

30 January 2019
ASX Announcement

December 2018 Quarterly Report

Highlights

- Beta program activities commenced with the Commonwealth Attorney General's Department (AGD), the Company's first Beta customer for Kojensi Gov
- Strategic partnership and reseller agreement signed with global leader in attribute-based access control
- Revenue trend consistent with the company's transition from a consulting services business to a software platform company and shift towards product and SaaS sales
- Product revenues expected to gain traction, following commercial launch of Kojensi Gov in April 2019
- Cash burn expected to materially decrease post-launch of Kojensi Gov

archTIS Limited (ASX: AR9, archTIS or the Company), the trusted information sharing and security company, is pleased to provide an operational update for the quarter ended 31 December 2018.

Operational Overview

Kojensi Gov Beta testing commences with Commonwealth Attorney General's Department

Beta activities for the Company's cloud-based version of Kojensi Gov commenced with the Commonwealth Attorney General's Department (AGD) in December 2018. The Beta Program will gather feedback on the usability of the interface and the utility of Kojensi Gov's features for the secure sharing of classified information.

Throughout December 2018, archTIS conducted Kojensi Gov user demonstration sessions to help familiarise AGD staff with the application and its features. In addition, archTIS' engineers worked closely with AGD technicians and the Company's secure cloud service provider Vault Systems, to ensure all the technical connections are in place for the testing period.

Formal user testing by AGD is scheduled to start in February 2019, ahead of the commercial launch of Kojensi Gov, which remains on track for April 2019.

Strategic partnership and reseller agreement secured with global leader in attribute-based access control

In November, the Company entered into a strategic partnership and reseller agreement with the global leader in attribute-based access control (ABAC), Axiomatics Inc. Providing dynamic authorisation solutions for applications, databases, big data, microservices and APIs, Axiomatics' products are developed to industry standard and are utilised by Global Fortune 2000 companies and government agencies worldwide.

Under the agreement, archTIS will expand its product offering to include Axiomatics' dynamic authorisation technology delivered through advanced ABAC solutions, both as a standalone product, and integrated into the Company's Kojensi information sharing and collaboration technology.

Axiomatics' product suite is highly complementary to archTIS' technology, extending the Company's secure information sharing technology solution to include the protection of additional data sets and applications, including databases and big data.

The strategic partnership will allow both parties to leverage their joint experience across an extensive global client base and fast tracks archTIS' expansion into the financial services sector through leverage of Axiomatic's established foothold in the industry. Importantly, the combined offering provides a powerful technology solution that extends archTIS' existing capabilities to include database and application layer solutions.

Financial Overview

Net operating cash outflows for the quarter were \$1.88m. Cash receipts from customers were \$169k for the December quarter, down from \$762k in the prior quarter, with the trend in revenue consistent with a wind back of the Company's consulting business. Net cash outflows from 1 January 2019 until the launch of Kojensi Gov is expected to be consistent at \$600k per month until development is complete. Post the product's launch in April 2019, cash outflows are expected to decrease materially.

During the quarter, archTIS paid down \$0.3 million of debt, leaving the Company debt free.

As at 31 December 2018, the Company had \$5.4 million of cash at bank. Based on current planned expenditure, the Company has adequate funding to commence commercialising the Kojensi platform.

Outlook

The Company continues to focus on building its partnership and distribution ecosystem to support the launch and commercialisation of Kojensi Gov, and subsequent products, to maximise each product's revenue potential. The Company expects product-based revenue will gain traction after it commercially launches Kojensi Gov, which remains on track for April 2019.

ENDS

Investors:

Daniel Lai
Managing Director
E: investors@archTIS.com

Media:

Daniel Paperny
Media and Capital Partners
E: daniel.paperny@mcpartners.com.au
T: +61 433 339 454

About archTIS Limited

archTIS Limited (ASX:AR9) is an award winning, Canberra-based cyber security company established in 2006. It has an established Services business providing consulting and system integration services for government

clients and a Solutions business which has leveraged the Company's cyber security expertise to develop the Kojensi suite of technology products. Kojensi is unique because it treats security and information sharing as one issue, allowing teams to collaborate and share information securely, while avoiding sensitive data exposure or unauthorised access.

For more information, please visit www.archtis.com.

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

archTIS Limited

ABN

79 123 098 671

Quarter ended ("current quarter")

31 December 2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 169 | 931 |
| 1.2 Payments for | | |
| (a) research and development | (1,244) | (2,199) |
| (b) product manufacturing and operating costs | - | (210) |
| (c) advertising and marketing | (32) | (69) |
| (d) leased assets | - | - |
| (e) staff costs | (632) | (1,281) |
| (f) administration and corporate costs | (149) | (531) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 12 | 16 |
| 1.5 Interest and other costs of finance paid | - | (5) |
| 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 | (1,876) | (3,348) |

3

| | | |
|--|-----|------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (6) | (10) |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | (10) | (10) |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (provide details if material) | - | - |
| 2.6 Net cash from / (used in) investing activities | (16) | (20) |

| | | |
|---|--------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | 8,000 |
| 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 | (27) | (615) |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | (300) | (300) |
| 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 | (327) | 7,085 |

| | | |
|---|---------|---------|
| 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 | 7,632 | 1,696 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (1,876) | (3,348) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (16) | (20) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | (327) | 7,085 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of quarter | 5,413 | 5,413 |

| 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'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 5,413 | 7,632 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 5,413 | 7,632 |

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

| Current quarter \$A'000 |
|------------------------------------|
| 170 |
| - |

| |
|--|
| |
|--|

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

| Current quarter \$A'000 |
|------------------------------------|
| - |
| (10) |

| |
|---|
| <p>The amount at 7.2 comprises funds advanced to establish archTIS EU, s.r.o. a company incorporated in the Czech Republic.</p> |
|---|

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | 50 | 13 |
| 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. | | |

8.3: Unsecured corporate credit card facility of \$50,000 (Annual interest rate – 20.24%) with Westpac Banking Corporation.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|--------------|
| 9.1 Research and development | 986 |
| 9.2 Product manufacturing and operating costs | - |
| 9.3 Advertising and marketing | 30 |
| 9.4 Leased assets | - |
| 9.5 Staff costs | 499 |
| 9.6 Administration and corporate costs | 290 |
| 9.7 Other (provide details if material) | - |
| 9.8 Total estimated cash outflows | 1,805 |

| 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:
Company Secretary

Date: 30 January 2019

Print name: Baden M Bowen

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.