

ASX Announcement

23 August 2023

**APPENDIX 4E: FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

The following sets out the requirements of Appendix 4E with the stipulated information:

1. Reporting Period

Report for the financial year ended : 30 June 2023
 Previous corresponding period is the financial year ended : 30 June 2022

2. Results for announcement to the market (Item 2)

				\$
Revenues from ordinary activities	up	37.3%	to	6,367,123
Loss from ordinary activities after tax attributable to members	down	12.8%	to	(8,237,955)
Net loss for the period attributable to members	down	12.8%	to	(8,237,955)
Dividends				n/a
Record date for determining entitlements to a dividend				n/a

Brief explanation of any of the figures reported above necessary to enable the figures to be understood (Item 2.6)

Refer to the audited financial statements in the attached 2023 Annual Report.

3. Statement of Comprehensive Income (Item 3)

Refer to page 30.

4. Statement of Financial Position (Item 4)

Refer to page 31.

5. Statement of Cash Flows (Item 5)

Refer to page 33.

6. Statement of Changes in Equity (Item 6)

Refer to page 32.

7. Dividends (Item 7)

No dividends were paid or declared during the year.

8. Dividend Reinvestment Plan (Item 8)

There was no dividend reinvestment plan in operation which occurred during the financial year.

9. Net Tangible Assets per Security (Item 9)

	2023	2022
Net tangible asset backing per ordinary security	\$0.003	\$0.017

10. Details of Entities over which Control has been Gained or Lost during the Period (Item 10)

<i>Name of entities for which AR9 gained control</i>	<i>Date of gain of control</i>
none	
<i>Name of entities for which AR9 lost control</i>	<i>Date of loss of control</i>
none	

11. Details of Associates and Joint Venture Entities (Item 11)

Not applicable

12. Details of Significant Information Relating to the Entity's Financial Performance and Financial Position (Item 12)

Refer to the audited financial statements in the attached 2023 Annual Report.

13. For Foreign Entities, which set of Accounting Standards is Used in Compiling the Report (Item 13)

Not applicable

14. Commentary on Results for the Period (Item 14)

Refer to the audited 2023 Annual Report attached for further information.

15. Audit of the Financial Report (Items 15 to 17)

The attached 2023 Annual Report has been audited.

All documents comprise the information required by listing rule 4.3A.



2023 | ANNUAL REPORT

ARCHTIS LIMITED | AR9 | ACN 123 098 671



TRUSTED TO SAFEGUARD THE WORLD'S MOST SENSITIVE INFORMATION

archTIS' products apply and enforce dynamic, policy-driven access, usage and sharing controls that leverage both user and data attributes to ensure your users and partners access, share and collaborate on sensitive, classified and top secret information, securely.



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CORPORATE DIRECTORY

DIRECTORS

Miles Jakeman AM
Daniel Lai
Leanne Graham

JOINT COMPANY SECRETARIES

Eryln Dawson
Winton Willesee

REGISTERED OFFICE

Level 3, archTIS House
10 National Circuit
Barton ACT 2600
(02) 6162 2783

PRINCIPAL PLACE OF BUSINESS

Level 3, archTIS House
10 National Circuit
Barton ACT 2600

SHARE REGISTRIES

Automic
Level 5, 191 St Georges Terrace
Perth, WA 6000
(08) 9324 2099

Link Market Services
(Employee Incentive Plan Register)
10 Eagle Street
Brisbane, QLD 4000
1300 554 474

AUDITOR

RSM Australia Partners
Equinox Building 4, Level 2
70 Kent Street
Deakin, ACT 2600

STOCK EXCHANGE LISTING

archTIS Limited shares are listed on the:

ASX: AR9
OTCQB: ARHLF

WEBSITE

www.archtis.com

INVESTOR PORTAL

www.investors.archtis.com

LETTER FROM THE CHAIRMAN & MANAGING DIRECTOR

DR. MILES JAKEMAN AM & DANIEL LAI

Dear fellow shareholders,

On behalf of the Board of Directors, Executive Management team and staff of archTIS, we are pleased to present our 2023 Annual Report and to thank you for your ongoing trust.

Throughout the 2023 financial year archTIS continued to execute and build on a strong platform of work. We set a goal at the beginning of the year to drive revenue growth and reduce our cash outgoings. We are pleased to announce that we accomplished a 37% year-over-year revenue growth and reduced operating cash outflows by more than 50% through capital efficiencies and streamlined operating costs.

The Company delivered on strategic initiatives around product innovation, development of key strategic partnerships and the continued expansion of contracts with key customers.

The Company has now won over \$17M of contracts with the Australian Department of Defence to provide secure collaboration and sharing of sensitive and classified information. We are working closely with members of Defence and its key channel partners to improve data maturity and security. In June 2023, this resulted in the awarding of a \$4M proof of concept contract to assist in modernising the workforce. Most of this revenue will be recognised in the coming financial year.

Our success with the Australian Department of Defence is driving new and exciting pipeline opportunities with other coalition forces, including AUKUS and other traditional “Five Eye” countries. Additionally, through partnerships with Microsoft, Thales, Leidos and others we were able to secure new global contracts with top-tier enterprises in the defence industry, manufacturing and financial services sectors.

Yours sincerely,

Dr Miles Jakeman AM
Chairman of the Board



Strong market tailwinds continue in the overall cyber-security space. Over the past year, not only have some of Australia’s largest and most important institutions been susceptible to cyber-breaches, but our military allies suffered devastating internal security breaches, organisations experienced increased levels of supply chain espionage and we returned to geo-political tensions including the escalation of the war in the Ukraine. We believe strongly that the data-centric approach of archTIS solutions with Kojensi and NC Protect could have played a significant role in either limiting or deterring some of these cyber incidences. We are trusted to safeguard the world’s most sensitive information on the battlefield, in a research lab, a manufacturing plant or office; whether on-site or remote. We make sure that sensitive and classified information is shared securely.

Heading into FY24, we are encouraged by the foundation the team has built and look forward to a number of key initiatives that were commenced in FY23. We are particularly looking to scale and be the global thought leader in data-centric architecture; the preferred platform of choice for sharing of information across Government, Defence and Defence industry; and be the premium provider of policy enforced access control to the global defence market.

In closing, and on behalf of the wider Board and Executives, we would like to thank the entire team for their commitment and continued execution of our strategic initiatives. As we continue to build a global company, we would also like to thank our customers, partners and shareholders for their ongoing support and of course trust.

Daniel Lai
Managing Director & CEO



2023 HIGHLIGHTS

STRONG FINANCIAL RESULTS DELIVERS ON ADJUSTED ANNUAL OUTLOOK OBJECTIVES & ESTABLISHES FOUNDATION FOR FY24



Achieved Adjusted Annual Outlook Targets

- 37% revenue growth
- \$9.5M cash collections
- 53% reduction in cash outflows



Continued Strong Customer Adoption

Customer traction focusing on Data Sovereignty with low churn:

- DHL, The Bank of Finland, Babcock Australia



Quarterly Financial Performance

- Increased Annual Recurring Revenue (ARR)
- Decreased operating expenses
- Strong cash collections and customer invoicing



Product Innovation

Integration into leading partner technologies:

