30 April 2019

ASX Announcement

March 2019 Quarterly Report

- Kojensi Gov commercially launched post-quarter end, positioning the Company for accelerated commercialisation in the government and non-government sectors
- International Registered Assessors Program assessment completed at the PROTECTED level, validating Kojensi Gov's ability to protect classified data in accordance with strict government requirements
- Beta Program with the Attorney General's Department extended to the Aged Care Royal Commission, doubling program participants with the addition of this high-profile group of users
- archTIS poised to convert existing pipeline of opportunities in the coming months, with first SaaS product-based revenues expected in 2H 2019
- Research and development expenditure projected to materially decrease in the next quarter

archTIS Limited (**ASX: AR9**, **archTIS** or the **Company**), the cyber security company specialising in protecting sensitive information, is pleased to provide an operational update for the quarter ended 31 March 2019.

Operational Overview

Kojensi Gov commercially launches, following IRAP completion and Beta Program extension

During the quarter, Beta Program activities underway with the Attorney General's Department (AGD) were extended to the Aged Care Royal Commission, doubling the total number of participants in the Program to another high-profile group of users and providing further validation of the value placed on Kojensi Gov by the AGD.

Kojensi Gov was launched for commercial sale in April, shortly after quarter-end, following the successful completion of the product's International Registered Assessors Program (IRAP) assessment at the PROTECTED level. Completion of IRAP provides further strong validation of Kojensi Gov's ability to protect classified government information in accordance with the security controls required by government and the Australian Signals Directorate.

With Kojensi Gov now commercially launched, the Company is poised to convert a strong pipeline of opportunities into commercial contracts over the coming months and expects SaaS product-based revenue generation to commence in 2H 2019, signalling the Company's transition from a consulting to product-based business.

Financial Overview

Net operating cash outflows for the quarter were $887k, down from $1.88m in the prior quarter, with the Company receiving a $1.1m government research and development rebate during the period.

With the commercial launch of Kojensi Gov now complete, research and development costs are expected to materially decrease in subsequent quarters.

As at 31 March 2019, the Company had $4.5 million of cash at bank and will focus on the execution of the Company's commercialisation of Kojensi Gov and convert its strong pipeline of opportunities.

Outlook

With Kojensi Gov now available for commercial sale, the Company is targeting its strong pipeline of opportunities across the government and non-government sectors to convert to SaaS product-based revenues which are expected to commence in 2H 2019.The Company will continue to leverage its existing strategic partner and reseller network to accelerate the commercialisation of its technology and to grow its pipeline of opportunities across the defence and the broader defence industry, legal and critical infrastructure sectors.

ENDS

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About archTIS Limited

archTIS Limited (ASX:AR9) is an award winning, Canberra-based cyber security company established in 2006 focused on protecting sensitive information. Leveraging its strong pedigree with government and defence, the company has developed an industry-leading information security platform (Kojensi) providing a robust platform for the sharing and collaborating of sensitive information.

+Rule 4.7B

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	**Quarter ended ("current quarter")**
79 123 098 671	31 March 2019

Consolidated statement of cash flows			**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		12	943
1.2	Payments for			
	(a)	research and development	(1,179)	(3,378)
	(b)	product manufacturing and operating costs	(211)	(421)
	(c)	advertising and marketing	(7)	(76)
	(d)	leased assets	-	-
	(e)	staff costs	(499)	(1,780)
	(f)	administration and corporate costs	(100)	(631)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		10	26
1.5	Interest and other costs of finance paid		-	(5)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		1,087	1,087
1.8	Other (provide details if material)		-	-
1.9	**Net cash from / (used in) operating activities**		**(887)**	**(4,235)**

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2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	property, plant and equipment	(15)	(25)
	(b)	businesses (see item 10)	-	-
	(c)	investments	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 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)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(15)**	**(35)**

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	-	(615)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(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**	**-**	**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	5,413	1,696
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(887)	(4,235)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15)	(35)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	7,085

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**4,511**	**4,511**

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	854	5,413
5.2	Call deposits	3,657	-
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)**	**4,511**	**5,413**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	159
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

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
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

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**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	26

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	600
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	50
9.4	Leased assets	-
9.5	Staff costs	350
9.6	Administration and corporate costs	200
9.7	Other (provide details if material)	-
9.8	**Total estimated cash outflows**	**1,200**

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 April 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.