

Identitii Quarterly Activity Report and Appendix 4C for the period ending 30 June 2020

Highlights

- Entitlement Issue raised \$1.908 million in Q4 (plus additional \$1.908m raised in Q1 FY21)
- 85% of existing employees participated in the Shortfall Offer
- Like-for-like cash outflows from operating expenses down 14% from Q3, to \$1.245 million
- Identitii well placed to support financial institutions as they recover from the COVID-19 crisis
- Board changes and CEO John Rayment completes first 90 days in the role

Thursday, 30 July 2020 - [Identitii Limited \(Identitii, Company\)](#) (ASX:ID8), the award winning FinTech creating a global ecosystem for financial information using existing systems, releases its Appendix 4C for the three months to 30 June 2020 and provides an update on its progress during the period.

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

“It goes without saying that the COVID-19 crisis has impacted the entire planet on an unprecedented scale, significantly altering the way we live our lives, and devastating entire industries in a matter of months. Despite the crisis, Identitii has actually had a very strong Q4 and progressed well against our goals for 2020. Our objectives for the quarter were to significantly reduce costs, complete our shareholder entitlement issue and refocus the entire organisation on new customer wins and I’m very happy with our progress.

Cash receipts from customers of \$0.183 million were down 62% from Q3 (\$0.478 million), primarily due to short-term delays in professional services contracts, impacted by COVID-19. Cash outflows from operating activities were \$1.399 million, but included \$0.154 million in one-off cost reduction expenses, meaning like-for-like cash outflows of \$1.245 million were down 14% from Q3 (\$1.450 million). Like-for-like Q4 cash outflows were also down 42% from Q2 (\$2.158 million) and 45% from Q1 (\$2.268 million).

The Company also benefitted from the various Federal and State Government stimulus packages offered to businesses impacted by COVID-19. Throughout the quarter the Company qualified for the JobKeeper program, received the Cashflow Boost, and deferred all ATO payments until September 2020.

I’m proud of how the team adapted to our new goals and the progress we made against each of them. I’m pleased that we raised \$1.908 million during the quarter, plus an additional \$1.908 million in July by successfully placing all of the Residual Shortfall Shares to investors and 85% of our employees. We have also moved a number of late stage deals to contract negotiation and are continuing to progress existing conversations.”

Shareholder entitlement issue

On 14 May 2020, Identitii announced the completion of its shareholder Entitlement Issue which raised \$1.908 million.

In accordance with clause 2.18 of the Entitlement Offer prospectus, following the end of the quarter Identitii placed the remaining 27,259,400 shares (**Residual Shares**), raising an additional \$1.908 million. This \$1.908 million included funds from Identitii employees, 85% of who participated in the offer.

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These additional funds have extended Identitii's runway and, combined with an ongoing cost reduction program, have allowed the Company to focus on closing ongoing commercial discussions and delivering its renewed focus on sales activities.

Operational progress

Impact of COVID-19

Identitii is pleased to report that despite a short-term delay to some professional services work, the Company's multiple customer engagements continue to progress well. This includes the engagement with **HSBC Bank Australia**, which was announced in Q2 FY20.

Identitii continues to support its customers through this time and sees increased opportunity for its Overlay+ 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. The current crisis only increases the value Identitii can deliver to these organisations.

Expansion of BD team with former SCB, Deutsche Bank, NAB and Travelex executives

Following the end of the quarter, Identitii announced the appointment of three new financial services industry veterans to accelerate global sales and business development activities. The new hires, Peter Agnew, Nick Barrett and Andrew Creighton, bring over 30 years' experience working in and selling to financial institutions both in Australia and around the world including for Travelex, Standard Chartered Bank, Deutsche Bank, NAB, UBS and Western Union Business Solutions.

Launch of Overlay+ FX

Following the end of the quarter, Identitii launched a new solution to the market aimed at helping global financial institutions streamline and digitise their FX settlement procedures. This solution was market tested with a Tier One Global Bank, who undertook a pilot with Identitii in Q2 FY20.

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:

Launch of a new ISO 20022 industry resource

Identitii launched a new online resource providing detailed information on the global adoption timelines and plans for ISO 20022. It is the only resource to provide up-to-date country and jurisdictional timelines in one place, helping the industry ensure its ISO 20022 migration activities continue to meet timelines and requirements.