- Microsoft PowerBI, Janusseau, Titus, NetApp and Thales CipherTrust Manager



\$4.1M 6-month POC

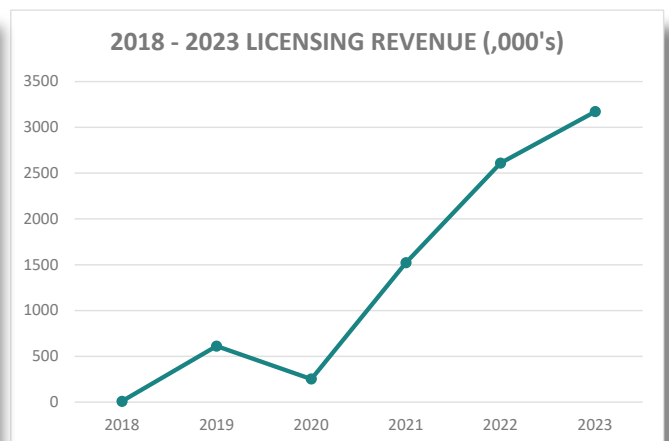
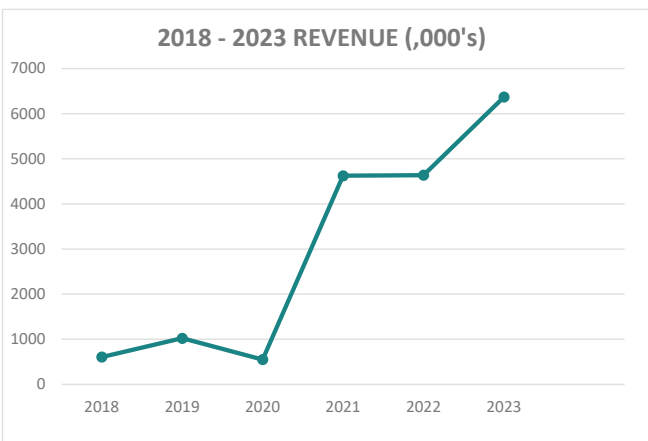
Provides a strong start to FY24 with additional purchasing ability



Kojensi International Launch

Mid-September timeframe

ACCELERATING REVENUE GROWTH



2023 HIGHLIGHTS

GLOBAL CUSTOMER & PARTNER GROWTH




Australian Government
Department of Defence

“With NC Protect we can increase our collaboration by automatically controlling access to classified information. Before NC Protect, we had to lock everything down so very few users could access content to the extent that it inhibited our ability to collaborate with our coalition partners in theatre.”

Brigadier General Warren Gould
Director General Systems and Integration,
Australian Department of Defence




Microsoft

“Our Aerospace and Defense Industrial Base customers and partners are actively seeking a product that can help meet zero-trust requirements, especially in respect to demonstrating compliance with the new CMMC standards for the secure handling of Controlled Unclassified Information. The innovative content watermarking capability from NC Protect makes it painless to add the required CUI Designator Label to meet compliance.

More importantly, NC Protect works in concert with Microsoft Purview Information Protection to secure and encrypt the content leveraging a data-centric, zero-trust methodology ensuring recommended practices for information security and data handling.”

Richard Wakeman
Chief Architect Aerospace & Commercial Defense, Microsoft



EXECUTIVE LEADERSHIP



DANIEL LAI
CEO AND MANAGING DIRECTOR

Daniel Lai is the CEO and Managing Director of archTIS. He has extensive industry experience in successfully delivering outcomes as part of a senior executive team to both government and commercial organisations. Most importantly Lai has direct experience in implementing organisational change to address the real challenges businesses confront today in a rapidly evolving environment.

Over his career, he has had many successes including leading the Security Enterprise Architecture for the Single Information Environment for the Department of Defence, leading enterprise change as the National Manager for Service Delivery for the Australian Customs and Border Protection Service, and restructuring and implementing enterprise ITIL services for the Australian Customs and Border Protection Service. Lai is a regular speaker at industry events and has been featured in the Financial Review and CIO magazine.



KURT MUEFFELMANN
GLOBAL COO & US PRESIDENT

As Global Chief Operating Officer (COO) and US President of archTIS, Kurt Mueffelmann brings over 25 years of technology leadership to the companies. He brings his passion for start-ups, and proven strategies for scaling go to market efforts and achieving hyper revenue growth to the role.

Mueffelmann has overseen the growth and sale of four technology companies and earned two Deloitte Fast 500 company awards at previous companies. He has served as CEO of Cryptzone, HiSoftware (acquired by Cryptzone), Create!form International (acquired by Bottomline Technologies), and RealWord (acquired by Microsoft Great Plains). Mueffelmann was Vice President and General Manager of both the Document Output Solutions and Business Process Solutions divisions of Bottomline Technologies where he was responsible for over \$40M in profitable revenue while broadening the product lines and expanding the distribution model.

Mueffelmann has served on the advisory boards of numerous companies and professional organisations within the technology industry.



KYLIE SHEATHER
CHIEF FINANCIAL OFFICER

Kylie Sheather is the Chief Financial Officer of archTIS. With extensive knowledge of software as a service companies, Sheather has held senior financial roles for medium and large listed companies. Sheather's strong project management, associated process re-engineering and change management skills support the Company's expansion goals.

Sheather most recently served as TechnologyOne Director of Finance and Business Partnering. Her prior roles include Group Financial Controller at ASX-listed engineering services company LogiCamms and held a number of senior roles at Boom Logistics.



THOMAS MYERSCOUGH
CHIEF TECHNOLOGY OFFICER

As CTO Thomas Myerscough is responsible for managing archTIS' technical strategy, service management, and relationships with key technology partners. He brings more than 30 years of experience in the IT industry, with 20 years in Federal Government technology. In this time, he successfully delivered projects from design to implementation and support for the Australian Department of Defence, Australian Taxation Office and the Department of Finance and Deregulation. His government and subsequent private industry experience gives Myerscough a deep breadth of expertise from which to call upon to innovate archTIS technology platforms and ensure seamless client delivery.

EXECUTIVE LEADERSHIP



LEIGH ROWLAND
CHIEF SOFTWARE ENGINEER

As the Chief Software Engineer of archTIS, Leigh Rowland is responsible for driving the evolution of the company's technology to provide secure collaboration and seamless integration into supported platforms. Under his leadership, NC Protect has expanded from its core strength of protecting documents in SharePoint on-premises, to extend the same protection to cloud collaboration and storage repositories including SharePoint Online, Microsoft 365, Microsoft Teams, and Nutanix, as well as the protection of Exchange emails.

He began his career at Xerox and has been involved in a series of successful startups as a consultant and development leader including Cyxtera, Cryptzone (acquire by Cyxtera), and Createl!form International. He helped build and on-sell the businesses through a strong focus on innovative software solutions. His involvement with Security Sheriff began back in 2011 and he has continued to be involved in the design and development of the industry leading security solution. Rowland earned Bachelor of Science (Hons) in Mathematics from University of York.



TONY HOWELL
GLOBAL CHIEF ARCHITECT,
DEFENCE & INTELLIGENCE

Tony Howell brings extensive domain expertise in information management, security and architecture to the role of archTIS' Global Chief Architect, Defence and Intelligence. Howell specializes in data-centric capabilities and emergent technologies including ABAC, Cloud, AI, ML and analytics platforms.

In his career, he has delivered successful technology outcomes to Australian Government organisations in the Defence, Law Enforcement and Intelligence sectors. His previous roles include Director, Consulting Data Practice and Director, Consulting Data Modernisation Practice at Deloitte, Senior Information System Architect at Hewlett Packard Enterprise, Information Systems Architect at Hewlett Packard Australia, and independent consulting engagements with Australian government agencies.



IRENA MROZ
CHIEF MARKETING OFFICER

Irena Mroz is CMO of archTIS. She is responsible for defining the company's branding, demand generation and public relations. An innovative strategist with impeccable attention to detail, Mroz leverages more than 20 years of B2B marketing expertise to direct the company's marketing strategy and communications programs.

