



1. Company details

Name of entity: archTIS Limited
ABN: 79 123 098 671
Reporting period: for the half year ended 31 December 2022
Previous period: for the half year ended 31 December 2021

2. Results for announcement to the market

		\$
Revenues from ordinary activities	down 3% to	2,341,864
Profit / (loss) from ordinary activities after tax attributable to the owners of archTIS Limited	up 22% to	(4,642,476)
Profit / (loss) for the half-year attributable to the owners of archTIS Limited	up 5% to	(4,756,201)

Dividends

No dividends were paid or payable during the half year ended 31 December 2022. - -

Comments

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the

3. Net tangible assets

	Reporting period	Previous period
Net tangible assets per ordinary security	\$ 0.012	\$ 0.028

4. Control gained over entities

There were no entities over which the reporting entity gained control during the period.

5. Loss of control over entities

There were no entities over which the reporting entity lost control during the period.

6. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements for the half year ended 31 December 2022 were subject to a review by the auditors and the review report is attached.

7. Attachments

Details of attachments (if any):

The financial statements of archTIS Limited for the half year ended 31 December 2022 is attached.

8. Signed

Signed in accordance with a resolution of the directors.
On behalf of the Directors:

Dr Miles Jakeman AM
Chairman
22 February 2023
Canberra, ACT

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FINANCIAL REPORT FOR
THE HALF YEAR ENDED
31 DECEMBER 2022

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Corporate Directory

Directors

Miles Jakeman AM
Daniel Lai
Leanne Graham

Joint Company Secretaries

Erlyn Dawson
Winton Willesee

Registered Office

Level 3, archTIS House
10 National Circuit
Barton ACT 2600

Principal Place of Business

Level 3, archTIS House
10 National Circuit
Barton ACT 2600

Share Register

Automic
Level 5, 191 St Georges Terrace
Perth, WA 6000

Auditor

RSM Australia Partners
Equinox Building 4, Level 2
70 Kent Street
Deakin, ACT 2600

Stock Exchange Listing

archTIS Limited shares are listed on the:

- Australian Securities Exchange (ASX: AR9)
- U.S. OTCQB Market (OTCQB: ARHLF)

Website

www.archtis.com

Investor Portal

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

Table of Contents

Directors Report	3
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements.....	11
Directors' Declaration	21
Independent Auditor's Declaration.....	22
Independent Auditor's Report to the Members of archTIS Limited	23



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DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Group') consisting of archTIS Limited (referred to hereafter as the 'Company' or 'Entity') and the entities it controlled at the end of, or during, the half year ended 31 December 2022 ('Reporting Period').

Directors

The following persons were directors of archTIS Limited during the Reporting Period and up to the date of this report, unless otherwise stated:

- Miles Jakeman AM
- Daniel Lai
- Leanne Graham

Company Secretary

During the Reporting Period, and as at the date of this report, the role of company secretary is jointly held by Winton Willesee and Eryn Dawson.

Principal Activities

During the reporting period the principal continuing activities of the Group consisted of:

- Sales of secure information management and collaboration software: Kojensi either in the Cloud or on-premises, and NC Protect for users of the Microsoft software suite;
- Integration of certain Ciphertext Limited technologies into NC Protect for Microsoft 365 solutions; and
- Consulting and solutions services for secure information sharing and inter-organisational collaboration related to the above software sales.

Dividends

No dividends were paid during the financial year.

Review of Operations

The financial results for the half year ended 31 December 2022 show strong growth across licensing, annual recurring revenue, available cash and a reduction in operating expenses.

Key results were as follows:

- Total revenue of \$2.35M, consistent with the prior corresponding period (PCP);
- Licencing revenue of \$1.53M, up 35% on PCP;
- Annual recurring revenue (ARR) \$3.5M, up 80% on PCP;
- Operating expenses of \$4.03M, a significant reduction of 23% compared to the PCP reflecting the Company's continued cost reduction focus;
- Cash and cash equivalents of \$6.8M; and
- Successful corporate finance program to the value of \$3.5M, introducing key strategic investors to the Company register.

DIRECTORS' REPORT

Customer Wins

archTIS continued to demonstrate cross-product customer traction coupled with strong customer retention in Defence and Intelligence, via Microsoft IP Co-sell, and through expanded geographical channel growth. The KPMG OneDefence initiative has delivered over \$1.4M of contracts in the last 120 days (revenue yet to be realised) and will provide additional opportunities for further services and licensing revenue.

