

Updated Identitii Quarterly Activity Report and Appendix 4C for the period ending 31 March 2020

Highlights

- Cash receipts from customers of \$0.478 million, reflecting 87% growth on previous quarter (Q2 FY20 \$0.256 million)
- Cost reduction program in place, with operating expenses of \$1.597 million, down 30% (\$0.672 million) from previous quarter (Q2 FY20 \$2.269 million)
- Partially underwritten non-renounceable Entitlement Issue to raise up to \$3.820 million announced, with expected close 5pm Sydney time, Friday April 24, 2020
 - CEO John Rayment invests \$0.100 million by way of a loan, to be converted into shares at \$0.07, subject to shareholder approval
 - Co-founder and Chairman Nick Armstrong intends to take up his full entitlement
 - Other Identitii staff have taken up their entitlements
- CEO and Board rejuvenation, with John Rayment becoming CEO and Steve James joining as NED
- Identitii is well placed to survive the COVID-19 crisis and to support financial institutions as they recover
- Multiple new commercial opportunities advancing, including:
 - Continuation of commercial discussions with Standard Chartered Bank
 - Project with HSBC Australia progressing well

Thursday, 23 April 2020 - [Identitii Limited \(Identitii, Company\)](#) (ASX:ID8), the FinTech improving the integrity of data as it moves around the global financial system, releases its Appendix 4C for the three months to 31 March 2020 and provides an update on its progress during the period.

Commenting on the quarter, Identitii CEO, John Rayment said:

“Despite the COVID-19 crisis, Identitii had a positive quarter, with ongoing customer projects moving forward as planned and late stage sales discussions continuing to progress. Looking ahead, we have a new strategic business plan that has us laser focused on delivering new customers and increasing shareholder value in the short term. Our costs are significantly down on the previous quarter and we have reorganised the business around a clear go-to-market strategy that supports these goals.

“I would like to assure shareholders that Identitii will survive the current turmoil and that business is progressing as normal. In terms of the opportunity for us in the market, the need for more information to move with financial transactions isn’t going away and financial institutions will still have to process, reconcile and report on transactions despite the current crisis. Identitii is well positioned to help them solve this problem even as they navigate changed internal structures themselves.

“Finally, I’d like to thank shareholders for their ongoing support and encourage all Eligible Shareholders to participate in the current entitlement issue, which closes on Friday 24 April. I am incredibly optimistic about the future for Identitii and look forward to providing the market with ongoing updates in due course.”

Partially underwritten rights issue

Pursuant to the Prospectus lodged on 31 March 2020, Eligible Shareholders are currently able to participate in a partially underwritten entitlement issue to raise up to approximately \$3.820 million. Each eligible shareholder is entitled to subscribe for one (1) new fully paid ordinary share in the Company for every one (1) ordinary share held on the record date of 3 April 2020. New shares are offered at an issue price of \$0.07 per new Identitii share.

Identitii Limited

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The Rights Issue is partially underwritten by Gleneagle Securities. Existing substantial shareholder KTM Ventures Innovation Fund L.P. (KTM Ventures) has entered into a sub-underwriting agreement with Gleneagle in relation to a significant proportion of any shortfall from the issue.

Co-founder and Chairman Nick Armstrong intends to take up his full entitlement under the Offer and other Identitii staff have also taken up their rights.

Operational progress

The COVID-19 crisis has impacted individuals and businesses around the world, and Identitii's clients are no different. The Company is pleased to report however, that its multiple customer engagements are progressing well. This includes the engagement with **HSBC Bank Australia**, which was announced in Q2 FY20.

We are continuing to support our customers through this time and see increased opportunity for Identitii's platform to be sold to financial institutions. The key value proposition of Overlay+ is that it helps financial institutions and regulators to improve the processing, reconciliation and reporting of financial transactions without costly major system upgrades. Identitii's approach of enhancing existing systems already being used, ensures institutions can meet their obligations and improve customer service more cost effectively and faster than internal projects, something they will all be trying to achieve as we recover from this crisis.