She served as VP of Marketing at several cybersecurity start-ups including data-centric security company Nucleus Cyber (acquired by archTIS) and Infocyte, a malware and threat hunting solution. As the SVP of Marketing for Cryptzone's network and application security solutions and the VP of Marketing for HiSoftware, a provider of compliance and security solutions acquired by Cryptzone, she led the integration of the two global marketing organizations, while managing development of all strategic marketing programs and communications for the joint entity. Her previous roles include senior marketing positions at Bottomline Technologies and Createl!form International.

Mroz holds a Bachelor of Science in Mass Communications from Boston University's College of Communication.



MATTHEW KLUKUN
VICE PRESIDENT &
GENERAL MANAGER ASIA PACIFIC

Matt Klukun has 27 years experience in the Information and Communication Technologies Industry in Sales, Marketing, Technical and Customer Experience in Australian ICT and large multinational technology and advisory companies such as Gartner, NetApp, CA Technologies and Oracle.

As Vice President & General Manager Asia Pacific, Klukun's primary focus is building archTIS' presence with global Defence, Intelligence, Federal and State Governments and Defence Industry companies, as well as building and growing our partner eco-system supporting these markets, both within the Asia Pacific region.



 archTIS

OVERVIEW OF FY23

OVERVIEW OF FY23

FOR THE YEAR ENDED 30 JUNE 2023

OPERATING AND FINANCIAL REVIEW

Trusted to safeguard the world's most sensitive information, archTIS Limited (Company) is a global provider of data-centric technology that provide a zero-trust environment for the secure collaboration of sensitive information. The Company's award-winning cybersecurity solutions protect information across government, defence, supply chain and commercial enterprises for regulated industries through our innovative attribute-based access and control (ABAC) Policies. We are focused on unlocking the potential of an information-driven world by enabling Architected Trusted Information Sharing (archTIS).

During FY23, archTIS delivered upon its previously market communicated adjusted outlook statements.

- **Annual revenue growth of 30-40%:** Annual revenue was up 37% from FY22 with licensing revenue accounting for 50% of the total.
- **\$9.5M of cash receipts:** The objective was achieved with customer cash receipts increasing over 200% from the prior comparative period (PCP).
- **53% reduction in operating cash outflows:** The Company lowered its net operating cash outflow or cash burn by 53%. Cash outflow decreased from \$10.6M to \$5.0M from the PCP.

archTIS delivered \$6.4M of revenue which was a 37% increase from \$4.6M in the PCP. Licensing revenue was \$3.2M which was a 22% increase from the prior year. Licensing revenue represents recurring revenue from archTIS solutions developed, customised and maintained for customers including Kojensi SaaS, NC Protect, cp.Protect and cp.Discover which are delivered to Australian and international customers. Annual recurring revenue or ARR was \$3.6M an increase of 11% from the PCP with net customer churn under 1% per quarter.

Service revenue was up 37% from the PCP to \$2.8M. With the higher level of services, gross margin percentage decreased to 51% from 71%. The lower gross margin percentage was associated with increased third-party service resources and hardware procurements to deliver the various Australian Department of Defence

contracts. Licencing margins however remain strong at 76%.

Cash receipts were \$9.5M which was broken out by a 223% increase in receipts from customers (inclusive of GST) and \$1.8M receipts from R&D tax incentives. The Company ended the year with \$3.2M of available cash and \$4.3M in trade receivables, thus improving the Company's future cash position. Subsequent to the close of the financial year, the Company collected approximately \$3.7M of open receivables. Operating expenses were \$7.1M, a reduction of 22% from the PCP reflecting the Company's drive to reduce the overall cost structure (further discussed below).

FY23 GLOBAL CUSTOMER ADOPTION SUPPORTS GO TO MARKET IN VERTICAL INDUSTRIES

archTIS continued to demonstrate referenceable customer traction across its key markets of global defence, defence industrials and regulated industries. As a sampling:

The Australian Department of Defence "AUS Defence" has now procured over \$17M of contracts over the past 4 years. The Company delivered \$4M in revenue across licensing, services, support and minimal hardware for secure collaboration of Kojensi on-premises. In FY23, AUS Defence also procured a \$4.06M contract to conduct a proof of concept to modernise their workplace environment using NC Protect. An Australian university extended NC Protect's data-centric access controls from unstructured data (Microsoft documents) in SharePoint to also include structured data (data held in databases) managed by Power BI; which carried a contract value of \$270,000.

In support of global defence industrials, Babcock Australia signed a total contract value of \$241,200 for Kojensi SaaS, of which \$78,000 is for ARR across an initial 100 users. A US Defense supplier that develops spacecraft and situational awareness software to protect space assets selected NC Protect in Microsoft's GCC-High Cloud environment for CMMC and CUI to meet US Department of Defense compliance requirements.



OVERVIEW OF FY23

FOR THE YEAR ENDED 30 JUNE 2023

Expanding into regulated commercial enterprises, global logistics company DHL and the Bank of Finland upgraded their on-premises instances of cp.Protect with six-figure contracts to deploy NC Protect and NC Encrypt in Microsoft 365. The solutions assist companies in ensuring policy-based orchestration around encrypted key management and data sovereignty as they migrate into the Cloud.

PRODUCT INNOVATION AND KEY ALLIANCE DEVELOPMENT

Kojensi Innovations

archTIS has developed new functionality for companies to meet export controls for Kojensi. This has been an important part of preparing Kojensi for international launch off the back of the AUKUS announcement. Kojensi has also undergone a security compliance review to meet the international accreditation frameworks required to operate in multiple jurisdictions.

NC Encrypt Released to Market

archTIS launched NC Encrypt, a new product offering that evolved from the prior year purchase of the technology assets from CipherPoint (cp.Protect). NC Encrypt provides independent encryption key management and Bring Your Own Key (BYOK) technology for Microsoft 365 applications and SharePoint Server environments. NC Encrypt ties in directly into Microsoft Purview Information Protection (MPIP) and RMS encryption capabilities while providing policy-based encryption around data sovereignty.

Thales

The Company announced the integration of NC Encrypt with strategic alliance partner Thales' CipherTrust Manager to offer a viable solution for customers using Microsoft 365 that are determined to keep their keys separated from their data in the cloud. In addition, customers already using Thales hardware security modules that want the additional value of dynamic, policy-driven encryption can easily integrate with NC Protect. This opens new market distribution opportunities with existing Thales partners and customers.

Microsoft Partnership and IP Co-Sell

The Company had a number of Microsoft co-sell opportunities during the year including global logistics provider DHL for NC Protect and NC Encrypt and a number of key global defence pipeline opportunities.

archTIS continues to build a strong Microsoft alliance and pipeline across product technologies, field sales and go to market activities through its membership in the invitation-only Microsoft Intelligent Security Association (MISA). Additionally, the Company has delivered several go to market activities with Microsoft at the world's largest security exhibition, RSA, including a leadership position on an invite-only Data Security Executive Roundtable and a demonstration in the Microsoft Partner Showcase on the show floor to showcase NC Protect's integrations with MPIP and Microsoft Sentinel.

archTIS' NC Protect was named a Compliance & Privacy Trailblazer Award Finalist in the annual Microsoft Security Excellence Awards. NC Protect was nominated for its unique capabilities for solving Defence requirements for the safe handling of and application of visual markings for sensitive, Controlled Unclassified Information (CUI) and classified data.

KPMG Consortium

archTIS participated in a KPMG-led systems integration consortium for AUS Defence. The Company is working closely with KPMG and the other members of the OneDefence consortium to improve the data maturity and security of AUS Defence.

