

Identitii Quarterly Activity Report and Appendix 4C for the period ending 31 December 2019

Highlights

- Cash receipts from customers of \$0.256 million, reflecting 44% quarter-on-quarter growth from the previous period (Q1 FY20 \$0.177 million)
- Multiple new commercial opportunities advancing, including:
 - Completion of the pilot with UK-based multinational bank Standard Chartered, and commercial discussions are underway
 - Strong interest from multiple global banks to participate in ISO 20022 CorDapp trial
 - Project with HSBC Australia progressing well and expected to finish by the end of the financial year, as planned
 - Strong interest in Overlay+ Reporting following AUSTRAC's legal action against an Australian bank for alleged regulatory reporting breaches
 - Testing of ACCC's Consumer Data Right ecosystem is progressing well and the application to become one of the first companies to access it post the July 2020 launch is underway

[Identitii Limited \(Identitii, Company\)](#) (ASX:ID8), the FinTech reducing last mile payment hold ups for banks and corporates, releases its Appendix 4C for the three months to 31 December 2019 and provides an update on its progress during the period.

Commenting on the quarter, Identitii CEO, Nick Armstrong said:

“Many opportunities crystallised for Identitii during the December quarter. We completed a pilot with British multinational bank, Standard Chartered. We are also receiving strong interest from multiple global banks to participate in our ISO 20022 CorDapp trial this year, which gives Identitii exposure to R3's global ecosystem of more than 300 banks.

“The recent legal action taken by regulator AUSTRAC against an Australian bank, which alleges ‘systemic non-compliance’ with the Anti-Money Laundering and Counter-Terrorism Financing Act, prompted an influx of inbound interest in our Overlay+ Reporting solution. Similarly, we have been excited to test the ACCC's Consumer Data Right ecosystem in preparation for its July 2020 launch, a role that gives us an advantage over other providers as we can apply for accreditation as we test the ecosystem.

“All this strong interest validates our Overlay+ offering and we expect it to lead to new customers and revenue generation in the near term. In the meantime, the Company has implemented cash management programs and is exploring a range of capital management options, including advanced discussions with strategic investors.”

Operational Progress

Completion of Pilot with Standard Chartered Bank via Symphony Partnership

During the period, Identitii successfully completed an eight-week pilot with Standard Chartered Bank. Marking the Company's first deployment under its new collaboration with Symphony Communication Services LLC, Identitii integrated its Overlay+ platform with Symphony's global markets collaboration tool. This has enabled Standard Chartered's corporate customers to share information securely via their Symphony instance.

Identitii Limited

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

The combined solution creates a single, trusted path for information to flow between corporate clients and the bank for onboarding and throughout the customer lifecycle. The pilot will generate non-material revenues for Identitii, and commercial discussions are underway.

Identitii's new partnership with Symphony was signed in November 2019 to facilitate the integration of its Overlay+ platform with Symphony's leading global financial markets collaboration platform tool. The partnership expands Identitii's global reach, providing access to Symphony's 400+ clients and 450,000 users.

HSBC Australia project progressing well

Following the announcement in Q2 FY20 that Identitii had signed a new licence agreement with HSBC Bank Australia, the Company is pleased to confirm that work on the project is progressing well and implementation is on track to be completed by the end of FY20-

Strong Interest in ISO 20022 CorDapp Trial

In conjunction with global enterprise blockchain software firm R3, Identitii will run a global, multi-bank trial of its Overlay+ ISO solution, allowing R3 member banks to explore the benefits of Identitii's solution to quickly and cost effectively comply with the new global financial messaging standard, ISO 20022.

Identitii has already received strong interest from banks to participate in the CorDapp trial.

ACCC Open Banking Testing

Identitii is continuing its testing of the Australian Competition and Consumer Commission's (ACCC) Consumer Data Right ecosystem, which is progressing well. The ecosystem is now due to go live from July 2020. Identitii was one of ten companies that the ACCC selected to test the ecosystem in September 2019. This also enables Identitii to be one of the first companies in Australia to apply for accreditation.

Identitii selected for AUSTRAC RegTech Colab TechSprint

Identitii has been selected to participate in AUSTRAC's third RegTech Colab TechSprint, which focuses on the Transaction Monitoring Program and Transaction Reporting solutions. The TechSprint is designed for RegTech companies that are developing solutions for the anti-money laundering and counter-terrorist financing regulated population and is due to take place in February 2020.

Identitii in the industry

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

The SWIFT Operations Forum, Amsterdam

Identitii was invited to co-present a workshop with SWIFT at the SWIFT Operations Forum in Amsterdam. The Operations Forum is a prestigious event attended by the operations teams of leading banks across the world. Presenting the workshop was an opportunity to establish Identitii as a key provider of solutions to the ISO 20022 migration challenge faced by banks, and to solidify the Company as a partner of choice for SWIFT members.

