

Identitii Quarterly Activity Report and Appendix 4C for the period ending 30 September 2021

Key Highlights

- Good progress on customer pipeline during the quarter:
 - Global payments company Novatti (ASX:NOV) signed three year licence
 - Standard Chartered Australia signed three-year licence for Overlay+
 - Citibank signed Letter of Intent to purchase licence for Overlay+
- New Software-as-a-Service (SaaS) platform launched to boost addressable market
- Planning and investment in strategic initiatives to monetise US patent
- Receipts from customers of \$0.2 million up on previous quarter
- Identitii operating cash outflows (excl. Payble operating cash outflows) of \$2.0 million, same as previous quarter
- After the end of the quarter, Identitii raised \$6.0 million and announced a Shareholder Rights Issue

Thursday, 28 October 2021 - Identitii Limited (**'Identitii', 'the Company'**) (ASX:ID8) is pleased to release its Appendix 4C for the three months to 30 September 2021 and provides an update on its progress during the period.

Commenting on the Company's key achievements in the September 2021 quarter, Identitii CEO, John Rayment said: "Identitii continued to grow its presence in the RegTech market through the September quarter and laid further groundwork for this momentum to build in the coming months. We made good progress with our customer pipeline, welcoming global payments company Novatti Group, who became the first customer to purchase our new SaaS AUSTRAC reporting platform, and Standard Chartered Australia, who executed a global agreement allowing us to work with them anywhere in the world, kicking-off with a licence for Overlay+ in Australia.

We also announced that Citibank had signed a letter of intent to execute a global agreement, also kicking-off with a licence for Overlay+ in Australia. We're expecting to see this materialise very soon, and excited that three of the world's largest banks, in HSBC, Standard Chartered and Citibank, as well as Novatti – trust us with their payment data.

On the technology front, during the quarter we also launched our exciting new SaaS platform to significantly increase our addressable market, and reduce operating costs associated with onboarding new customers. The new light-touch platform specifically targets smaller reporting

Identitii Limited

ABN 83 603 107 044
129 Cathedral St, Woolloomooloo, NSW 2011, Australia
www.identitii.com
info@identitii.com

entities like mutual banks, money service businesses, superannuation funds, casinos and a range of non-bank financial institutions. These groups, which literally number in the thousands in Australia alone, all have AUSTRAC reporting obligations that can now be met via adoption of our cost-effective, transparent and accurate SaaS reporting solution. We are excited by the interest in our new SaaS product, which represents a giant stride in our continued efforts to commercialise Identitii's unique technology.

In the coming quarters we will be transitioning some of our existing cost-base, lowering some technology spending (following the launch of the SaaS platform) and increasing sales and marketing spending to aggressively pursue our LAND, EXPAND, CONNECT growth strategy, which is featured in our new investor presentation. In the near future, I don't expect to see material increases in our overall cost-base, as we accelerate our efforts to grow the business.

We're operating in an environment where our unique platform is a proverbial release valve for the ever-increasing pressure on reporting entities and their ageing legacy systems to get their AUSTRAC obligations right. I look forward to updating investors on continued efforts to commercialise our evolving, diverse go-to-market strategy."

Operational progress

Identitii continues to progress commercialisation of its RegTech offering

Global payments Company Novatti Group (ASX:NOV) signed three year licence agreement

In July 2021 global payments company Novatti Group Limited (Novatti) became the first customer to adopt the recently launched SaaS platform for AUSTRAC reporting, signing a three-year licence agreement.

Commenting on the announcement, Peter Cook, Managing Director, Novatti, said:

"This new partnership with Identitii highlights Novatti's commitment to a strong compliance base. Working with Identitii further strengthens our AUSTRAC compliance reporting and operations, enabling Novatti to efficiently scale our business and provides our innovative fintech partners with further confidence in providing new products and solutions to market."

In line with the Company's new SaaS pricing model, the 3-year Agreement to automate AUSTRAC reporting for Novatti is worth \$0.18 million to Identitii.

Standard Chartered Australia signed three year licence with Identitii

Identitii also signed a Master Technology Agreement (MTA) plus a 3-year licence agreement with Standard Chartered Australia (SCB). Under the terms of the agreement, announced to the market in September 2021, SCB will licence Identitii's new SaaS platform, initially in Australia. The deal will importantly deliver growth upside to Identitii's revenue base, and the MTA also opens the way for Identitii to further expand its partnership with SCB businesses around the globe.

Citibank signs Letter of Intent for AUSTRAC reporting

Identitii now boasts a pipeline of potential contracts for its unique RegTech platform, with the Company currently in negotiations with other reporting entities, including Citibank. During the quarter, Citibank and Identitii signed a Letter of Intent (LOI), outlining its intention to enter into a five year Master Services Agreement with Identitii. The LOI follows Identitii's win in the Citi Mega FinTech Accelerator in late 2020, and the parties intend to commence with a live pilot.