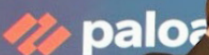
NetApp Technology Alliance Program

Subsequent to the close of the financial year, archTIS announced its membership in the NetApp Technology Alliance Program as a Preferred Partner with field validation of NC Protect's integration with NetApp ONTAP. NC Protect paired with ONTAP addresses the protection of information, dynamically at the data layer at the time of access. The combined solution provides a multi-faceted 360-degree layered approach to protecting a customer's most important asset, data, that is accessed on Windows File Shares in ONTAP.



AUSTRALIAN
CYBER SECURITY
SUMMIT
2023

Principal Partner



OVERVIEW OF FY23

FOR THE YEAR ENDED 30 JUNE 2023

CORPORATE INITIATIVES

Capital Finance Package

As announced on 2 December 2022, archTIS successfully completed a comprehensive capital finance program to support the Company's continued revenue growth outlook and product innovation. The \$3.5M capital finance program was comprised of:

(a) the completion of a share placement through the support of key US and Australian long-term institutional investors, new domestic and international institutions, as well as sophisticated investors and participation by key Company executives and all Board Members,

(b) a Share Purchase Plan (SPP) to existing Shareholders; and,

(c) a market rate facility through Commonwealth Bank of Australia (CBA).

Launched New Interactive Investor Hub

The Company launched a new interactive investor hub for communicating the latest Company announcements, reports and presentations. It also provides an interactive online experience allowing the archTIS investor community to comment on and ask the archTIS management team questions regarding company news and information via the portal.

Reduction in Overall Cost Structure

As announced on 17 November 2022, archTIS reduced its overall cost structure to further align with macro-market demands in striving for cash flow neutrality. The Company reduced its operating expenses by \$2.0M per annum; which included the reduction of staff and contractors and taking several steps to become more efficient by cutting discretionary spend.

OUTLOOK

archTIS is positioned to continue to execute and deliver on strong customer adoption to revenue growth that will increase cash collections while maintaining capital efficiencies and expenses, thus further reducing cash outflows.

In FY24 the Company will focus on:

- Continuing the push toward becoming cash flow positive.
- Delivering revenue growth through licensing software that drives high margins and predictability associated with ARR.
- Drive product innovation to maintain our market leading position for securing the world's most sensitive information - including the launch of Kojensi into international markets.
- Invest in strong staff development, training and advancement.
- Maintain capital efficiency through management of operating costs.
- Deliver core strategic objectives of being the:
 - Preferred platform for sharing information across Government, Defence and Defence Industry.
 - Premium provider of Policy Enforced Access Management products to the global defence market.
 - Global thought leader in data-centric architecture.

WINNER CYBER BUSINESS OF THE YEAR

ARCHTIS

"This award validates the innovation and business value that archTIS' secure collaboration platforms provide to support cybersecurity and data sovereignty in defence and industry."



OVERVIEW OF FY23

FOR THE YEAR ENDED 30 JUNE 2023

MATERIAL BUSINESS RISKS

The Company's risk management approach involves the ongoing assessment, monitoring and reporting of risks that could impede the Company's progress in delivering the Company's strategic priorities. As the Company continues to grow and evolve, the material risk profile may change.

Below is a list material business risks that the Company considers may affect the success of its strategy and financial prospects for future years, including some which are not directly within the Company's control. The Company may face a range of other risks in conducting its business activities in addition to those set out below.

Technology and Competition Risks

Technology markets, by their very nature, are a continually evolving marketplace. To succeed, the Company will need to research, develop, design, build and bring to market new enhancements to its existing products as well as to new markets that might not yet exist. The Company may not be able to engage in research or develop its existing (and new) products to meet the changing needs of its markets and the new and emerging technologies. At the same time, products and technologies developed by others may render the Company's products and systems obsolete or non-competitive. If any of these scenarios were to occur, it would adversely impact the operating results and potential of the Company.

Ability to Attract and Retain Appropriately Skilled Employees

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and key personnel. Company performance also depends on its ability to attract and retain skilled resources with relevant industry and technical expertise. The loss of several key personnel or the inability to attract additional resources may have an adverse impact on the financial and operating performance of the Company.

Cyber and Security Risks

A cyber-attack has the potential to disrupt the Company's information technology platform which is integral to the efficient operation of its business. The threat of cyber-attacks on security companies is real. A successful cyber-attack on the Company would cause significant damage to the Company's reputation and brand as well as have a material adverse impact on the financial position and performance of the Company.

Regulatory Risk

archTIS has been eligible for the federal government R&D tax incentive. If the regulation regarding the R&D tax incentives changed and the Company was no longer eligible, this would impact on archTIS' anticipated costs for development and materially impact on the Company's financial and operating performance.

Uncertainty of Future Profitability

The success of the Company's sales and operations relies on the ability to attract more commercial users of the relevant technology and its products. An inability to attract new clients and users in a timely manner will affect the Company's earning ability. While the Company has been successful in attracting clients in the government sector in Australia, this will not necessarily translate into successful utilisation in other verticals and countries. Furthermore, the Company's profitability will be impacted by its ability to successfully execute its commercialisation and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of any future profits are uncertain. Moreover, the level of profitability cannot be predicted.



DYNAMIC ACCESS & DATA PROTECTION FOR MICROSOFT 365 APPS & FILE SHARES

NCPROTECT™



Discover, classify and secure sensitive information



Prevent data loss, misuse and human error



Audit and report for compliance

SENSITIVE & CLASSIFIED INFORMATION - SHARED SECURELY



Share sensitive and classified files securely



Accredited secure document collaboration



Enforce zero trust with attribute-based access control (ABAC)



•archTIS

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity consisting of archTIS Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023 ('Reporting Period' or 'FY2023').

DIRECTORS

The following persons were directors of archTIS Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Miles Jakeman
- Daniel Lai
- Leanne Graham

DIRECTORS AND MEETINGS OF DIRECTORS

The qualifications and experience of directors, including current and recent directorships, are detailed below:



DR. MILES JAKEMAN AM
Chairman of the Board

Dr. Miles Jakeman is a specialist in business strategy, leadership, high performance team development, and risk management. As a company director, former CEO and technology business founder, he brings deep domain expertise in these areas and has successfully guided companies across global markets to deliver outstanding year-on-year results. After 30 years of industry experience, with the last 20 years as a director, he has also built an excellent network in the government, enterprise, and healthcare sectors.

Jakeman co-founded and was the Managing Director of Australian software and technology success story, The Citadel Group Limited ("Citadel"). During his time as Managing Director, he grew Citadel from a start-up to an ASX-listed company with over 300 staff and a market capitalisation of more than \$400M. The company was subsequently sold to Pacific Equity Partners for \$503M.

Jakeman has a Bachelor of Science (Hons), a Graduate Diploma in Asian Studies, a Doctorate of Philosophy (PhD) in Asian Studies and a second PhD in Business Leadership. He is conversant in Bahasa Indonesia, Malay and Tok Pisin. Professionally, Jakeman is a Fellow of the Australian Institute of Company Directors (AICD) and has successfully completed both the AICD Diploma of International Company Directors and the Mastering the Boardroom Advanced Diploma. Jakeman was appointed as a Member of the Order of Australia (AM) for significant service to business, national security, and to the community.

Interest in Shares and Options: 2,586,925 ordinary shares and 1,476,190 unlisted options

Other current public listed company directorships: GetBusy plc (AIM:GetB) (appointed 3 July 2017)

Former public listed company directorships (last 3 years): None

DIRECTORS' REPORT



DANIEL LAI
CEO & Managing Director

Daniel Lai is the CEO and Managing Director of archTIS. He has extensive industry experience in successfully delivering outcomes as part of a senior executive team to both government and commercial organisations. Most importantly, Lai has direct experience in implementing organisational change to address the real challenges businesses confront today in a rapidly evolving environment.