Completion of eight-week pilot with Standard Chartered Bank

Identitii has successfully completed its pilot with Standard Chartered Bank and Symphony and is progressing commercial discussions. During the pilot, announced in December 2019, Identitii provided its Overlay+ platform, integrated with Symphony's global markets collaboration tool, to Standard Chartered in Singapore.

Identitii in the industry

Identitii conducted a number of targeted go-to-market activities aimed at increasing demand for its Overlay+ platform among key target markets. These included:

Identitii exhibited and presented at the Australian Financial Crime Summit, Melbourne

Prior to the COVID-19 crisis, Identitii exhibited and presented at the Australian Financial Crime Summit in Melbourne. The conference yielded a number of leads for Identitii, which the Company is pursuing and provided valuable insights into the applicability of Overlay+ to solve AUSTRAC reporting issues for Australian and Foreign institutions. Nick Armstrong and Nathan Lynch presented to delegates on the topic of *Intelligence vs Compliance: Preventing financial crime while managing key regulatory risks*.

Identitii named fastest growing FinTech by IDC

Identitii was named one of the fastest growing FinTech's in Asia Pacific in IDC's *FinTech Fast 101* research, one of only five Australian companies included in the list. IDC's *FinTech Fast 101* research refers to fast-growing fintech players based on extensive on-ground analysis of fintech players from China, India, Indonesia, Singapore, Hong Kong, Thailand, Malaysia, the Philippines, Vietnam, South Korea, and Australia. IDC Financial Insights Asia/Pacific applied its Triple U framework – ubiquity, utility, and usability – to determine this year's *FinTech 101* list. The framework evaluates fintech data across the following key metrics: addressable market, customer adoption, investments, alliances and partnerships, innovation, chance of survival, and marketing.

Identitii featured by Stockhead

Identitii was featured in an article by Stockhead that looks at the Company's ability to capitalise on the 'perfect storm' of tailwinds in the global financial services industry. For more information visit the Stockhead website.

Corporate and financial summary

New CEO and Board rejuvenation

In March 2020, Identitii announced that it has appointed industry veteran John Rayment as CEO and Managing Director and Steve James as Non-executive Director. Co-founder Nick Armstrong has taken on the role of Chairman. These changes follow the resignation of Mike Aston and Peter Lloyd from the Board.

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Cash flow

Cash receipts from customers reached \$0.478 million during the quarter, representing growth on previous quarter of 87%. The growth in cash receipts is due to the continuation of licence fees and professional services fees from HSBC Bank in both Australia and Hong Kong.

Cash outflows from operating activities were \$1.597 million for the quarter (Q2 FY20 \$2.269 million), representing a decrease of 30% or \$0.672 million from the previous quarter. In addition to the implementation of a cash management program as noted below, the decrease is also attributable to the deferred payment of certain employment taxes under the current government COVID-19 tax stimulus package.

Payments made to related parties during the quarter were directors' fees.

Cash management program and cash balance

Identitii has implemented a program to prioritise the allocation of resources to near-term revenue generating activities, such as with Standard Chartered, and several other late-stage deals. This has resulted in a reduction of its operating expenses for Q3 2020 to \$0.532 million per month, a 30% reduction in costs compared to the previous quarter.

Identitii held \$0.259 million in cash as at 31 March 2020. New CEO John Rayment has lent the Company \$0.100 million and KTM Ventures has also lent the Company \$0.150 million, both on ordinary commercial terms, with these amounts proposed to be converted into Identitii shares subject to shareholder approval. These additional funds will be used by the Company for general working capital purposes and to close late stage deals currently being negotiated.

In addition, after the end of the period, the Company negotiated an R&D tax incentive refund finance facility with Radium Capital for \$0.600 million and received \$0.150 million from Austrade for the Company's 2018-19 Export Market Development Grant.

Use of funds comparison table

In accordance with Listing rule 4.7C.2., please see below the use of funds comparison table showing actual spend to 31 March 2020 (Q3 FY20), as compared to the expected use of funds table provided in its initial listing prospectus lodged on 16 October 2018.