Identitii's addressable market expanded by new SaaS platform

Identitii launched its new Software-as-a-Service (SaaS) platform in the September quarter, providing a massive boost to the Company's addressable market. It means all 15,000 AUSTRAC reporting entities now have a practical way to reduce their risk of non-compliance with suspicious matter, international transfer and large cash transaction reporting (SMR, IFTI and TTR) obligations.

Available immediately, the cloud-based platform delivers end-to-end automation of AUSTRAC reporting. It comes to market as AUSTRAC leadership continues to impress on reporting entities that they need to take their anti-money laundering and counter terrorism financing (AML/CTF) reporting obligations more seriously. The platform future proofs compliance by accepting any payment file format used today as well as offering transformation from SWIFT FIN files to the new global ISO 20022 standard.

Ease of accessibility and keen pricing are other key attractions of this SaaS platform. It is available via Identitii's website and can be live within 24 hours of sign up. Pricing is based on a monthly or annual subscription according to transaction volume and customisation requirements.

The SaaS platform will initially be available for AUSTRAC reporting in Australia, and the Company is already moving to market it in key overseas jurisdictions, with New Zealand and Canada first off the rank.

Intellectual property protection enhanced in the September quarter

Identitii took additional steps to reinforce its intellectual property (IP) protections in the September 2021 quarter. These initiatives build on earlier work which commenced in 2015, when Identitii filed patent applications in several global jurisdictions. The Company continues to pursue these approvals.

This patent specifically covers the inhouse-created method and system that supports the establishment of a secure, global ecosystem for information sharing for cross-border payments regardless of currency or payment rail.

In December 2020, the Company's patent was approved in the United States. This was subsequently granted in April 2021. As part of the Company's continued efforts to protect its IP strategy, it filed additional claims (so-called "continuation claims") in the US in August 2021. Identitii is at the same time now actively pursuing several strategic initiatives to monetise its IP patent, which include:

- Expanding the existing US Patent coverage through additional continuation filings
- Direct commercialisation of the patent with partners
- Indirect commercialisation of the patent through licensing
- The potential for enforcement, including infringement litigation.

Going hand in hand with this quest for enhanced IP protection, Identitii is now in the process of delivering on a stated three-phase growth strategy, which entails:

- Phase One – LAND: The aim of the first phase is to licence as many regulated businesses as possible, which sees these clients use the Identitii platform to ingest their payment data and deliver an outcome. The biggest opportunities for success in Phase One lie with AUSTRAC reporting and payment investigations in correspondent banking.

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- Phase Two – EXPAND: The aim here is to provide more services and grow licence revenue with existing customers. The focus is to help 11,500+ SWIFT member banks migrate 10 billion payment messages per year to the new ISO 20022 global standard before 2025. The platform already contains the required functionality to perform this transformation.
- Phase Three – CONNECT: The aim here is to deploy Identitii's intellectual property and connect banks, payment networks and financial service businesses around the world to the platform, creating a global ecosystem for secure, rich financial information. This would enable faster processing of payments and reduce financial crime.

Corporate and financial summary

Cash flow performance

This 4C reflects the consolidated view of Identitii Limited, meaning cash-on-hand and cash outflows from the Payble subsidiary have been included, because Identitii retains management control and oversight of the Payble business. Future 4C's will include this information until Identitii no longer retains management control.

Cash receipts from customers of \$0.2 million were up \$0.1 million from the previous quarter (Q4 FY21 - \$0.1 million). There were no Payble cash receipts from customers. Total cash outflows from operating activities for the quarter of \$2.3 million contained \$0.3 million from Payble, meaning Identitii outflows for the quarter were \$2.0 million, steady on the previous quarter (Q4 FY21 - \$2.0 million). Payments made to related parties during the quarter were directors' fees.

Cash balance

Identitii and Payble together held \$2.4 million in cash as at 30 September 2021, of which Identitii held \$1.7 million and Payble held \$0.7 million. The Company is expecting receipt of its annual Research and Development (R&D) Tax Incentive in the sum of \$0.9 million this second quarter.

Successful \$6.0 million capital raise and Shareholder Rights Issue

Identitii went into a trading halt before the start of Friday 22 October trading. On October 26, following the end of the period, Identitii announced it received binding commitments to raise a total of \$6.0 million (before costs) via a placement (Placement) to sophisticated and institutional investors.

The Company also announced a rights issue to allow existing shareholders to participate at the same \$0.16 per share price offered to sophisticated and institutional investors (Rights Issue). The latter issue will raise up to an additional \$3.0 million.

The capital raising will help finance current and future growth initiatives, including:

- The provision of working capital for Identitii to execute its LAND, EXPAND and CONNECT strategy, more detail on which is provided in the Company's new Investor Presentation
- A ramp-up of sales and marketing activities, as the Company continues to drive new customer growth, following the announcement of deals with Citibank and Standard Chartered Australia earlier this financial year
- Continued enhancements to Identitii's core platform to provide new features and functionality that increase revenue per customer and help the Company expand into new markets, and
- Efforts to monetise the Company's US patent.