Over his career, he has had many successes including leading the Security Enterprise Architecture for the Single Information Environment for the AUS Department of Defence, leading enterprise change as the National Manager for Service Delivery for the Australian Customs and Border Protection

Service, and restructuring and implementing enterprise ITIL services for the Australian Customs and Border Protection Service. Lai is a regular speaker at industry events and has been featured in the Financial Review and CIO magazine.

Interest in Shares and Options: 9,834,086 ordinary shares, 7,246 AR90 listed options, 329,131 unlisted options and 1,157,012 performance rights

Other current public listed company directorships: None

Former public listed company directorships (last 3 years): None



LEANNE GRAHAM
Non-Executive Director

With over 30 years in the software sector, **Leanne Graham** has assisted technology companies with her broad experience and SaaS expertise. In 2018, Leanne was awarded the New Zealand Order of Merit for her services to the software industry.

Graham is also a director of Energy One Limited and Bridge SaaS Limited and other private businesses in New Zealand.

Interest in Shares and Options: 1,011,569 ordinary shares, 6,612 AR90 listed options and 869,047 unlisted options

Other current public listed company directorships: Non-Executive Director of Energy One Ltd (ASX:EOL) (appointed 10 December 2022) and Bridge SaaS Limited (ASX:BGE) (appointed 24 May 2022)

Former public listed company directorships (last 3 years): Non-Executive Director of Dough Limited (ASX:DOU) (1 May 2021 to 29 July 2022) and Optima Technology Group Ltd (ASX:OPA) (formerly Bill Identity Limited) (28 July 2016 to 2 March 2023), and Executive Chairman of Health House International Limited (ASX:HII) (formerly Velpic Limited) (22 October 2015 to 19 March 2021).

DIRECTORS' REPORT

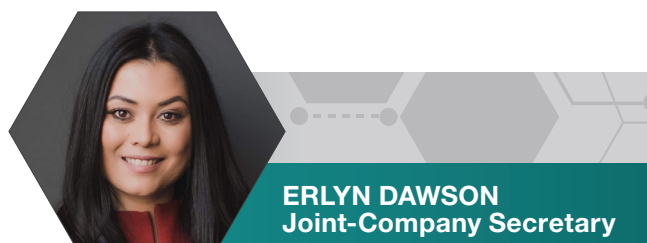
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Number of Meetings Held	Number Attended
Miles Jakeman	12	11
Daniel Lai	12	12
Leanne Graham	12	12

The Directors have determined that the consolidated entity's operations continue not to be of a sufficient magnitude to require the Board Committees outlined in the Corporate Governance Plan. The Board is carrying out the duties that would ordinarily be assigned to each committee under the written terms of reference for that committee.

COMPANY SECRETARY

As at the date of this report, the role of company secretary is held jointly by Erlyn Dawson and Winton Willesee.



Erlyn Dawson is an experienced corporate professional with a broad range of corporate governance and capital markets experience, having been involved with several public company listings, merger and acquisition transactions and capital raisings for ASX-listed companies across a diverse range of industries.

Dawson holds a Bachelor of Commerce (Accounting and Finance) and a Graduate Diploma in Applied Corporate Governance. She is a member of the Governance Institute of Australia/Chartered Secretary.



Winton Willesee is an experienced company director and secretary with over 20 years' experience in various roles within the Australian and international capital markets. Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects.

Willesee holds a Master of Commerce, a Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators/Chartered Secretary.

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the Group consisted of:

- Sales of a secure information management and collaboration software: Kojensi either in-cloud or on-premise and NC Protect for users of the Microsoft software suite;
- Integration of certain Cipherpoint Limited technologies into NC Protect and M365 solutions; and
- Consulting and solutions services for secure information sharing and inter-organisational collaboration related to the above software sales.

DIRECTORS' REPORT

DIVIDENDS

No dividends were paid during the financial year.

REVIEW OF OPERATIONS

Refer to pages 10 – 14 of the annual report for an overview of the FY23 operations, which forms part of this Directors' report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2023 which has significantly affected, or may significantly affect:

- the Company's operations in future financial years, or
- the results of those operations in future financial years, or
- the Company's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Other than as set out in the Outlook section on page 13, information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the consolidated entity, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or part of those proceedings.

SHARES UNDER OPTION

Unissued ordinary shares of archTIS Limited under option at the date of this report are as follows:

Class Code	Grant Date	Expiry Date	Exercise Price	Number under Option
AR9O12	24 Nov 2021	24 Nov 2025	\$0.316	1,750,000
AR9O13	23 Dec 2022	23 Dec 2025	\$0.200	3,337,102
AR9O14	13 Dec 2022	13 Dec 2025	\$0.2000	8,642,851
AR9O15	6 Mar 2023	6 Mar 2026	\$0.1428	2,089,402
AR9O (Listed)	23 Dec 2021	23 Dec 2023	\$.0.350	10,044,257
Total options on issue				25,863,612

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of section 300A of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Overview of remuneration approach and framework

The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The remuneration of Directors and other key management personnel is fixed annually. Incentives are structured to reward outstanding performance against agreed Key Performance Indicators (KPI's) including financial and non-financial metrics.

The consolidated entity did not engage a remuneration consultant to provide recommendations in respect of the remuneration of key management personnel.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board.

The ASX Listing Rules and the Company's Constitution provide that the aggregate annual non-executive directors' fees paid shall not exceed that determined by shareholders in a general meeting. On 24 November 2021, shareholders approved a maximum annual aggregate remuneration of \$500,000 per annum.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved.

The long-term incentives ('LTI') include long service leave and share-based payments. Securities are awarded to executives which vest over periods of approximately two to three years based on LTI measures.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

During the Reporting Period, the key management personnel of the consolidated entity consisted of the following personnel of archTIS Limited. The following persons were key management personnel of the consolidated entity during the whole of the Reporting Period and up to the date of this report, unless otherwise stated:

2023

Directors

Miles Jakeman AM	Chairman
Daniel Lai	Managing Director & Chief Executive Officer
Leanne Graham	Non-executive Director

Key Management Personnel

Kurt Mueffelmann	Global Chief Operations Officer
Kylie Sheather	Chief Financial Officer

During the prior comparative period, the key management personnel of the Group consisted of the following personnel of archTIS Limited.

2022

Directors

Miles Jakeman AM	Chairman
Daniel Lai	Managing Director & Chief Executive Officer
Leanne Graham	Non-executive Director

Key Management Personnel

Kurt Mueffelmann	Global Chief Operations Officer
Kylie Sheather	Chief Financial Officer

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Details of remuneration (continued)

	Short-term benefits						Total	% of salary assoc. with performance	Share-based payments as a % of total
	Salary & Fees	Cash bonus	Other	Share-based payments	Post employment super	Long service leave			
	\$	\$	\$	\$	\$	\$	\$	%	%
2023									
Non-Executive Directors									
Miles Jakeman AM	75,000	-	-	40,056	7,875	-	122,931	-	33%
Leanne Graham	54,756	-	-	30,042	-	-	84,798	-	35%
Executive Directors									
Daniel Lai	300,000	23,797	47,169	26,641	44,352	5,000	446,959	40%	6%
Key Management Personnel									
Kurt Mueffelmann*	372,587	23,041	35,735	29,150	-	-	460,513	30%	6%
Kylie Sheather	280,000	35,535	21,975	23,027	36,308	5,219	402,064	30%	6%
2022									
Non-Executive Directors									
Miles Jakeman AM	75,000	-	-	37,654	7,156	-	119,810	-	31%
Leanne Graham	54,756	-	-	26,613	-	-	81,369	-	33%
Executive Directors									
Daniel Lai	319,800	19,113	-	14,711	33,987	5,000	392,611	40%	4%
Key Management Personnel									
Kurt Mueffelmann**	344,250	18,777	-	16,709	-	-	379,736	30%	4%
Kylie Sheather	252,526	25,520	825	12,562	27,933	4,776	324,142	30%	4%

*Estimated AUD remuneration based on USD to AUD 2022/23 average exchange rate of 1.4903

**Estimated AUD remuneration based on USD to AUD 2021/22 average exchange rate of 1.377

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Services Agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements with the company or its subsidiaries. Details of these agreements are as follows:

Name: Daniel Lai

Title: Chief Executive Officer

Agreement commenced: 29 June 2018

Term of agreement: No fixed term. Six-month termination period.

