31 July 2019

ASX Announcement

June 2019 Quarterly Report

- Kojensi version 1.1 launched, reflecting strong and valuable feedback from five proof of concept partners and providing further validation of its commerciality and useability
- Over 120 demonstrations of Kojensi to date, leveraging the strength of the Company's longstanding government and industry relationships
- Discussions significantly progressed with over ten government organisations in the legal and security sectors with conversion of expected in line with the business plan through the current financial year 2019/2020
- Commercial reseller agreement with TEAM Asparona provides strong New Zealand sales channel in government and non-government sectors
- archTIS remains on track to deliver its first sales of Kojensi in 2H 2019

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 30 June 2019.

Operational Overview

Kojensi Version 1.1 launched

Demonstrating the strong, positive feedback received from archTIS' five proof of concept partners, the Company was pleased to launch version 1.1 of Kojensi during the quarter, providing users with enhanced product capabilities and new functionality. The highly valuable feedback from archTIS' trial partners further confirms the product's commerciality and useability and contributes to the ongoing improvement of the Company's flagship product.

120 product demonstrations completed, leveraging strong, longstanding government relationships

Validating the strength of archTIS deep relationships with Australian government agencies, archTIS concluded a very active quarter of sales and marketing activity, completing a number of demonstrations of Kojensi to government and associated organisations during the period. The demonstrations have delivered a strong level of customer interest that management is focussed on converting into commercial contracts.

Commercial discussions advance with over ten government agencies

archTIS progressed its commercial discussions with multiple government agencies, with several now reaching the latter stages of procurement. Covering the legal and security sectors, the Company is poised to convertnumerous opportunities into commercial contracts in the financial year 2019/2020 and remains focussed on converting existing proof of concepts into commercial contracts, upon their successful conclusion.

NZ business expansion following commercial reseller agreement with TEAM Asparona

In July, archTIS entered into a commercial reseller agreement with strategic partner TEAM Asparona for the distribution of Kojensi to the NZ government and non-government sectors. The agreement follows a strong response received from key New Zealand government agencies to demonstrations of Kojensi during the quarter and adds a key supplier to the New Zealand government as a strategic partner and reseller.

Kojensi endorsed by Digital Transformation Agency

Following the successful completion of an International Registered Assessors Program assessment, Kojensi was included in the Federal Government Digital Transformation Agency's (DTA) Cloud Services Panel (CSP) as an endorsed cloud product. The CSP is the largest cloud services procurement panel for the Australian government, utilised by Commonwealth, State and Territory governments, universities and local councils. Inclusion on this panel marked an important milestone in the Company's commercialisation strategy and enabling shortened and simplified procurement process.

archTIS signs 12-month extension on consulting and IT strategic advisory services agreement

In July, archTIS extended its existing professional consulting services and IT strategic advisory contract with the Department of Home Affairs' Technology and Major Capability Group for an additional 12 months, delivering $250,000 in revenue in FY20. The renewal validates archTIS' strong expertise in the field of IT engineering, systems integration and security consulting and demonstrates the strength of the longstanding relationship between the Company and the Department of Home Affairs – an important strategic partner – and it's strong and active in the Australian government sector.

Outlook

archTIS was pleased to conclude a strong and highly productive quarter,. Consistent with the Company's sales strategy, archTIS remains focussed on leveraging its strong and established Australian government relationships and continuing to utilise new and existing reseller partners to continue to build its strong sales pipeline into commercial contracts and deliver its first sales of Kojensi in financial year 2019/2020.

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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	30 June 2019

Consolidated statement of cash flows			**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		97	1,040
1.2	Payments for			
	(a)	research and development	(486)	(3,864)
	(b)	product manufacturing and operating costs	(59)	(480)
	(c)	advertising and marketing	(34)	(110)
	(d)	leased assets	-	-
	(e)	staff costs	(510)	(2,290)
	(f)	administration and corporate costs	(234)	(865)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		18	44
1.5	Interest and other costs of finance paid		-	(5)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		-	1,087
1.8	Other (provide details if material)		-	-
1.9	**Net cash from / (used in) operating activities**		**(1,208)**	**(5,443)**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(2)	(27)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(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**	**(2)**	**(37)**

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**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
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	4,511	1,696
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,208)	(5,443)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(37)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	7,085
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**3,301**	**3,301**

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	1,501	854
5.2	Call deposits	1,800	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)**	**3,301**	**4,511**

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	182
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	9

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	408
9.2	Product manufacturing and operating costs	154
9.3	Advertising and marketing	22
9.4	Leased assets	-
9.5	Staff costs	404
9.6	Administration and corporate costs	212
9.7	Other (provide details if material)	-
9.8	**Total estimated cash outflows**	**1,200**

archTIS expect a 2019 Research & Development Grant refund of approximately $1,396,000, in line with the past claims to be received in October 2019. This is an increase of 29% on the previous year reflecting the completion of Kojensi Gov which transitioned to commercial launch in April 2019.

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: 31 July 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.