Well-Supported Placement Done at 11% Discount to Last Closing Price

The Placement to sophisticated and institutional investors, priced at \$0.16 a share to raise \$6.0 million (before costs) by the issue of 37,500,000 new, fully paid ordinary shares utilises the Company's existing 15% placement capacity under ASX Listing Rule 7.1 and 10% placement capacity under ASX Listing Rule 7.1A totalling 22,320,893 Shares and 15,179,107 Shares, respectively. It is expected that the shares under the Placement will be issued on 1 November 2021

The offer price of \$0.16 per new share represents an 11.1% discount on the last closing price of \$0.18 on 21 October 2021.

Shareholder Rights Issue

Identitii is pleased to offer all existing shareholders on the Company's share register at 7.00pm on 1 November 2021 (Record Date), with a registered address in Australia or New Zealand, the opportunity to participate in a rights issue at the same price as institutional shareholders being \$0.16 per share. The Company will offer up to 18,957,679 additional ordinary shares to existing shareholders on a 1 for 10 basis. Shareholders will also have the opportunity to apply for any unplaced shares (Shortfall) before the offer is closed. This subsequent issue will raise up to \$3.0 million for the Company.

For more information on the Shareholder Rights issue, including a timetable and to access the prospectus, please visit the Company's website at www.identitii.com/investors.

Identitii's just released Investor Presentation, outlining its growth strategy, is accessible via the following link: [Investor Presentation](#)

Ends

This announcement has been authorised for released to ASX by the Company's CEO, John Rayment.

For more information, please contact:

Identitii

Michael Kotowicz
E: investors@identitii.com
P: +61 416 233 145

The Capital Network

Julia Maguire
E: julia@thecapitalnetwork.com.au
P: +61 8999 3699

About Identitii

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

For more information visit: www.identitii.com

Appendix 4C

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

Name of entity

Identitii Limited

ABN

83 603 107 044

Quarter ended ("current quarter")

30 September 2021

| 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 | 196,035 | 196,035 |
| 1.2 | Payments for | | |
| | (a) research and development | (655,347) | (655,347) |
| | (b) product manufacturing and operating costs | - | - |
| | (c) advertising and marketing | (33,420) | (33,420) |
| | (d) leased assets | - | - |
| | (e) staff costs | (980,811) | (980,811) |
| | (f) administration and corporate costs | (618,293) | (618,293) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest received | - | - |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | - | - |
| 1.8 | Other (provide details if material) | - | - |
| 1.9 | Net cash from / (used in) operating activities | (2,091,836) | (2,091,836) |
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | (9,896) | (9,896) |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |

| 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 | 1,419 | 1,419 |
| | (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 | (8,477) | (8,477) |
| 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 | - | - |
| 3.6 | Repayment of borrowings | (13,039) | (13,039) |
| 3.7 | Transaction costs related to loans and borrowings | (67) | (67) |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | (13,106) | (13,106) |
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 4,489,311 | 4,489,311 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (2,091,836) | (2,091,836) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (8,477) | (8,477) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (13,106) | (13,106) |
| 4.5 | Effect of movement in exchange rates on cash held | 33,707 | 33,707 |
| 4.6 | Cash and cash equivalents at end of period | 2,409,599 | 2,409,599 |

| 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 | 2,335,754 | 4,415,466 |
| 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) | 2,409,599 | 4,489,311 |

| 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 | 151,500 |
| 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

| 7. Financing facilities <i>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.</i> | Total facility amount at quarter end \$A | Amount drawn at quarter end \$A |
|---|---|---------------------------------------|
| 7.1 Loan facilities | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | - | - |

| | |
|---|---|
| 7.5 Unused financing facilities available at quarter end | - |
|---|---|

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

On 17 March 2020, the Company received a \$100,000 loan from John Rayment, the CEO and MD. This loan was interest free and was to convert to equity at \$0.07 per share as approved by shareholders. By the end of the current quarter, a total of 1,428,571 shares had been issued to John Rayment at \$0.07 per share in full and final settlement of this loan.

| 8. | Estimated cash available for future operating activities | \$A |
|-----------|---|-------------|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (2,091,836) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 2,409,599 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 2,409,599 |
| 8.5 | Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 1.15 |

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 expects that it will continue to have the current level of net operating cash flows, however it will be transitioning some of its cost base by lowering spend on technology and increasing spend on sales and marketing to actively pursue its growth strategy.

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

Answer:

Yes the Company has taken the following steps to raise further cash as follows:

- On 26 October the Company announced it had received binding commitments to raise a total of \$6.0 million (before costs) via a placement to sophisticated and institutional investors;
- The Company also announced a rights issue to existing shareholders which is expected to raise up to an additional \$3.0 million (before costs); and
- The Company continues to engage with existing and potential new customers to further extend its 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 the Company expects to be able to continue its operations and to meet its business objectives on the basis of (1) and (2) 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: 28 October 2021

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.