Details: The remuneration of Lai is \$331,500 per year including statutory superannuation, plus variable compensation of an additional 90% of base salary, comprising of an annual cash bonus and long-term equity incentives, based on financial KPIs set by the Board.

Name: Kylie Sheather

Title: Chief Financial Officer

Agreement commenced: 24 May 2021

Term of agreement: No fixed term. Four-week termination period.

Details: The remuneration of Sheather is \$309,400 per year including statutory superannuation, plus variable compensation of an additional 80% of base salary, comprising of an annual cash bonus and long-term equity incentives, based on KPIs set by the Board.

Name: Kurt Mueffelman

Title: Global Chief Operating Officer of archTIS and President of US Operations

Agreement commenced: 23 December 2020

Term of agreement: Annual term, renewed automatically unless either party gives notice not to extend at least 30 days prior to the renewal date. In the event of termination without cause or resignation for good reason (unremedied cause), in addition to accrued amounts, Mueffelman will receive salary and bonus continuation equal to 12 months base salary plus bonus and performance-based securities, and up to 12 months continued insurance benefits.

Details: The remuneration of Mueffelman is US\$250,000 per year, plus variable compensation of an additional 80% of base salary, comprising of an annual cash bonus and long-term equity incentives, based on KPIs set by the Board.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Share-based compensation

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

	Grant Date	Vesting Date	Expiry Date	Exercise Price	Value Per Option	Number Under Option
AR9012 Class						
Non-Executive Directors						
Miles Jakeman AM	24 Nov 21	24 Nov 22	24 Nov 25	\$0.316	\$0.097	333,333
	24 Nov 21	24 Nov 23	24 Nov 25	\$0.316	\$0.097	333,333
	24 Nov 21	24 Nov 24	24 Nov 25	\$0.316	\$0.097	333,334
Leanne Graham	24 Nov 21	24 Nov 22	24 Nov 25	\$0.316	\$0.097	250,000
	24 Nov 21	24 Nov 23	24 Nov 25	\$0.316	\$0.097	250,000
	24 Nov 21	24 Nov 24	24 Nov 25	\$0.316	\$0.097	250,000

* Subject to continued engagement as a director of the Company on the date of vesting.

AR9012 options were granted to the non-executive directors as part of their remuneration packages. The options are exercisable by the holder from the vesting date. If the holder ceases to be a director of the Company, vested options will lapse six months after cessation of engagement. Unvested options will lapse immediately upon cessation of engagement.

There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise. Options granted carry no dividend or voting rights.

	Grant Date	Vesting Date	Expiry Date	Exercise Price	Value Per Option	Number Under Option
AR9015 Class						
Executive Directors						
Daniel Lai	6 Mar 23	30 Jun 23	6 Mar 26	\$0.1428	\$0.0385	70,028
	6 Mar 23	30 Jun 24	6 Mar 26	\$0.1428	\$0.0385	70,028
	6 Mar 23	30 Jun 25	6 Mar 26	\$0.1428	\$0.0385	70,028
Key Management Personnel						
Kurt Mueffelmann	21 Apr 23	30 Jun 23	6 Mar 26	\$0.1428	\$0.0385	83,011
	21 Apr 23	30 Jun 24	6 Mar 26	\$0.1428	\$0.0385	83,011
	21 Apr 23	30 Jun 25	6 Mar 26	\$0.1428	\$0.0385	83,011
Kylie Sheather	6 Mar 23	30 Jun 23	6 Mar 26	\$0.1428	\$0.0385	65,359
	6 Mar 23	30 Jun 24	6 Mar 26	\$0.1428	\$0.0385	65,359
	6 Mar 23	30 Jun 25	6 Mar 26	\$0.1428	\$0.0385	65,360

* Subject to continued employment with the Company on the date of vesting.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Share-based compensation (continued)

AR9O15 options were granted to the executive directors and key management personnel as part of their remuneration packages. The options are exercisable by the holder from the vesting date. If the holder ceases to be an employee of the Company, vested options will lapse six months after cessation of engagement. Unvested options will lapse immediately upon cessation of engagement.

There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise. Options granted carry no dividend or voting rights.

Share holding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Opening Balance	Received as part of remuneration	Additions	Disposals	Closing Balance
Non-Executive Directors					
Miles Jakeman AM	1,634,545	-	952,380	-	2,586,925
Leanne Graham	773,474	-	238,095	-	1,011,569
Executive Directors					
Daniel Lai	9,595,991	-	238,095	-	9,834,086
Key Management Personnel					
Kurt Mueffelman	17,903,294	121,067	238,095	-	18,262,456
Kylie Sheather	-	91,018	-	-	91,018

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Share-based compensation (continued)

Option & performance rights holding

The number of options and performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Opening Balance	Granted	Exercised/ Vested	Expired/ Forfeited	Closing Balance
Non-Executive Directors					
Miles Jakeman AM	1,360,000	476,190	-	360,000	1,476,190
Leanne Graham	756,612	119,047	-	-	875,659
Executive Directors					
Daniel Lai	619,491	1,379,551 ^{1,2}	-	505,653	1,493,389
Key Management Personnel					
Kurt Mueffelmann	738,867	1,613,244 ²	121,067	574,322	1,656,722
Kylie Sheather	522,794	1,176,470 ²	91,018	431,776	1,176,470

¹ 1,050,420 Performance Rights and 210,084 Tenure Options were issued to Daniel Lai under the Company's Employee Incentive Plan (adopted at the Company's Annual General Meeting held on 24 November 2021). The Company obtained shareholder approval under ASX Listing Rule 10.14 for the issue to Lai at the Company's Annual General Meeting held on 5 October 2022.

² A summary of the vesting conditions attached to these securities is set out in note 24.

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

AUDITOR

RSM Australia Partners ("RSM") continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-audit services

Details of the amounts paid or payable to RSM for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on RSM's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of RSM; and
- none of the services undermine the general principles relating to auditor independence as issued by the Accounting Professional and Ethical Standards (APES) Board set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing RSM's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Corporate Governance

The Company's 2023 Corporate Governance Statement is contained in the 'Corporate Governance' section of the Company's website at <https://www.archtis.com/archtis-asx-ar9-investor-relations/>.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 67.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors,



Miles Jakeman AM

Chairman

23 August 2023

Canberra, ACT



archTIS

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
Revenue	3(a)	6,367,123	4,638,696
Cost of sales		(3,102,642)	(1,367,411)
Gross profit		3,264,481	3,271,285
Other income	3(b)	2,455,468	1,226,002
Sales and marketing	5	(3,824,276)	(4,916,772)
General administration	5	(10,439,180)	(9,218,746)
Loss before income tax		(8,543,507)	(9,638,231)
Income tax (expense) / benefit	6	305,552	192,943
Other comprehensive income		-	-
Total comprehensive loss for the year		(8,237,955)	(9,445,288)
Basic earnings per share	35	(2.99)	(3.76)
Diluted earnings per share	35	(2.76)	(3.58)