The Company renewed a number of customer contracts with a 0.1% customer churn against ARR, exhibiting continued product value and stability in a tight and competitive market.

Partnership Alliances

We continue to see increased traction with our alliance partners namely Microsoft and Thales. NC Protect is a partner solution of choice for attribute-based access controls (ABAC) information security; particularly in the Australian, United States (US) and Canadian Defence and Defence Industrial Base sectors. The Company closed its first US Cybersecurity Maturity Model Certification and International Traffic in Arms Regulations (ITAR) compliance customer; a manufacturer of precision military components. The solution will automatically classify, restrict access to, and control distribution of, sensitive information.

With the recent release of NC Encrypt, a deeper global relationship with Thales has developed in allowing policy orchestration across various levels of encryption.

Product Innovation Achievements and Industry Awards

On a product front, archTIS announced several notable achievements during the half year:

- The launch of NC Encrypt provided independent encryption key management and Bring Your Own Key support for Microsoft 365 applications and SharePoint Server environments;
- The release of Kojensi SaaS v2.0, which ensured secure document collaboration and sharing of sensitive and Export Controlled content between Government, Defence, Defence supply chains, and higher education institutions with meeting ITAR and other compliance mandates;
- The Company continued to invest significantly in R&D to extend functionality and capabilities of our software solutions;
- archTIS received key industry validation in the quarter being named the "Cyber Business of the Year 2022" at the Australian Defence Industry Awards; and,
- Finally, NC Protect was selected as the 2022 "Policy Management Solution of the Year" in the sixth annual CyberSecurity Breakthrough Awards program.

Corporate Finance Program

In December, the Company announced a \$3.5M corporate finance program (refer to ASX announcement dated 2 December 2022). The key use of the proceeds is to launch Kojensi into international markets to serve Export Control and ITAR markets, to provide a secure platform for the collaboration of sensitive and classified information for international Government, Defence and the defence industrial supplier market. The three-tiered finance structure comprised of a \$1.5M share placement to institutional and high net worth retail investors, including archTIS board members and executives, a 40% oversubscribed Shareholder Purchase Plan (SPP) of \$0.7M, and \$1.5M market rate credit facility through the Commonwealth Bank of Australia.

DIRECTORS' REPORT

Confirmed growth and outlook

archTIS confirms its financial outlook guidance provided at the beginning of the financial year for both a minimum of 60% year-over-year revenue growth; and cash receipts in excess of \$9.5M.

In moving toward becoming cash flow positive in CY23, archTIS is on target to achieve its objective of lowering cash burn from the prior financial year by 50% or greater. With lower projected go-forward operating expenses based upon a reduction in the Company's overall cost structure during Q2 (refer to ASX announcement dated 17 November 2022) and projected cash receipts.

Business Risk

The Company's risk management approach involves the ongoing assessment, monitoring and reporting of risks that could impede the Company's progress in delivering the Company's strategic priorities.

The Company maintains a risk register, which is managed by the Managing Director and Chief Executive Officer, Daniel Lai.

Business risks are identified through best practice methodology using industry and professional expertise. All material business risks have an appropriate mitigation strategy to reduce the risk to an acceptable level for the Company and its investors. The archTIS Board of Directors meet monthly to review strategy, performance, and business risk. An example of such risks are:

- General economic risk – e.g. local or worldwide pandemics and market sentiment;
- Competitive risk – e.g. actions of a competitor impact the Company's strategic direction;
- Counterparty risk – e.g. a third party may not fulfill their contractual obligations, impacting the Company;
- Commercial delivery risk – e.g. actions that impact the Company's ability to successfully fulfil won customer contracts, such as supply chain delays or staffing availability; and,
- Takeover target risk – e.g. where terms of the transaction are not agreeable or in the shareholders best interests.

An assessment was undertaken of all business specific risks and the associated mitigating actions as at the half year, including but not limited to, resilience to cope with change, stresses and shocks, cyber security threats, competitors preventing the Company's success and availability of suitable labour resources to deliver critical projects. It was determined that there were no risks that exceeded the Board of Directors risk appetite threshold requiring disclosure in this report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the reporting period.

