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ASX ANNOUNCEMENT
29 October 2020

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

Highlights

- Mastercard Master Services Agreement executed, launching new customer partnership
- Receipts from customers up 48% to $0.271 million, from Q4 FY20
- Cash outflows from operating expenses down 9% from Q4 FY20
- Company strategy refreshed and progressing well
- ISO 27001 certification expands customer opportunities
- Numerous new sales and marketing activities driving increased interest
- Industry accelerator program designed to shorten sales cycles
- Additional $1.908 million raised, further extending runway

Thursday, 29 October 2020 - Identitii Limited (**Identitii, Company**) (ASX:ID8), the award winning RegTech improving financial crime compliance without replacing existing systems, releases its Appendix 4C for the three months to 30 September 2020 and provides an update on its progress during the period.

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

"The end of Q1 FY21 coincided with the end of my first six months as CEO of Identitii, and I'm thrilled we delivered investors a number of key milestones during that period, including a five-year agreement with Mastercard which validates our new strategy and provides the first of many new customer engagements I am conscious the market has been waiting for. I'm also pleased that we announced our first live project in that Mastercard partnership in October.

A key focus for Q1 FY21 was landing our new company strategy, which we built using data and insights from months of brand-new sales calls with direct and partner sales opportunities, government and industry bodies, and other relevant stakeholders. The result is a well-informed plan, that leverages technology we've already built, relationships we already have, and growing pressure from governments and customers all over the world - that is driving significant focus and investment in the space we want to be successful in.

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On our financial performance, last quarter we indicated that we would hold onto the significant reductions in our cost base (from Q1/Q2 FY20), so I'm pleased to confirm that cash outflows from operating activities of $1.279 million were down 9% from previous quarter (Q4 FY20 $1.399 million). Additionally, cash receipts from customers of $0.271 million were up 48% from previous quarter (Q4 FY20 $0.183 million). As with the previous quarter, we again benefitted from the various Federal and State Government stimulus packages offered to businesses impacted by COVID-19.

The other huge step forward we made in Q1 was being awarded ISO 27001 certification. This was a vital and important step in the development of our Overlay+ platform as it reduces the time and resources required to deliver projects, expands our potential customer base and helps us shorten the time it takes to win new customer deals.

To finish I'd like to say thank you to all of our investors for supporting us as we move into a new financial year and look forward to being able to provide more updates in due course."

Placement

On 24 July 2020, Identitii announced it had successfully raised an additional $1.908 million, further extending its runway.

The funds were raised by placing 27,259,400 Residual Shortfall Shares reserved under clause 2.18 of the Entitlement Offer prospectus. 85% of existing Identitii team members participated in the placement, which was offered to current team members. The placement was not available to Directors.

Operational progress

Identitii signs Master Services Agreement with Mastercard

On 24 August 2020, Identitii announced that it signed a five-year Master Services Agreement (MSA) with Mastercard. The MSA provides the opportunity for Identitii to sell software and services to any Mastercard business globally.

The MSA was the first step towards agreeing specific projects between the two companies, which are set out in Statements of Work (SOW). The first SOW was announced following the end of the quarter and is worth $0.784 million to Identitii. Under the SOW, Overlay+ will be used to enable the secure sharing of financial crime compliance information within Mastercard's cross-border payments network.

Further SOW's are expected but have not yet been agreed.

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Identitii Awarded ISO 27001 Certification

Identitii was awarded ISO 27001 information security certification, following a rigorous information security audit and risk assessment run by external auditors. Certification further validates our new RegTech go-to-market strategy and increases customer opportunities for Identitii, by demonstrating the Company has protocols in place to offer 100% cloud-based solutions, reducing time and resources required to deliver projects, and expanding the types of information Overlay+ can process.

ISO 27001 is the International Organisation for Standardisation's set of best practices that govern how companies obtain, use and manage information such as financial information, intellectual property, employee details or information provided by customers. Certification is awarded by external auditors following a rigorous information security audit and risk assessment that demonstrates an ongoing commitment to managing and protecting company and client data.

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:

Top Five Technology Challenges Facing AUSTRAC reporting entities

Identitii published 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 from Identitii's website.

Identitii hosts AUSTRAC Reporting in 2020 roundtable

In September, Identitii hosted Genevieve Noakes, Head of Compliance at Transferwise, and Paddy Oliver, Founder of AML Experts, a law firm that advises financial services businesses about AUSTRAC compliance, at a virtual roundtable discussing AUSTRAC reporting in 2020. The Roundtable, which also featured John Rayment and Ben Buckingham from Identitii, was viewed by AML and compliance professionals from domestic and international financial institutions. The roundtable forms a key part of Identitii's ongoing sales and marketing strategy.

RegTech Asia 2020 – John Rayment, CEO, featured on regulatory reporting panel

RegTech Asia is one of Asia Pacific's leading RegTech events, hosting over 1,000 compliance and regulatory professionals from across the region. John Rayment was featured on a panel with PWC and Vizor, discussing changing reporting requirements amid the pandemic, the challenge of using legacy technology and manual processes

to manage reporting and best practices to implement new technologies and implement change. The session was attended by over 350 delegates.

Identitii Wins Global RegTech Competition

Following the end of the period, Identitii won the Sibos Discover Pitch Perfect Competition, which was designed to help promote innovative FinTech and RegTech companies to more than 22,000 C-suite and business decision maker delegates representing 10,000 institutions from 212 countries.