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023 \$	2022 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	3,245,108	6,520,536
Trade and other receivables	8	4,289,228	2,481,598
Other current assets	9	3,688,316	2,061,626
Provision for income tax		16,145	-
Total current assets		11,238,797	11,063,760
Non-current assets			
Other non-current assets	10	67,501	92,789
Property, plant and equipment	11	152,773	91,035
Intangible assets	12	12,701,443	14,695,423
Right-of-use asset	13	714,675	951,729
Total non-current assets		13,636,392	15,830,976
Total assets		24,875,189	26,894,736
LIABILITIES			
Current liabilities			
Trade and other payables	14	2,264,880	743,928
Employee benefits	15	346,490	533,296
Provisions	16	339,314	277,845
Other current liabilities	17	5,784,915	2,289,530
Lease liabilities	18	181,616	214,603
Borrowings	19	1,000	-
Total current liabilities		8,918,215	4,059,202
Non-current liabilities			
Employee benefits	15	176,231	104,987
Provisions	16	78,309	76,990
Other non-current liabilities	20	705,305	1,454,368
Deferred tax liabilities	21	963,627	1,224,722
Lease liabilities	18	597,742	771,160
Total non-current liabilities		2,521,214	3,632,227
Total liabilities		11,439,429	7,691,429
NET ASSETS		13,435,760	19,203,307
EQUITY			
Issued capital	22	43,276,195	41,099,800
Reserves	23	1,542,027	1,248,014
Retained profits / (accumulated losses)	25	(31,382,462)	(23,144,507)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF ARCHTIS LIMITED		13,435,760	19,203,307

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

Consolidated	Note	Issued capital	Reserves	Retained profits	Total equity
		\$	\$	\$	\$
Balance at 1 July 2022		41,099,800	1,248,014	(23,144,507)	19,203,307
Total comprehensive income for the year		-	-	(8,237,955)	(8,237,955)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of share capital	22	2,300,802	-	-	2,300,802
Exercise of options	22	61,740	(19,740)	-	42,000
Vesting of performance rights	22	73,472	(73,472)	-	-
Capital raise fees	22	(259,619)	-	-	(259,619)
Foreign exchange reserve	23	-	174,832	-	174,832
Share-based payments	23	-	212,393	-	212,393
Balance at 30 June 2023	22,23,25	43,276,195	1,542,027	(31,382,462)	13,435,760
Balance at 1 July 2021		32,636,977	707,660	(13,699,219)	19,645,418
Total comprehensive income for the year		-	-	(9,445,288)	(9,445,288)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of share capital	22	9,127,753	-	-	9,127,753
Capital raise fees	22	(664,930)	-	-	(664,930)
Foreign exchange reserve	23	-	402,844	-	402,844
Share-based payments	23	-	137,510	-	137,510
Balance at 30 June 2022	22,23,25	41,099,800	1,248,014	(23,144,507)	19,203,307

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated 2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,648,865	2,369,862
Payments to suppliers and employees (inclusive of GST)		(14,486,307)	(14,597,445)
Receipts from R&D tax incentive		1,785,442	1,487,476
Government grants & incentives		72,600	174,937
Interest received		48,102	1,775
Interest paid		(7,229)	(4,227)
Income tax paid		(17,380)	(1,896)
Net cash provided by / (used in) operating activities	34	<u>(4,955,907)</u>	<u>(10,569,518)</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		72,426	-
Purchase of property, plant and equipment	11	(112,503)	(26,649)
Payment for purchase of business, net of cash acquired		-	(1,757,711)
Net cash provided by / (used in) investing activities		<u>(40,077)</u>	<u>(1,784,360)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,000	-
Proceeds from issue of shares		2,242,802	7,018,953
Costs of capital raise		(249,157)	(664,930)
Repayments under leases		(263,289)	(210,593)
Net cash provided by / (used in) financing activities		<u>1,731,356</u>	<u>6,143,430</u>
Net increase / (decrease) in cash held		(3,264,628)	(6,210,448)
Cash and cash equivalents at beginning of period		6,520,536	12,739,159
Effects of exchange rate changes on cash and cash equivalents		(10,800)	(8,175)
Cash and cash equivalents at end of period	7	<u><u>3,245,108</u></u>	<u><u>6,520,536</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 1. Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The consolidated entity incurred a loss after tax of \$8,237,955 (2022 \$9,445,288) and had net operating cash outflows of \$4,955,907 (2022: \$10,569,518). The entity has prepared a cash flow forecast which indicates that the entity has sufficient cash to meet its debts as and when they fall due and payable.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The consolidated entity is currently exploring sales opportunities with various potential customers across the Government and Private sectors;
- Following a successful capital raising in December 2022 of \$2.2 million and the arrangement of short-term debt facilities of \$1.5 million, the consolidated entity has available cash as at 30 June 2023 of \$3.2 million. A further \$2 million cash has been collected during July 2023.
- If necessary, the Company will consider additional capital raising activities through the issue of new share capital.

(b) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(c) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(d) Parent company information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

(e) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of archTIS Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. archTIS Limited and its subsidiaries together are referred to in these financial statements the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has

rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(f) Foreign currency translation

The financial statements are presented in Australian dollars, which is archTIS Limited's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 1. Significant Accounting Policies

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(g) Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent

events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(h) Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(i) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses

and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

archTIS Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 1. Significant Accounting Policies

to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

(j) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when:

- it is either expected to be settled in the consolidated entity's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(l) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(m) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

(n) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	Term of lease
Office furniture & equipment	2-5 years
Computer equipment	2-4 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(o) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 1. Significant Accounting Policies

liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(p) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to

profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Research and development tax incentive

The Research and Development Tax Incentive (RDTI) is a refundable tax offset that is calculated as 43.5% of the eligible research and development expenditure that has been incurred by the consolidated entity. The Directors consider any payment arising from the RDTI to be a form of government assistance and are of the view that it is appropriate to recognise RDTI receipts as Government Grants in accordance with AASB120 Accounting for Government Grants and Disclosure of Government Assistance.

As such, RDTI refunds are recognised when there is a sufficient degree of certainty that the consolidated entity will comply with the conditions attaching to RDTI and that the payment will be received. Such refunds are recognised in the Statement of profit and loss and other comprehensive income on a systematic basis over the periods in which the consolidated entity recognises the related costs for which the assistance is intended to compensate. The proportion of the refund that relates to capitalised development is deducted against the carrying amount of the related non-current assets.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line

basis over the period of their expected benefit, being their finite life of between 3 to 5 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of between 3 to 5 years.

(q) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 1. Significant Accounting Policies

depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(t) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(u) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(v) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(w) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services

that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Binomial option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 1. Significant Accounting Policies

is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(x) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period

to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(y) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(z) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

(aa) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or

liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

(bb) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of archTIS Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(cc) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 1. Significant Accounting Policies

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(dd) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations

(ee) Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 2: Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 24 for further information.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 12 for further information.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated

entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 3. Revenue

	Consolidated	
	2023	2022
	\$	\$
(a) Revenue from contracts with customers		
Licensing	3,171,060	2,609,554
Services	2,777,174	2,029,142
Equipment	418,889	-
	6,367,123	4,638,696
(b) Other income		
Government grants (i)	2,336,272	1,224,227
Interest income	48,102	1,775
Other income (ii)	71,094	-
	2,455,468	1,226,002

(i) Government grants mainly comprise research & development tax incentives and also include an amount for export market development grant.

(ii) Other income relates to insurance proceeds relating to a property damage claim at the Canberra head office net of the written down value of property, plant & equipment disposed.

Licensing

Licensing revenue represents recurring revenue from archTIS solutions developed, customised and maintained for customers including Kojensi SaaS, NC Protect, cp.Protect and cp.Discover delivered to Australian and international customers.