Following the launch, The European Central Bank followed SWIFT in delaying its mandated migration to ISO 20022 by 12 months due to COVID-19. This allows financial institutions additional time to ready systems and processes for the change and has resulted in renewed interest in Identitii's Overlay+ ISO 20022 solution.

The website is available at www.iso20022migration.com.

Top Five Technology Challenges Facing AUSTRAC reporting entities

Following the close of the quarter, Identitii launched a new discussion paper looking at the top five technology challenges facing AUSTRAC reporting entities. The paper examines the challenges faced by financial institutions when trying to ensure accurate and timely reporting to the regulator and how they are driving us toward a more streamlined and automated process for reporting. You can download the whitepaper on Identitii's website.

Corporate and financial summary

Board changes

On 22 May, Identitii announced the appointment of Steve James to the role of Chairman. Former Chairman and Co-founder Nick Armstrong took on the role of Non-executive Director. For the benefit of the Company, Mr. James agreed not to increase his Non-executive Director fee for a period of six months.

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CEO, John Rayment

The Company has finalised the terms of engagement for new CEO, John Rayment. John was appointed to the role of Chief Executive Officer and Managing Director on 18 March 2020 following a three-month stint as General Manager. The key terms of his engagement are set out in Schedule 1.

Cash flow and cash balance

Cash receipts from customers of \$0.183 million were down 62% from Q3 (\$0.478 million), primarily due to short-term delays in professional services contracts, impacted by COVID-19. Cash outflows from operating activities were \$1.399 million, but included \$0.154 million in one-off cost reduction expenses, meaning like-for-like cash outflows of \$1.245 million were down 14% from Q3 (\$1.450 million). Like-for-like Q4 cash outflows were also down 42% from Q2 (\$2.158 million) and 45% from Q1 (2.268 million).

The Company also benefitted from the various Federal and State Government stimulus packages offered to businesses impacted by COVID-19. Throughout the quarter the Company qualified for the JobKeeper program, received the Cashflow Boost, and deferred all ATO payments until September 2020.

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

Identitii held \$1.411 million in cash as at 30 June 2020.

Use of funds comparison table

In accordance with ASX listing rule 4.7C.2, please see below the use of funds comparison table showing actual spend to 30 June 2020 (Q4 FY20) as compared to the expected use of funds table provided in its initial listing prospectus lodged on 16 October 2018.

The Company's total use of funds for the quarter ending 30 June 2020 was \$16.8 million. This was made up of \$11.0 million cash raised at IPO and an additional \$5.8 million of cash receipts from customers, government grants, borrowings and issue of shares.

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

	Use of funds estimate	Actual use of funds (a)
	\$ million	\$ million
Further product development and commercialisation	3.99	3.19
Investment in intellectual property protection	0.12	0.06
Investment into research and development	1.07	5.17
Capital expenditure on office fit out and hardware	0.64	0.46
Working capital and corporate operating expenses	4.12	5.81
Costs associated with the IPO	1.06	1.26
Research and development loan facility		0.42
Costs associated with the May 2020 Entitlement Offer		0.46
Total use of funds	11.0	16.8

(a) Total cash receipts not included in actual use of funds 7.0

Of the \$11.0 million 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 was due to increased demand for new products and solutions from current and prospective customers.

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The Company also received a cash refund of \$2.1 million from the government research and development tax incentive over the same period. \$0.4 million received from this refund was used to pay a loan facility secured against the refund.

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

For more information

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About Identitii

Identitii Limited makes processing and reporting on financial transactions seamless, digital and global, without replacing existing technology infrastructure. Financial institutions, regulators and corporates use Identitii's Overlay+ platform to enhance legacy technology and turn manual processes into an ecosystem for financial information that enables them to focus on high value tasks, reduce financial crime, simplify regulatory reporting and improve the settlement of financial transactions. 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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Schedule 1: Summary of the key terms of Mr. John Rayment's CEO employment contract:

Item	Description
Position Title	Chief Executive Officer
Commencement Date	18 March 2020
Base Salary	\$210,000
Short Term Incentive	At the discretion of the Board
Long term Incentive	<p>Subject to Shareholder approval, 8,000,000 unlisted options, exercisable at \$0.15 per shares, expiring 5 years from the Grant Date and vesting on the following conditions:</p> <ol style="list-style-type: none"> 1 500,000 Options will vest annually on 1 July each year (commencing 1 July 2021), subject to continued employment with Identitii 2 2,000,000 Options will vest on the closing price of Identitii's shares on ASX being at or above \$0.46 per share for five (5) consecutive trading days 3 2,000,000 Options will vest on Identitii recording revenue of at least \$5 million in the preceding 12 months 4 2,000,000 Options will vest on Identitii recording revenue of at least \$10 million in the preceding 12-month period
Termination provisions	Three months' written notice
Restraint provisions	12 months restraint

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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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A	Year to date (12 months) \$A	<i>Note</i>
1. Cash flows from operating activities			
1.1 Receipts from customers	182,700	1,093,022	
1.2 Payments for			
(a) research and development	(529,752)	(2,613,121)	1
(b) product manufacturing and operating costs	-	-	
(c) advertising and marketing	(19,934)	(232,359)	
(d) leased assets	-	-	1
(e) staff costs	(513,895)	(2,508,299)	
(f) administration and corporate costs	(333,046)	(1,915,265)	1,2
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	354	15,019	
1.5 Interest and other costs of finance paid	(2,526)	(5,866)	
1.6 Income taxes paid	-	-	
1.7 Government grants and tax incentives	297,276	1,509,266	
1.8 Other (provide details if material)	-	-	
1.9 Net cash from / (used in) operating activities	(918,823)	(4,657,603)	
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities	-	-	
(b) businesses	-	-	
(c) property, plant and equipment	-	(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 (12 months) \$A	Note
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)	5,184	12,830	
2.6	Net cash from / (used in) investing activities	5,184	(66,050)	

3.	Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,758,158	1,758,158	3
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	(261,246)	(464,722)	2
3.5	Proceeds from borrowings	600,000	850,000	3
3.6	Repayment of borrowings	-	-	
3.7	Transaction costs related to loans and borrowings	(5,825)	(30,913)	1
3.8	Dividends paid	-	-	
3.9	Other (provide details if material)	(19,499)	(95,710)	1
3.10	Net cash from / (used in) financing activities	2,071,588	2,016,813	

4.	Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	259,428	4,120,380	
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(918,823)	(4,657,603)	
4.3	Net cash from / (used in) investing activities (item 2.6 above)	5,184	(66,050)	

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Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A	Note
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,071,588	2,016,813	
4.5	Effect of movement in exchange rates on cash held	(6,068)	(2,231)	
4.6	Cash and cash equivalents at end of period	1,411,309	1,411,309	

Note

¹ \$101,299 reclassified in prior periods from 'Cash Flows from Operating Activities' to 'Cash Flows from Financing Activities' in relation to principal and interest lease repayments in accordance with AASB 16 Leases.

² \$203,476 reclassified in prior periods from 'Administration and corporate costs' to 'Transaction costs related to issues of equity or convertible debt securities' on finalisation of the accounting associated with the entitlement issue completed in May 2020.

³ Cash raised from the entitlement issue in May 2020 totalled \$1,908,158. This includes \$1,758,158 cash reflected in 'Proceeds from issues of equity securities' and the conversion of a \$150,000 loan from KTM Ventures Innovation Funds LP to equity which is reflected in 'Proceeds from borrowings'.

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	1,337,464	185,583
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)	1,411,309	259,428

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	154,302
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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	700,000	700,000
7.2	-	-
7.3	-	-
7.4	700,000	700,000

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 a \$100,000 loan from John Rayment, the CEO and MD. This loan is for 12 months, interest free and may convert to equity at \$0.07 per share subject to shareholder approval.

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 Company repaid this debt in full following the end of the current quarter.

8. Estimated cash available for future operating activities	\$A
8.1 Net cash from / (used in) operating activities (Item 1.9)	(918,823)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,411,309
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,411,309
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.54

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:

The Company implemented a restructure of its cost base during the second half of the financial year to extend cash runway. This reduced rate of cash burn as reflected during this quarter is expected to continue for the foreseeable future.

- 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?

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Answer:

Yes. The Company raised \$1.908 million through placement of the Residual Shortfall following the end of the current quarter. The Company is also in the process of engaging with existing and potential new customers in order to grow the current sales pipeline.

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 answers 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: 30 July 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.