Matters subsequent to the end of the financial year

There were no matters or circumstances that have arisen since 31 December 2022 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' REPORT

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations, other than as provided elsewhere in the report or previously to the ASX, have not been included because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included in this interim report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors,



Miles Jakeman AM

Chairman

22 February 2023

Canberra, ACT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	Dec 2022 \$	Dec 2021 \$
Revenue	6(a)	2,341,864	2,423,034
Cost of sales		(936,240)	(696,980)
Gross profit		1,405,624	1,726,054
Other income	6(b)	1,419,612	957,785
Sales and marketing		(1,867,958)	(2,308,078)
General administration		(5,713,479)	(5,363,032)
Loss before income tax		(4,756,201)	(4,987,271)
Income tax (expense) / benefit		113,725	(961,358)
Other comprehensive income		-	-
Total comprehensive loss for the year		(4,642,476)	(5,948,629)
Basic earnings per share	13	(1.75)	(2.49)
Diluted earnings per share	13	(1.64)	(2.42)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Dec 2022 \$	Jun 2022 \$
ASSETS			
Current assets			
Cash and cash equivalents		6,764,628	6,520,536
Trade and other receivables		918,745	2,481,598
Other current assets		2,191,298	2,061,626
Provision for income tax		16,679	-
Total current assets		9,891,350	11,063,760
Non-current assets			
Other non-current assets		-	92,789
Property, plant and equipment		84,681	91,035
Intangible assets	8	13,915,069	14,695,423
Right of use asset	9	833,202	951,729
Total non-current assets		14,832,952	15,830,976
Total assets		24,724,302	26,894,736
LIABILITIES			
Current liabilities			
Trade and other payables		699,200	743,928
Employee benefits		319,537	533,296
Provisions		315,126	277,845
Other current liabilities		2,448,328	2,289,530
Lease liability		196,494	214,603
Borrowings	10	1,000	-
Total current liabilities		3,979,685	4,059,202
Non-current liabilities			
Employee benefits		183,433	104,987
Provisions		77,647	76,990
Other non-current liabilities		1,477,115	1,454,368
Deferred tax and other		1,131,604	1,224,722
Lease liability		688,924	771,160
Total non-current liabilities		3,558,723	3,632,227
Total liabilities		7,538,408	7,691,429
NET ASSETS		17,185,894	19,203,307
EQUITY			
Issued capital	11	43,180,352	41,099,800
Reserves		1,792,525	1,248,014
Retained profits / (accumulated losses)		(27,786,983)	(23,144,507)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF ARCHTIS LIMITED		17,185,894	19,203,307

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Consolidated	Issued capital	Reserves	Retained profits	Total equity
	\$	\$	\$	\$
Balance 1 July 2022	41,099,800	1,248,014	(23,144,507)	19,203,307
Total comprehensive income for the half-year	-	-	(4,642,476)	(4,642,476)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of share capital	2,150,802	-	-	2,150,802
Exercise of options	61,740	(19,740)	-	42,000
Vesting of performance rights	70,342	(70,342)	-	-
Capital raise fees	(202,332)	-	-	(202,332)
Foreign exchange reserve	-	82,396	-	82,396
Share-based payments	-	552,197	-	552,197
Balance 31 December 2022	43,180,352	1,792,525	(27,786,983)	17,185,894
Balance 1 July 2021	32,636,977	707,660	(13,699,219)	19,645,418
Total comprehensive income for the half-year	-	-	(5,948,629)	(5,948,629)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of share capital	8,608,802	-	-	8,608,802
Exercise of options	518,953	-	-	518,953
Capital raise fees	(655,934)	-	-	(655,934)
Foreign exchange reserve	-	116,227	-	116,227
Share-based payments	-	1,085	-	1,085
Balance 31 December 2021	41,108,798	824,972	(19,647,848)	22,285,922

