March 2020 Quarterly Report

- Company focus now on sales and marketing of its current products: Kojensi Gov and Kojensi Enterprise
- New wins in Federal Government including Commonwealth Ombudsman
- archTIS continues to build extensive sales pipeline for 2020 and beyond expanding its focus outside of Government to Industry and the Education sector
- COVID-19 provides an opportunity to fast-track the uptake of archTIS' secure collaboration platform via its cloud infrastructure
- Appointment of Dr Miles Jakeman AM as a new board member

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archTIS Limited (**ASX: AR9**, **archTIS** or the **Company**), an award winning, Canberra-based technology company focused on protecting sensitive information, is pleased to provide an operational update for the quarter ended 31 March 2020.

Responding responsibly to COVID 19

archTIS took early and positive steps to protect its employees, clients and the public by initiating work from home practices. archTIS staff are working remotely using Kojensi as our remote access platform.

archTIS has taken immediate action to reduce its operational costs in response to the COVID-19 pandemic. Monthly operating expenses have been reduced by a third to ~$280K. This has been achieved through a range of actions including restructuring the business and downsizing the development team post the latest release of the Kojensi platform.

At the end of the quarter, the Company had funds available of $1.3M. Conscious of the need to manage our cash position, as well as reducing operating expenses, the archTIS Board is actively working on options to raise capital. The Board is progressing an initiative to raise capital and believes its plans are reasonably likely to be successful to continue its operations and meet its business objectives.

Focus is on Sales and Marketing of Kojensi

Having now:

a) finished developing the core technology; and,

b) added a number of new Kojensi features to meet customer needs,

the focus is now for the Company to sell the current products into identified markets. archTIS' has been focused on building its pipeline and executing sales opportunities.

archTIS continues its commercialisation momentum with more Commonwealth Government wins

Commonwealth Ombudsman

On 31 March 2020, archTIS was delighted to announce that the Commonwealth Ombudsman had purchased an initial 50 licenses of Kojensi in order to conduct investigations with agencies needing to share and collaborate on information classified as PROTECTED.

The Commonwealth Ombudsman safeguards the community in its dealings with the Australian Government and is responsible for inspecting the actions of authorities such as commonwealth, state and territory law enforcement agencies, state government departments, prisons, hospitals, schools, local government and public universities. The Commonwealth Ombudsman will use the Kojensi Platform as a PROTECTED service saving it a substantial cost in implementing an independent PROTECTED environment to meet its needs for hosting classified information.

This sale continues archTIS' strong path of commercialisation of the Kojensi Platform and comes after a one-month trial with the Ombudsman. The Commonwealth Ombudsman will provide external agencies working with them the required licenses to unlock the full collaboration features of Kojensi, providing a growth path for Kojensi licenses.

The Agreement will facilitate greater information sharing with other government departments and agencies who work with the Commonwealth Ombudsman and will lead to much greater exposure of the platform to Government agencies at both the commonwealth and state level.

Department of Defence

archTIS has won the contract to upgrade this current customer to the latest generation of the Kojensi platform.

Continued development of leads for strong sales pipeline in 2020

archTIS continues to develop a strong sales pipeline of opportunities to be executed in 2020/21. Recent marketing campaigns have generated new leads in key markets in Australia, New Zealand, USA and Europe. archTIS has also launched a campaign to target the Australian Defence industry supply chain.

This includes the generation of new multi-million dollar opportunities through partnerships with major global system integrators. In addition to contracts with Federal Government, AR9 is pivoting to target:

- Companies with high global compliance requirements; and,
- Universities which have a requirement to store, share and manage very sensitive data in a secure fashion.

Finally, during the quarter, the Company has performed significant updates to its company website.

archTIS strengthens its Board with the appointment of Dr Miles Jakeman

Dr Miles Jakeman AM, co-founder and former Chief Executive Officer of Australian software and technology success story, Citadel Group joined the archTIS board on 13 February 2020. During his time as CEO of Citadel, Miles grew the company from a start-up to 250 employees with a market capitalisation of $400 million. Miles also brings to the board strong industry knowledge and existing networks of key contacts in Defence, intelligence and government.

Daniel Lai, archTIS CEO commented: "The recent signing of the Commonwealth Ombudsman as a client further verified the commercialisation potential of Kojensi. We look forward to building on this momentum with accelerating sales growth in the second half of 2020 as we convert the numerous opportunities in our sales pipeline. Whilst there is plenty of hard work ahead we are excited by the number of trials we are executing and the response we have received in the market. We will continue to be very focused on new sales execution and the upselling of licences to existing clients as they expand use of the Kojensi Platform."

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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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

archTIS

ABN	**Quarter ended ("current quarter")**
79 1230 986 71	31 March 2020

	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	292	582
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(13)	(36)
	(c) advertising and marketing	(13)	(138)
	(d) leased assets	(4)	(5)
	(e) staff costs	(630)	(2,420)
	(f) administration and corporate costs	(703)	(1,612)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	40
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,496	1,496
1.8	Other (GST)	(8)	27
1.9	**Net cash from / (used in) operating activities**	**419**	**(2,066)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(3)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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**	**-**	**(3)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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)	40	40
3.10	**Net cash from / (used in) financing activities**	**40**	**40**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	808	3,296
4.2	Net cash from / (used in) operating activities (item 1.9 above)	419	(2,066)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	40	40
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,267**	**1,267**

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	1,267	808
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)**	**1,267**	**808**

6.	**Payments to related parties of the entity and their associates**	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	168
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: Amounts included at item 6.1 relate to payments to directors of the Board.

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	50	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	50	-

7.5	**Unused financing facilities available at quarter end**	42

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.

Unsecured corporate credit card facility of $50,000 (annual interest rate 20.24%) with Westpac Banking Corporation.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	419
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,267
8.3	Unused finance facilities available at quarter end (Item 7.5)	42
8.4	Total available funding (Item 8.2 + Item 8.3)	1309
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	3.1

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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: This 4C, includes a Research and Development grant that is a one-off payment.

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: Yes, the Company is progressing initiatives to raise further capital and believes its plans are reasonably likely to be successful.

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: Yes, the Company is reducing its level of expenditure and the Company expects to raise further financial capital to continue its operations and meet its business objectives.

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: 30 April 2020

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.