

Identitii Quarterly Activity Report and Appendix 4C for the period ending 30 June 2023

Key Highlights

- SMR reporting capability launched, ahead of looming Tranche 2 reforms
- Identitii among the first to submit ISO 20022 reports to AUSTRAC
- Partnership with the Financial Integrity Hub to increase awareness
- Judges commendation at the Pitch! RegTech event in Singapore
- Closing cash balance of \$1.3M (Q3 FY23 \$2.8M)
- Further cost savings to extend runway will materialise in Q1 FY24
- After the period:
 - Two companies sign agreements to trial new SMR functionality
 - 1:1 Non-Renounceable Rights Issue to raise up to \$2.1M
 - Chair and CEO to take up their full rights

Monday, 31 July 2023 - [Identitii Limited](#) ('Identitii', 'the Company') (ASX:ID8) is pleased to release its Appendix 4C for the three months ending 30 June 2023 and provides an update on its progress during the period.

Operational update

Simplified SMR reporting launched, in preparation for Tranche 2

Identitii announced that it has made it easier for financial services businesses to submit Suspicious Matter Reports (SMR) to AUSTRAC via its regulatory reporting platform, ahead of the proposed Tranche 2 reforms to the Australian AML/CTF Act.

The new functionality announced this quarter reduces risk and simplifies reporting for the 17,000+ companies already reporting to AUSTRAC, and 100,000+ additional companies implementing an AML/CTF Program ahead of the Tranche 2 reforms. It also completes

Identitii's AUSTRAC reporting suite, with customers now able to submit all three report types to the regulator.

Two new customer contracts for SMR reporting

After the period, Identitii signed contracts with two customers, including a crypto-currency exchange, to trial new SMR functionality. A number of other opportunities are in negotiation.

New ISO 20022 reports successfully submitted to AUSTRAC

The Company was among the first to successfully report ISO 20022 transactions to AUSTRAC 2.0, the regulator's updated reporting system designed specifically to accept the new data-rich International Funds Transfer Instruction (IFTI) reports processed in the new ISO 20022 message format.

Being ready to report the new ISO 20022 format has given Identitii significant competitive advantage over incumbent providers as many of them have not yet built ISO 20022 capability. The announcement made by the Company on 4 April 2023 generated increased interest in Identitii's platform, in particular from foreign banks operating in Australia, and has accelerated a number of commercial opportunities already in the pipeline.

Commercial opportunity progress

During the quarter the Company took a number of steps to accelerate opportunities already in the pipeline and drive new commercial opportunities. In addition to those already highlighted above, this included creating a program to increase adoption of its new Suspicious Matter Reporting (SMR) capability by allowing customers to trial the offering for six months. Two customers have already signed up to the program and a number of other opportunities are in negotiation.

Identitii partners with the Financial Integrity Hub

Identitii and the Financial Integrity Hub have partnered on a series of podcasts providing thought leadership around financial crime and compliance.

The Financial Integrity Hub is run by Macquarie University Law School and is aimed at fostering innovation and collaboration in the areas of financial services and in particular prevention of financial crime. It works directly with lawmakers, regulators and the industry and runs regular online and in person events that attract hundreds of industry participants.

Investors can listen to the podcasts online here:

<https://www.mq.edu.au/research/research-centres-groups-and-facilities/groups/financial-integrity-hub/engagement>

ACAMS sponsorship drives lead generation and brand awareness

During the quarter the Company attended the annual Association of Certified Anti-Money Laundering Specialists (ACAMS) Australasia conference. The conference attracted more than 400 industry professionals from across Australia and New Zealand in person in Sydney to network, discuss industry trends and share experiences on topics such as AUSTRAC's 2023/2024 plans, developments in financial crime compliance programs and technology and preventing financial crime in the face of increasing attacks and criminal activity.

The Company launched its new SMR functionality at its booth during the event and hosted a networking event for industry professionals. The event allowed the Company to progress a number of existing commercial discussions and drove new business opportunities.

Patent portfolio commercialisation progress

In addition to the commercial opportunities above, the Company continues to progress strategies to monetise the patents held in the United States and Singapore. Details of these strategies cannot be disclosed until material milestones have been achieved, however forward movement continues to be made in this promising program of work for the Company.