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	Consolidated	
		Dec 2022 \$	Dec 2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,187,675	1,660,387
Payments to suppliers and employees (inclusive of GST)		(7,604,985)	(7,963,056)
Receipts from R&D tax incentive		1,785,442	1,434,753
Government grants & incentives		36,600	96,124
Interest received		299	475
Interest paid		(2,236)	(34,135)
Income tax paid		(17,380)	(1,896)
Net cash provided by / (used in) operating activities	12	(1,614,585)	(4,807,348)
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,150)	(24,141)
Payment for purchase of business, net of cash acquired		-	(1,650,000)
Net cash provided by / (used in) investing activities		(17,150)	(1,674,141)
Cash flows from financing activities			
Proceeds from borrowings		1,000	-
Proceeds from issue of shares		2,212,302	7,018,955
Costs of capital raise		(202,333)	(655,934)
Repayments under leases		(130,431)	(86,206)
Net cash provided by / (used in) financing activities		1,880,538	6,276,815
Net increase / (decrease) in cash held		248,803	(204,674)
Cash and cash equivalents at beginning of period		6,520,536	12,739,159
Effects of exchange rate changes on cash and cash equivalents		(4,711)	(3,313)
Cash and cash equivalents at end of period		6,764,628	12,531,172

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

1. Statement of compliance

The consolidated interim financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with *Australian Accounting Standard AASB 134 'Interim Financial Reporting'* and the *Corporations Act 2001*. The consolidated interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the group as at and for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

2. Going concern

The Group incurred a loss after tax of \$4,642,476 (31 December 2021: \$5,948,629) and had net operating cash outflows of \$1,614,585 (31 December 2021: \$4,807,348). A cash flow forecast has been prepared which indicates that the group has sufficient cash to meet its debts as and when they fall due and payable.

The directors believe it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Group is currently exploring sales opportunities with various potential customers across the Government and Private sectors;
- Following a successful capital raising in December 2022 of \$2.2 million and the arrangement of short-term debt facilities of \$1.5 million, the Group has available cash as at 31 December 2022 of \$6.8 million; and,
- if necessary, the Company will consider additional capital raising activities through the issue of new share capital.

3. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated annual report as at and for the year ended 30 June 2022.

4. Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The resulting accounting judgements and estimates may differ from the actual results. In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial report as at and for the year ended 30 June 2022.

5. Restatement of expenses

The sales and marketing expense comparative for the half-year ending 31 December 2021 has been amended to align with the expense allocations for 31 December 2022 to improve accuracy and visibility of costs.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2022

6. Revenue

	Consolidated	
	Dec 2022	Dec 2021
	\$	\$
(a) Revenue from contracts with customers		
Licensing	1,527,814	1,135,695
Services	806,401	1,287,339
Equipment	7,649	-
	<u>2,341,864</u>	<u>2,423,034</u>
(b) Other income		
Government grants	1,419,313	957,310
Interest income	299	475
	<u>1,419,612</u>	<u>957,785</u>

Licensing

Licensing revenue represents recurring revenue from archTIS solutions developed, customised and maintained for customers including Kojensi SaaS, NC Protect, cp.Protect and cp.Discover delivered to Australian and international customers.

Services

Services revenue includes archTIS services relating to systems integration and security consulting.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2022

7. Expenses

	Consolidated	
	Dec 2022	Dec 2021
	\$	\$
(a) Employee benefits		
Salaries and wages	3,383,484	2,940,998
Superannuation	294,218	214,579
Other employee benefits	408,360	646,070
Share-based payments	432,697	1,085
less: capitalised to software development	(1,124,949)	(262,501)
	3,393,810	3,540,231
(b) Depreciation and amortisation		
Depreciation - property, plant and equipment	138,561	117,670
Amortisation - intangibles	1,960,802	1,298,867
	2,099,363	1,416,537
(c) Finance costs		
Interest and finance charges paid/payable	32,322	34,135
	32,322	34,135
(d) Contractors		
Payments to contractors	879,990	1,341,638
	879,990	1,341,638
(e) Hosting charges		
Hosting charges	158,296	90,837
	158,296	90,837

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2022

8. Intangible assets

	Consolidated	
	Dec 2022	Jun 2022
	\$	\$
Internally generated software – at cost	8,245,624	8,245,624
less: deferred research & development tax incentive	(1,522,657)	(1,959,318)
less: accumulated amortisation	(4,735,844)	(3,944,967)
	1,987,123	2,341,339
Development in progress – at cost	4,857,686	3,732,736
less: deferred research & development tax incentive	(2,113,094)	(1,623,740)
	2,744,592	2,108,996
Customer contracts – at cost	2,075,950	2,044,823
less: accumulated amortisation	(833,178)	(706,414)
	1,242,772	1,338,409
Software – at cost	8,628,301	8,514,291
less: accumulated amortisation	(3,477,243)	(2,397,136)
	5,151,058	6,117,155
Goodwill	2,789,524	2,789,524
	13,915,069	14,695,423