Identitii's total use of funds to the quarter ending 31 March 2020 was \$15.1 million. This was made up of \$11.0million raised at IPO and an additional \$4.1million of cash receipts.

Figure 1: Comparison table of actual expenditure compared to the use of funds

	Use of funds estimate \$ million	Actual Use of funds ^a \$ million
Further Product Development & Commercialisation	3.99	2.83
Investment in Intellectual Property protection	0.12	0.06
Investment into research & development	1.07	4.70
Capital expenditure on office fit out and hardware	0.64	0.46
Working capital and corporate operating expenses	4.12	5.42
Pay the costs associated with the IPO	1.06	1.26
R&D Loan Facility		0.42
Total use of funds	11.0	15.1

^aCash receipts included in actual use of funds

4.1

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Of the \$11.0million raised at IPO, Identitii spent less than estimated on 'further product development and commercialisation' and more on 'research and development activities.' The increased spend on 'research and development activities' was due to increased demand for new products and solutions from current and prospective customers.

The Company also received a cash refund of \$2.1 million from the Government R&D tax incentive over the same period. \$0.42 million received from this refund was used to pay a loan facility secured against the refund.

For more information, please contact:

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

About Identitii

Identitii Limited is enabling a safe, secure and trusted global financial system by improving the integrity of financial information as it travels within and between organisations. 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

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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")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A	Year to date (9 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	477,867	910,322
1.2 Payments for		
(a) research and development	(611,461)	(2,138,445)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(21,513)	(212,425)
(d) leased assets	(26,377)	(69,817)
(e) staff costs	(533,260)	(1,994,404)
(f) administration and corporate costs	(403,293)	(1,762,101)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	279	14,665
1.5 Interest and other costs of finance paid	(1,142)	(3,339)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,205,915
1.8 Other (provide details if material)	6,074	6,074
1.9 Net cash from / (used in) operating activities	(1,112,826)	(4,043,555)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2,581)	(18,608)
(d) investments	-	-
(e) intellectual property	-	(62,112)
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A	Year to date (9 months) \$A
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	1,840
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	7,646	7,646
2.6 Net cash from / (used in) investing activities	5,065	(71,234)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	250,000	250,000
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	250,000	250,000

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,107,907	4,120,380
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,112,826)	(4,043,555)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	5,065	(71,234)

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Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
4.4	Net cash from / (used in) financing activities (item 3.10 above)	250,000	250,000
4.5	Effect of movement in exchange rates on cash held	9,282	3,837
4.6	Cash and cash equivalents at end of period	259,428	259,428

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	185,583	1,034,062
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits)	73,845	73,845
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	259,428	1,107,907

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 related parties and their associates included in item 2

**Current quarter
\$A**

82,436

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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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	Amount drawn at quarter end \$A
7.1 Loan facilities	250,000	250,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	250,000	250,000

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.

On 17 March 2020, the Company received loans totalling \$150,000 from KTM Ventures Innovation Funs L.P and \$100,000 from John Rayment, the newly appointed CEO and MD. These loans are for 12 months, interest free and will convert to equity at \$0.07 per share as part of the current rights issue or within two months of the current rights issue pending shareholder approval.

After the end of the quarter, on 1 April 2020, the Company received a \$600,000 loan facility with Radium Capital that is secured against the research and development tax incentive cash refund expected to be received in relation to eligible research and development expenditure incurred during the financial year. The interest rate on the loan principal is 1.25% per month and matures on 30 September 2020. The full value of the loan facility was drawn on 1 April 2020.

8. Estimated cash available for future operating activities	\$A
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,112,826)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	259,428
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	259,428
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.23

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

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

Answer: The Company does not expect to maintain the current level of net operating cash flows for the time being. The Company is looking at a proposed restructure of its cost base to extend cash runway over the coming months.

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. As noted in 7.6 above, the Company has received a \$600,000 loan facility secured against its research and development tax incentive claim. The Company is also undergoing a rights issue which is expected to close on 24 April 2020.

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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. On the basis of the answers provided in 8.6.1 and 8.6.2 noted above.

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: 5 May 2020

Authorised by: By the Board
(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.