

# Identitii Quarterly Activity Report and Appendix 4C for the period ending 31 March 2022

## Key Highlights

- Receipts from customers of \$0.7 million, up on previous quarter
- Total operating cash outflows of \$2.0 million, steady over the last four quarters
- Advisory appointments strengthen the Board
- Product development continues to hit key milestones
- Senate Inquiry recommends implementation of Tranche 2, expanding Total Addressable Market

**Thursday, 28 April 2022** - Identitii Limited ('Identitii', 'the Company') (ASX:ID8) is pleased to release its Appendix 4C for the three months ending 31 March 2022 and provides an update on its progress during the period.

**Commenting on the Company's key achievements in the March 2022 quarter, Identitii CEO, John Rayment said:** "We are feeling very positive about the progress we have made during the March quarter, with developments to our platform that allow the Company to access more business opportunities and increase revenue growth potential. With more payments industry expertise now in our Product and Commercial teams, we commenced work on new features to broaden our platform's appeal, creating opportunities to increase some existing licence fees and target thousands of additional prospective new customers, both in Australia and in several other global markets.

Pending changes to Australian anti-money laundering and counter-terrorism financing laws (AML/CTF) could add more than 100,000 potential customers to Identitii's Total Addressable Market. The proposed law changes, informally referred to as Tranche 2, will widen the existing AML/CTF framework to include lawyers, accountants and real estate agents, mandating them to comply with regulatory requirements, including the submission of complete and accurate transaction reports to AUSTRAC.

This new framework provides an incredible opportunity for Identitii to deploy our platform and help the industry meet Tranche 2 obligations quickly and effectively, without incurring significant additional cost and complexity. Given our platform is already performing this service for HSBC and Novatti, with more global brands to be announced soon, we are extremely well placed to capitalise on this exciting new and additional opportunity, as soon as the law changes come into effect.

From a cashflow perspective, during the quarter the Company received payment of our expected annual Mastercard licence fee of US\$0.3 million (A\$0.4 million) which, along with other licence fees

and professional services, totalled cash receipts of \$0.7 million. Operating costs remain relatively consistent quarter-on-quarter as budgeted, having remained close to \$2.1 million for the last four successive quarters, a sign of our continued focus on growing margins over time through improved scale and operating efficiencies.

Looking ahead, taking into account known future income (both receipts from customers and expected government grants) and with no significant increases to current operating costs planned, Identitii is in a strong net cash position for the coming 2023 financial year. Additionally, without any significant additional costs planned, the Company is expecting to see a decline in cash burn with new customer and revenue growth anticipated across the remainder of calendar year 2022.”

### **Market update**

#### **Australian Senate report recommends implementation of Tranche 2**

During the quarter, the Australian Senate report into Australia’s Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) regime was presented to Parliament. The yearlong enquiry investigated Australia’s AML/CTF regulatory environment, including AUSTRAC, and provided a number of recommendations aimed at strengthening the country’s protections against financial crime. Key among these was the recommendation to implement Tranche 2, a piece of legislation that expands the number of entities required to report to AUSTRAC by over 100,000.

Real estate agents, lawyers and accountants are among the industries that will have to uplift their AML/CTF systems and processes and begin reporting to AUSTRAC. This presents a significant increase in Identitii’s Total Addressable Market as these organisations will need to comply quickly once the revised regulations are rolled out. The Identitii platform, now completely cloud based, will provide these organisations with a way to quickly ensure AUSTRAC compliance.

No timeline has been given for when these organisations will need to be compliant, but impacted industries are being urged to act quickly to ensure they are ready for the change.

#### **AUSTRAC’s ISO 20022 systems upgrade**

AUSTRAC has not yet finalised the changes to its systems to allow for the new ISO 20022 payment messaging format, which means many banks are waiting to finalise their own internal changes to how they report. This is both an opportunity and a challenge for Identitii, as it has experienced delays in some sales conversations as potential customers wait to finalise their own internal changes before engaging a third-party provider. It has also resulted in an increase in new conversations as banks and payment providers are increasingly interested in Identitii’s ability to transform old SWIFT file formats into the new ISO 20022 format, taking away some of the burden the migration is having on local entities.

Identitii’s SaaS platform was built with ISO 20022 in mind, meaning the Company is well positioned to work with AUSTRAC’s new requirements. This can save reporting entities, that use Identitii’s platform, significant time and money preparing for the change, while ensuring complete and accurate reporting from day one.

AUSTRAC has announced that it will provide a final schema in the next few months and will still require reporting entities to be compliant by November 2022.

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## Increasing scrutiny on cryptocurrencies as a source of financial crime

As cryptocurrencies continue to flow into the financial mainstream for use in commerce and investment, they are also growing as tools that facilitate crime.

Chainalysis, a blockchain research firm, reported<sup>1</sup> a 79 percent increase in the value of criminal activity linked to cryptocurrencies last year, to a record US\$14 billion. This fact is making them objects of regulatory scrutiny.

During the quarter, a number of governments, including the United States and Europe, announced they have made, or are considering, regulations that require banks and other organisations that handle cryptocurrency transfers to update their know-your-customer (KYC) and know-your-transaction (KYT) compliance and reporting procedures.

Bringing cryptocurrency exchanges under the same AML/CTF regulatory requirements as fiat currency will mean costs and inconvenience for the exchanges and their customers as they try to improve systems and processes to enable AUSTRAC reporting. Identitii's platform can support reporting of cryptocurrency transactions, as well as regular fiat currency transactions.