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2022

8. Intangible assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Internally generated software	Development in progress	Customer contracts	Software	Goodwill	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance 1 July 2022	8,245,624	3,732,736	2,044,823	8,514,291	2,789,524	25,326,998
Additions	-	1,124,950	-	-	-	1,124,950
Commercialisation of development to internally generated software	-	-	-	-	-	-
Effect of foreign exchange translation	-	-	31,128	114,009	-	145,137
Balance 31 December 2022	8,245,624	4,857,686	2,075,951	8,628,300	2,789,524	26,597,085
Accumulated amortisation						
Balance 1 July 2022	(3,944,967)	-	(706,414)	(2,397,136)	-	(7,048,517)
Amortisation	(790,877)	-	(117,721)	(1,052,204)	-	(1,960,802)
Effect of foreign exchange translation	-	-	(9,043)	(27,903)	-	(36,946)
Balance 31 December 2022	(4,735,844)	-	(833,178)	(3,477,243)	-	(9,046,265)
Deferred research & development tax incentive						
Balance 1 July 2022	(1,959,318)	(1,623,740)	-	-	-	(3,583,058)
Additions	-	(489,354)	-	-	-	(489,354)
Recognised in income	436,661	-	-	-	-	436,661
Balance 31 December 2022	(1,522,657)	(2,113,094)	-	-	-	(3,635,751)
Net book value 31 December 2022	1,987,123	2,744,592	1,242,773	5,151,057	2,789,524	13,915,069

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2022

8. Intangible assets (continued)

The recoverable amount of the Group's Intangible Assets has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5-year projection period approved by management. The key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the new products:

- 20% pre-tax discount rate. This discount rate reflects management's estimate of the time value of money and the Entity's weighted average cost of capital adjusted for the product, the risk-free rate and the volatility of the share price relative to market movements;
- Projected revenue growth rate based on current sales pipeline, projected sales through current reseller partners, sales through new partnerships with resellers and increased users with existing customers. Management believes the projected revenue growth rate is prudent and justified, based on its market analyses and evaluation; and,
- 4-25% per annum increase in operating costs and overheads.

Based on the above, no impairment charge has been applied to the internally generated software and development in progress or the Nucleus Cyber Inc cash generating unit (CGU) as the discounted recoverable amount for the cash generating unit exceeds the carrying value of the intangibles.

Judgements and estimates in respect of the above impairment testing have been made. Should these judgements and estimates not occur, the resulting intangibles carrying amount may decrease. The sensitivities are as follows:

CGU: Kojensi

- Forecasted revenue would need to decrease by more than 54% for the internally generated software and capitalised development projects before there would be a need to impair either asset, with all other assumptions remaining constant; and,
- The pre-tax discount rate would be required to increase to 40% for the internally generated software and capitalised development projects before there would be a need to impair either asset, with all other assumptions remaining constant.

CGU: NC Protect

- Forecasted revenue would need to decrease by more than 39% before there would be a need to impair the acquired intangibles with all other assumptions remaining constant; and,
- The pre-tax discount rate would be required to increase to 23% before there would be a need to impair the acquired intangibles with all other assumptions remaining constant.

9. Right of use asset

	Consolidated	
	Dec 2022	Jun 2022
	\$	\$
Land and buildings – right of use	1,190,565	1,190,565
less: accumulated depreciation	(357,363)	(238,836)
	<u>833,202</u>	<u>951,729</u>

The right of use asset represents the lease of the Canberra head office, which has a lease term of 3 years with an option to extend after this period, and the lease of a Melbourne regional office.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2022

10. Borrowings

	Consolidated	
	Dec 2022	Jun 2022
	\$	\$
Bank loan	1,000	-
	<u>1,000</u>	<u>-</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	Dec 2022	Jun 2022
	\$	\$
Bank loan	1,000	-
	<u>1,000</u>	<u>-</u>

Assets pledged as security

The bank loan is secured by a term deposit of \$214,500 held with the bank.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	Dec 2022	Jun 2022
	\$	\$
Total facilities		
Bank loan	1,500,000	-
	<u>1,500,000</u>	<u>-</u>
Used at reporting date		
Bank loan	1,000	-
	<u>1,000</u>	<u>-</u>
Unused at reporting date		
Bank loan	1,499,000	-
	<u>1,499,000</u>	<u>-</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2022