Identitii commended at the Pitch! RegTech event in Singapore

During the quarter Identitii presented at the Pitch! RegTech competition in Singapore, having been selected as a finalist from hundreds of entries to pitch live at one of the largest RegTech events in Asia Pacific. Due to its global audience, Identitii showcased to financial services decision makers, investors and the wider RegTech community how its data platform helps solve challenges faced by the industry beyond AUSTRAC reporting in Australia.

The event was a great opportunity for the Company to prospect for new business, validate new opportunities for the Identitii platform, look for other RegTech platforms the Identitii platform could be plugged into, and meet potential strategic investors. Although Identitii was not recognised as the winning pitch, the Company was commended by the judges for the value its platform can bring to the industry and for the strength of its presentation, which can be seen here:

<https://www.youtube.com/watch?v=ocwpL18-q2Q&t=14s>

Financial update

Cash flow performance

Cash receipts from customers for the quarter of \$0.1M were down \$0.7M or 88% from the previous quarter (\$0.8M in Q3 FY23). This reduction is purely a timing difference based on annual license renewal dates.

Total cash outflows from operating activities of \$1.5M were up \$0.6M or 67% from the previous quarter. This is solely due to the reduction of \$0.7M in receipts from customers, as described above. Further cost savings will be implemented to right-size the business for the current pipeline of opportunities and cash position. These savings are expected to materialise in the next quarter.

Financing cash outflows for the quarter were immaterial.

In Section 6 of the Appendix 4C, payments made to related parties during the quarter, included in Item 1, are directors' fees.

Cash balance

Identitii held \$1.3M in cash as of 30 June 2023, a decrease of \$1.5M when compared to the closing balance at previous quarter end (\$2.8M in Q3 FY23).

Non-Renounceable Rights Issue to raise up to \$2.1M

The Company is pleased to offer a pro-rata non-renounceable entitlement issue to eligible shareholders of one (1) New Share for every one (1) existing Shares held by eligible shareholders on the Record Date, at an issue price of \$0.01 per New Share, to raise up to \$2,127,985 (before costs) (Rights Issue) with a minimum raise of \$1,500,000. Shareholders will also have the opportunity to apply for any unplaced shares (Shortfall) before the offer is closed.

All Shareholders with a registered address in Australia or New Zealand (Eligible Shareholders) who hold ordinary shares in the Company at 7.00pm (AEDT) on 10 August 2023 (Record Date), will be able to participate in the Rights Issue. Full details on the Rights Issue, including proposed use of funds, can be found in the ASX announcement issued earlier today.

Ends

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

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

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About Identitii

Identitii Limited is helping regulated entities reduce their exposure to regulatory risk, without replacing existing technology systems. Founded in 2014 and headquartered in Sydney, Australia, Identitii is listed on the Australian Securities Exchange (ASX:ID8).

For more information visit: www.identitii.com

Appendix 4C

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

Name of entity

Identitii Limited

ABN

83 603 107 044

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	147	1,847
1.2 Payments for		
(a) research and development	(590)	(2,669)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(30)	(167)
(d) leased assets	-	-
(e) staff costs	(469)	(3,094)
(f) administration and corporate costs	(560)	(2,287)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	(73)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,240
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,502)	(5,202)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	12
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	12

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	417
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(5)	(35)
3.5	Proceeds from borrowings	-	980
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(1)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(5)	1,359

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,786	5,074
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,502)	(5,202)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	12

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5)	1,359
4.5	Effect of movement in exchange rates on cash held	8	44
4.6	Cash and cash equivalents at end of period	1,287	1,287

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,287	2,786
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,287	2,786

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to/(receipts from) related parties and their associates included in item 2

**Current quarter
\$A'000**

140

-

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

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	980	980
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Mitchell Asset Management R&D Loan

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,502)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,287
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,287
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.86

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

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

No. The Company does not believe that it will continue to have the current level of net operating cash flows in future quarters.

Management is currently in the process of implementing further restructuring and cost management measures in order to right-size the business based on the current pipeline of opportunities.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Yes. The Company today announced a pro-rata Rights Issue to raise up to \$2.1 million.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes. With the funds raised from a successful Rights Issue, the Directors believe that the Company will be able to continue operations and to meet its business objectives.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2023

Authorised by: The CEO of Identitii Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.