1. <https://blog.chainalysis.com/reports/2022-crypto-crime-report-preview-criminal-balances-criminal-whales/>

## Technology update

### Progress against product development roadmap

Identitii continues to meet key milestones in development of its platform, including the development of new features and functionality for AUSTRAC reporting entities, as well as looking at other jurisdictions with similar reporting requirements, where the technology would be able to be deployed. Identitii is taking a customer-led approach to development, which allows it to rapidly test and deploy new features, a number of which are expected to go-live in the next two quarters.

## People update

### Advisory appointments strengthen Board

On 4 February 2022, Identitii announced that it has appointed Ms Marilyn Speiser and Mr Richard Thomas, to strengthen its Board and Board sub-committees. The appointments bring decades of financial services experience and relevant industry connections to Identitii and will help the Board and CEO maximise returns on capital, strategy and people to deliver growth for the Company.

Ms Speiser joined Identitii as Advisor to the Board and Member of the Nomination and Remuneration Committee where she will advise the Company on business strategy and planning, and developing the growing team of industry experts working in the business.

Mr Thomas joined Identitii as Advisor to the Board and Member of the Audit and Risk Committee where he will help with planning and allocation of shareholder capital.

As a Member of the Nomination and Remuneration Committee, and Audit and Risk Committee respectively, and Advisor to the Board of Directors, Ms Speiser and Mr Thomas will each receive annual fees of \$10,000.

## CFO and hiring update

Identitii has continued the process to recruit a new CFO to help lead the business through the next phase of growth. The Company expects to make further announcements in relation to this process in the coming quarter.

Identitii Limited

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Identitii also continues to recruit an in-house Financial Controller, to replace the Financial Controller services currently provided to the Company by Gram Accounting. Gram have been providing Identitii with high quality virtual CFO services since prior to the IPO in late 2018, ensuring continuous disclosure, external reporting obligations and best-practice financial disciplines are met as a publicly listed company.

### **In the industry**

Chief Commercial Officer, Joe Higginson, examines the industry's progress towards ISO 20022 migration goals and highlights some of the challenges organisations face with adopting the new standard. Read more in Payments Journal at: <https://www.paymentsjournal.com/buckle-up-now-iso-20022-is-set-to-be-a-bumpy-ride/>

Nick Ogden, Founder and Executive Director at RTGS.global and Founder of Clearbank, as well as Dominic Hobson Co-Founder at Future of Finance, Chris Hamilton, Principal at Hamilton Platform and Identitii's Joe Higginson, Chief Commercial Officer, participated in a panel session discussing the future of the money, payments and financial crime compliance. The panel session can be viewed online here: <https://futureoffinance.biz/2022/01/02/what-we-need-is-a-monetary-revolution-not-a-payments-revolution/>

Following the end of the period, Identitii participated in the Australian RegTech Associations global RegTech conference, ACCELERATERegTech 2022. The event brought together regulators, financial institutions, and technology companies from across 40 countries, to discuss the future of RegTech, an industry projected to grow by US\$7.6 billion over the next four years, to reach US\$19.5 billion. To read about the key takeaways from the event, read Identitii's blog on the Company website here: <https://identitii.com/accelerate-regtech-2022/>

To read more about Identitii in the industry and to view recent media coverage, please visit Identitii's website or follow the Company's social channels.

### **Corporate and financial summary**

#### **Cash flow performance**

Cash receipts from customers for the quarter of \$0.7 million were up \$0.3 million from the previous quarter (Q2 FY22 - \$0.4 million).

Total cash outflows from operating activities of \$2.0 million, were down marginally on the previous quarter (Q2 FY22 - \$2.2 million).

In Section 6 of the Appendix 4C, payments made to related parties during the quarter, included in Item 1, are directors' fees. Payments received from related parties, included in Item 2, is the monthly Assignment Fee from Payble Pty Ltd.

#### **Cash balance**

Identitii held \$6.6 million in cash as of 31 March 2022.

#### **Ends**

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

### **For more information, please contact:**

#### **Identitii**

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### 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](http://www.identitii.com)

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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")**

31 March 2022

Consolidated statement of cash flows	Current quarter	Year to date (9 months)
	\$A	\$A
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	702,080	1,282,317
1.2 Payments for		
(a) research and development	(649,242)	(1,928,848)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(65,610)	(187,598)
(d) leased assets	-	-
(e) staff costs	(689,334)	(2,542,064)
(f) administration and corporate costs	(643,310)	(1,888,958)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	498
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	902,056
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,345,416)</b>	<b>(4,362,597)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(15,746)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
		\$A	\$A
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	250	2,309
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	30,000	40,000
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(27,170)	(574,423)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>3,080</b>	<b>(547,860)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,403,986
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	(34,374)	(327,813)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(13,039)
3.7	Transaction costs related to loans and borrowings	-	(67)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(34,374)</b>	<b>7,063,067</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	8,045,803	4,489,311
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,345,416)	(4,362,597)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	3,080	(547,860)

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
		\$A	\$A
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(34,374)	7,063,067
4.5	Effect of movement in exchange rates on cash held	(46,081)	(18,909)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>6,623,012</b>	<b>6,623,012</b>

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	6,549,167	7,971,958
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	73,845	73,845
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,623,012</b>	<b>8,045,803</b>

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	112,750
6.2	Aggregate amount of payments to/(receipts from) related parties and their associates included in item 2	(30,000)

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

8. <b>Estimated cash available for future operating activities</b>	<b>\$A</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,345,416)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,623,012
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,623,012
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	4.92
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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:	
8.6.2 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:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## 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: 28th April 2022

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.