	The Research & Development Tax Incentive
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of Shares
Share Registry	Boardroom Pty Limited (ACN 003 209 836)
Underwriter	KTM Capital Pty Limited (ACN 086 281 950)

13. CORPORATE DIRECTORY

Company

identitii Ltd

159 Victoria Street Potts Point
NSW Australia 2011

Joint Lead Manager and Underwriter

KTM Capital Pty Limited

Level 2, 16 O'Connell Street
Sydney NSW 2000

Joint Lead Manager

Canaccord Genuity (Australia) Limited

Level 26, 9 Castlereagh Street
Sydney NSW 2000

Australian Legal Adviser

Watson Mangioni Lawyers Pty Limited

Level 23, 85 Castlereagh Street
Sydney NSW 2000

Investigating Accountant

KPMG Transaction Services, a division of KPMG Financial Advisory services (Australia) Pty Limited

Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

Auditor

KPMG

Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

Share Registry

Boardroom Pty Limited

Level 12, 225 George St
Sydney NSW 2000

identitii Offer Information Line

Number: 02 9235 9940 or +61 2 9235 9940 (outside Australia)

Hours of operation: 9.00am to 5.00pm (AEST),
Monday to Friday (Business Days only)