HSBC Innovation Summit, Sydney

Identitii was invited to exhibit at HSBC Australia's inaugural Innovation Summit in Sydney. The event enabled Identitii to further discuss the two contracts it has live with HSBC and to promote the work being done around Open Banking and regulatory reporting to HSBC's global leadership, as well as financial institutions and corporate customers of the bank. Identitii Chairman Mike Aston also presented at the Summit, speaking about innovations in corporate treasury in Australia.

EBA Winter School, La Hulpe, Belgium

Identitii's ISO Programme Manager Kjeld Herreman and SWIFT's Head of Standards, Stephen Lindsay, hosted a workshop on 'Using data to unlock customer value: ISO 20022 in practice' at the prestigious EBA Winter School 2019.

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Deloitte Financial Crime Symposium, Singapore

Identitii was invited to participate in a fireside chat with Deloitte's Financial Crime Compliance team at their Global Financial Crime Symposium in Singapore.

RegTech Edge Showcase, Sydney

Identitii presented to regulators, heads of compliance and other RegTech companies at RegTech Australia's showcase of innovative technology companies improving governance, risk and compliance in Australia.

Identitii sponsored FinTech Australia's annual Intersekt conference held in Melbourne.

Identitii ranked second in the 2019 Bob's Guide Software Rankings

Identitii was recently named one of the top Data Management Software providers in the annual, and hotly contested, Bob's Guide Software Rankings for 2019. These awards are judged by industry votes, making them one of the most independent awards in the industry. Identitii ranked second and is the first company that uses blockchain to be named in this category.

Corporate & Financial Summary

Board Appointment of Financial Regulation Expert

In December 2019, Identitii appointed financial regulation expert, Nathan Lynch as a non-executive director. Mr Lynch brings more than 15 years' experience in financial regulation and financial crime intelligence across the Asia-Pacific region to the role, including a deep understanding of and connections within the anti-money laundering, sanctions compliance, regulatory reporting, anti-bribery, banking regulation and market conduct space.

Cash Flow

Cash receipts from customers reached \$0.256 million during the quarter. This compared to \$0.177 million in the prior quarter (Q1 FY20), representing quarter-on-quarter growth of 44%. The growth in cash receipts is due to the continuation of recurring licence fees from HSBC.

Cash outflows from operating activities decreased to \$2.269 million (Q1 FY20 \$2.315 million). The decrease was due to a reduction in operating costs.

Cash Management Program & Cash Balance

Identitii has implemented a program to prioritise the allocation of resources to near-term revenue generating activities, such as with Standard Chartered, and several other late-stage deals. This has resulted in a reduction of its operating expenses for Q3 2020 to \$0.63 million per month, a 20% reduction in costs compared to the previous quarter.

Identitii remains debt free and held \$1.108 million in cash as at 31 December 2019. In addition, the Company has plans to negotiate an R&D tax incentive refund finance facility giving access to capital in the range of \$0.3million to \$0.5 million.

The Board is considering a range of capital management options, including advanced discussions with strategic investors.

For more information, please contact:

Clare Rhodes
Chief Marketing Officer
E: clare@identitii.com
P: +61 466 281 000

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

About Identitii

Identitii Limited (ASX:ID8) is using blockchain and tokenisation to connect banks and businesses with the data they need to process, reconcile and report on payments, reducing last mile hold ups. 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 report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Identitii Limited

ABN

83 603 107 044

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter A\$	Year to date (6 months) A\$
1. Cash flows from operating activities		
1.1 Receipts from customers	255,591	432,455
1.2 Payments for		
(a) research and development	(804,518)	(1,526,984)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(49,777)	(190,912)
(d) leased assets	(27,438)	(43,440)
(e) staff costs	(710,201)	(1,461,143)
(f) administration and corporate costs	(676,404)	(1,358,809)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2,511	14,386
1.5 Interest and other costs of finance paid	(232)	(2,197)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,205,915
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,010,468)	(2,930,729)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(8,792)	(16,027)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter A\$	Year to date (6 months) A\$
(d) intellectual property	-	(62,112)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	1,840
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	(8,792)	(76,299)

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

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,132,611	4,120,380
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,010,468)	(2,930,729)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(8,792)	(76,299)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter A\$	Year to date (6 months) A\$
4.5	Effect of movement in exchange rates on cash held	(5,444)	(5,445)
4.6	Cash and cash equivalents at end of quarter	1,107,907	1,107,907

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	1,034,062	3,058,766
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)	1,107,907	3,132,611

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter A\$
94,014
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter A\$
-
-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end A\$	Amount drawn at quarter end A\$
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	A\$
9.1 Research and development	(649,691)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(68,172)
9.4 Leased assets	(33,963)
9.5 Staff costs	(757,905)
9.6 Administration and corporate costs	(389,845)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,899,576)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here:


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Chief Executive Officer

Date: 31 January 2020

Print name: Nicholas Armstrong

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.