The Sibos event, run by SWIFT attracted 11,500 delegates in 2019 when it was run in-person in London. This year it attracted over 22,000 to the virtual event. It is a unique opportunity to significantly increase brand awareness, progress sales conversations and drive new business development activities for Identitii.

Accelerating the sales cycle

Using industry programs and accelerators to speed new customer engagements

Identitii has entered a number of industry accelerator programs and competitions to help speed up the sales cycle. These programs are run by financial institutions or industry bodies and are designed to make it easier for technology vendors to engage with banks. Below is a list of programs Identitii entered in Q1 FY21:

- Citi Mega FinTech Accelerator: Identitii has been selected as one of 12 finalists, out of over 3,500 applications, for an accelerator program run by Citi. The winners will work with Citi on a proof of concept to solve a specific pain point in Citi's business. Identitii is currently engaging with sponsors from Citi in preparation for a pitch to the bank in November.
- RegTech Association and NAB Collaboration: NAB asked Australia's RegTech Association to help it organise a competitive pitch which allows RegTech's to demonstrate to the bank how they solve particular regulatory reporting challenges. Identitii was selected as a finalist and is progressing towards a pitch to the bank in October.
- Sibos Discover Pitch Perfect competition: Sibos is the world's largest financial services event, with over 22,000 delegates attending the virtual conference in October. Entering the competition provided Identitii with a global platform for brand awareness and substantially expanded its reach into 212 countries and over 10,000 companies globally. Following the end of the quarter, Identitii won the category of society and humanity for its work to help reverse the correspondent banking decline.

Programs entered after the end of the quarter include:

- Regulation Asia Awards for Excellence: Shortlisted as finalist
- Deloitte Fast 500 APAC: Submitted

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- BNY Mellon Connect20 Challenge: Shortlisted
- HKMA TechChallenge: Shortlisted

Corporate and financial summary

Cash flow and cash balance

Cash receipts from customers of $0.271 million were up 48% from previous quarter (Q4 FY20 $0.183 million), primarily due to the previous quarters short-term delays in professional services contracts impacted by COVID-19. Cash outflows from operating activities of $1.279 million were down 9% from previous quarter (Q4 FY20 $1.399 million).

The Company also benefitted from the various Federal and State Government stimulus packages offered to businesses impacted by COVID-19. This included JobKeeper and the Cashflow Boost program, as well as the deferment of all ATO payments until Q2 FY21.

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

Identitii held $1.726 million in cash as at 30 September 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 September 2020 (Q1 FY21) 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 period from listing and ending 30 September 2020 was $18.9 million. This was made up of $11.0 million cash raised at IPO and an additional $7.9 million of cash receipts from customers, government grants, borrowings and additional cash raised through the issue of shares.

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 and commercialisation	3.99	3.46
Investment in intellectual property protection	0.12	0.06
Investment into research and development	1.07	5.50
Capital expenditure on office fit out and hardware	0.64	0.46
Working capital and corporate operating expenses	4.12	6.51
Costs associated with the IPO	1.06	1.26

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Research and development loan facility	-	1.05
Costs associated with the 2020 Entitlement Offer and Placement	-	0.55
Total use of funds	**11.0**	**18.9**

*(a) **Total cash receipts** not included in actual use of funds* *9.3*

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.

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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Appendix 4C

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

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Name of entity

Identitii Limited

ABN	**Quarter ended ("current quarter")**
83 603 107 044	30 September 2020

Consolidated statement of cash flows		**Current quarter $A**	**Year to date (3 months) $A**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	271,093	271,093
1.2	Payments for		
	(a) research and development	(331,783)	(331,783)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(23,002)	(23,002)
	(d) leased assets	-	-
	(e) staff costs	(384,755)	(384,755)
	(f) administration and corporate costs	(537,211)	(537,211)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	598	598
1.5	Interest and other costs of finance paid	(2,076)	(2,076)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	170,000	170,000
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(837,136)**	**(837,136)**
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	-	-

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Consolidated statement of cash flows		Current quarter $A	Year to date (3 months) $A
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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**
3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,908,194	1,908,194
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	(89,332)	(89,332)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(620,555)	(620,555)
3.7	Transaction costs related to loans and borrowings	(41,677)	(41,677)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**1,156,630**	**1,156,630**
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	**1,411,309**	**1,411,309**
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(837,136)	(837,136)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,156,630	1,156,630

Consolidated statement of cash flows		Current quarter $A	Year to date (3 months) $A
4.5	Effect of movement in exchange rates on cash held	(4,372)	(4,372)
4.6	**Cash and cash equivalents at end of period**	**1,726,431**	**1,726,431**

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	1,652,586	1,337,464
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)**	**1,726,431**	**1,411,309**

6.	Payments to related parties of the entity and their associates	Current quarter $A
6.1	Aggregate amount of payments to related parties and their associates included in item 1	111,208
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	Loan facilities	100,000	100,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	100,000	100,000

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 will convert to equity at $0.07 per share in accordance with shareholder approval.

On 1 April 2020, the Company received a $600,000 loan facility with Radium Capital that was 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 was 1.25% per month. The Company repaid this debt in full during the quarter.

8.	**Estimated cash available for future operating activities**	**$A**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(837,136)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,726,431
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,726,431
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**2.06**

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: n/a

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: n/a

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: n/a

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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: 29th October 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.