11. Issued capital

	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>283,956,100</u>	<u>263,803,207</u>	<u>43,180,352</u>	<u>41,099,800</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	30-Jun-21	226,845,057		32,636,977
Issue of shares	26-Jul-21	6,390,302	\$0.3300	2,108,800
Share issue on exercise of options	12-Aug-21	400,000	\$0.2000	80,000
Share issue on exercise of options	12-Aug-21	35,000	\$0.2400	8,400
Issue of shares	18-Nov-21	28,260,870	\$0.2300	6,500,000
Share issue under SPP	23-Dec-21	1,871,978	\$0.2300	430,553
Share issue transaction costs, net of tax		-		(664,930)
Balance	30-Jun-22	263,803,207		41,099,800
Transfer from provisions for contingent consideration settled in shares	26-Jul-22	-	-	100,000
Share issue on exercise of options	10-Oct-22	420,000	\$0.1000	42,000
Transfer from share-based payments reserve for options exercised	10-Oct-22	-	-	19,740
Issue of shares	9-Dec-22	12,857,142	\$0.1050	1,350,000
Issue of shares & transfer from share-based payments reserve for performance rights vested	15-Dec-22	201,483	-	70,342
Issue of shares	23-Dec-22	6,674,268	\$0.1050	700,802
Share issue transaction costs, net of tax		-		(202,332)
Balance	31-Dec-22	283,956,100		43,180,352

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2022

12. Reconciliation of profit or loss after income tax expense to net cash from operating activities

	Consolidated Dec 2022	Dec 2021
	\$	\$
Loss after income tax expense for the half-year	(4,642,476)	(5,948,629)
<i>Adjustments for:</i>		
Depreciation and amortisation	2,099,363	1,416,537
Share-based payments	432,697	1,085
Interest on lease liabilities	30,086	33,247
Foreign exchange differences	34,287	20,761
<i>Change in operating assets and liabilities:</i>		
(Increase) / decrease in trade and other receivables	1,562,852	126,682
(Increase) / decrease in accrued revenue	(158,554)	-
(Increase) / decrease in prepayments	(225,007)	(213,562)
(Increase) / decrease in research and development assets	(1,072,257)	(152,381)
(Increase) / decrease in other assets	(43,829)	(83,804)
(Increase) / decrease in R&D tax incentive receivable	337,282	456,247
(Increase) / decrease in deferred tax assets	-	273,544
Increase / (decrease) in trade and other payables	(22,093)	(633,068)
Increase / (decrease) in accrued expenses	(48,162)	53,828
Increase / (decrease) in income taxes payable	(17,380)	-
Increase / (decrease) in employee benefits	(135,312)	355,245
Increase / (decrease) in provisions	137,937	646
Increase / (decrease) in deferred revenue	229,706	(1,186,071)
Increase / (decrease) in deferred tax liabilities	(113,725)	672,345
Net cash provided by / (used in) operating activities	(1,614,585)	(4,807,348)

13. Earnings per share

	Dec 2022	Dec 2021
	\$	\$
Loss after income tax attributable to the owners	(4,642,476)	(5,948,629)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	265,835,354	239,351,557
	Cents	Cents
Basic earnings per share	(1.75)	(2.49)
	Number	Number
Weighted average number of ordinary shares used in calculating diluted earnings per share	282,821,845	245,940,574
	Cents	Cents
Diluted earnings per share	(1.64)	(2.42)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2022

14. Matters subsequent to the end of the financial year

No matter or circumstance has arisen since reporting date that has significantly affected, or may significantly affect, the consolidated Entity's operations, the results of those operations, or the consolidated Entity's state of affairs in future financial years.

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DIRECTORS DECLARATION

31 DECEMBER 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and,
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Miles Jakeman AM

Chairman

22 February 2023

Canberra

RSM Australia Partners

Equinox Building 4, Level 2, 70 Kent Street Deakin ACT 2600
GPO Box 200 Canberra ACT 2601

T +61(0) 2 6217 0300
F +61(0) 2 6217 0401

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of archTIS Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



C J Hume
Partner

Canberra, Australian Capital Territory
Dated: 22 February 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE MEMBERS OF****ARCHTIS LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of archTIS Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Group*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of archTIS Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of archTIS Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of archTIS Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



C J Hume
Partner

Canberra, Australian Capital Territory
Dated: 22 February 2023

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