Services

Services revenue includes archTIS services relating to systems integration and security consulting.

Note 4: Operating segments

Identification of reportable operating segments

The consolidated entity operates under a single operating segment selling software and services relating to information management, sharing and collaboration. The internal report for the segment is reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Major customers

During the year ended 30 June 2023 approximately \$3,760,000 (2022: \$3,087,000) of the consolidated entity's external revenue was derived from sales to the Australian government.

Geographical information

Segment information by geographical regions is not available, and the cost to develop this information would be excessive.

NOTES TO THE FINANCIAL STATEMENTS

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Note 5. Expenses

	Consolidated	
	2023	2022
	\$	\$
(a) Employee benefits		
Salaries and wages	6,401,127	6,032,364
Superannuation	541,439	427,219
Other employee benefits	722,514	931,866
Share-based payments	212,393	137,509
less: capitalised to software development	(2,164,120)	(2,781,318)
	5,713,353	4,747,640
(b) Depreciation and amortisation		
Depreciation - property, plant and equipment	282,927	234,881
Amortisation - intangibles	4,423,865	3,544,499
	4,706,792	3,779,380
(c) Finance costs		
Interest and finance charges paid	64,112	68,810
	64,112	68,810
(d) Contractors		
Payments to contractors	1,550,615	2,597,076
	1,550,615	2,597,076
(e) Hosting charges		
Hosting charges	408,502	198,255
	408,502	198,255

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 6. Income tax expense

	Note	Consolidated	
		2023 \$	2022 \$
Income tax expense			
Deferred tax		(313,859)	(169,009)
Foreign exchange movement		7,401	(23,934)
Current tax		906	-
Income tax expense / (income)		(305,552)	(192,943)
Loss before income tax		(8,543,507)	(9,638,231)
Tax at the statutory rate of 25% - Australia		(1,669,712)	(1,989,828)
Tax at the statutory rate of 21% (22.83% prior year) – USA		(317,019)	(257,690)
Tax at the statutory rate of 19% – UK		(62,924)	(82,613)
Tax at the statutory rate of 15.8% – Germany		906	-
Total tax at the statutory rate		(2,048,749)	(2,330,131)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Entertainment expenses		2,376	2,508
Share-based payments		53,098	34,377
Research & development expenditure		708,068	225,826
Intangible amortisation - internally generated		514,584	354,274
Income from Covid-19 economic incentives		-	(7,500)
Income from research & development incentives		(565,918)	(253,573)
Other		234	588
Sub-total		712,442	356,500
Current year deferred tax not recognised		1,030,755	1,532,311
Deferred tax asset derecognised		-	248,377
		1,030,755	1,780,688
Income tax expense / (income)		(305,552)	(192,943)

A net deferred tax asset of \$4,982,999 (\$4,060,782 relating to tax losses) has not been recognised on the basis it is not probable that taxable profit will be available against which the temporary differences may be utilised while the company is claiming the refundable research and development tax offset.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 7. Cash and cash equivalents

	Consolidated	
	2023	2022
	\$	\$
Cash and cash equivalents		
Cash at bank	2,927,378	6,467,310
Cash on deposit	317,730	53,226
	<u>3,245,108</u>	<u>6,520,536</u>

Note 8. Trade and other receivables

	Consolidated	
	2023	2022
	\$	\$
Trade receivables	4,249,660	2,472,815
less: Allowance for expected credit losses	-	-
	<u>4,249,660</u>	<u>2,472,815</u>
Other receivables	39,568	8,783
	<u>4,289,228</u>	<u>2,481,598</u>

Allowance for expected credit losses

The consolidated entity has made no allowance for expected credit losses for the current financial year (2022: nil).

The ageing of the trade receivables and allowance for expected credit losses provided for above are as follows :

	2023 Carrying amount \$	2023 Allowance for expected credit losses \$
Not yet due	4,098,443	-
0 - 3 months overdue	144,626	-
3 - 6 months overdue	6,591	-
6+ months overdue	-	-
	<u>4,249,660</u>	<u>-</u>

Note 9. Other current assets

	Consolidated	
	2023	2022
	\$	\$
Prepayments & deposits	1,187,304	247,453
Accrued income	302,075	143,778
Research & development tax incentive	2,080,725	1,602,810
Capitalised commissions	118,212	67,585
	<u>3,688,316</u>	<u>2,061,626</u>

NOTES TO THE FINANCIAL STATEMENTS

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Note 10. Other non-current assets

	Consolidated	
	2023	2022
	\$	\$
Capitalised commissions	67,501	92,789
	<u>67,501</u>	<u>92,789</u>

Note 11. Property, plant & equipment

	Consolidated	
	2023	2022
	\$	\$
Leasehold improvements - at cost	85,512	-
less: accumulated depreciation	(2,041)	-
	<u>83,471</u>	<u>-</u>
Computer equipment - at cost	259,037	374,057
less: accumulated depreciation	(212,035)	(305,334)
	<u>47,002</u>	<u>68,723</u>
Office equipment - at cost	56,670	136,307
less: accumulated depreciation	(34,370)	(113,995)
	<u>22,300</u>	<u>22,312</u>
	<u>152,773</u>	<u>91,035</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous year are set out below:

	Leasehold improvements	Computer equipment	Office equipment	Total
	\$	\$	\$	\$
Balance at 1 July 2021	-	91,772	16,137	107,909
Additions	-	14,834	11,815	26,649
Disposals	-	-	-	-
Depreciation	-	(37,883)	(5,640)	(43,523)
Balance at 30 June 2022	<u>-</u>	<u>68,723</u>	<u>22,312</u>	<u>91,035</u>
Balance at 1 July 2022	-	68,723	22,312	91,035
Additions	85,512	20,708	6,283	112,503
Disposals	-	(4,220)	(672)	(4,892)
Depreciation	(2,041)	(38,209)	(5,623)	(45,873)
Balance at 30 June 2023	<u>83,471</u>	<u>47,002</u>	<u>22,300</u>	<u>152,773</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 12. Intangible assets

The proportion of product design and development expenses, less any tax incentive applicable, that create a benefit in future years, and meet certain requirements are capitalised as an intangible asset. These capitalised costs (intangibles) are then amortised to the Profit and Loss Statement over the estimated life of the asset created. The carrying value of intangibles is reviewed for impairment whenever events indicate that the carrying value may not be recoverable.

Intangible assets recognised

The main intangible assets recognised during the financial period were for internally generated computer software and technology/ in-progress development.

Internally-generated software

Internally-generated software development costs qualify for capitalisation when the consolidated entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- that the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset can be reliably measured during development.

Internally-generated software development costs have a finite useful life and are amortised on a straight-line basis over their estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The internally-generated software development assets have a useful life of five years and are amortised on a straight-line basis commencing from the time the assets are held ready for use. Costs are incurred after the general release of internally generated software or costs which are incurred to enhance existing products are expensed in the period in which they are incurred and included within research and development expense in the financial statements.

Development in progress

Research and development expenditure during the research phase of a project is recognised as an expense when incurred.

Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. The consolidated entity assesses the eligibility of development costs for capitalisation on a project-by-project basis.

Development costs capitalised are assessed annually for impairment. Costs capitalised to a project that is unlikely to deliver future economic benefits are recognised as an expense at the date of impairment.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 12. Intangible assets (continued)

Customer contracts

Customer contracts represents those acquired as part of the acquisition of Nucleus Cyber Inc and the software division of Cipherpoint Limited in prior periods. Customer contracts are amortised over 3-5 years.

Software

Software acquired represents those acquired as part of the acquisition of Nucleus Cyber Inc and the software division of Cipherpoint Limited. Software is amortised over the useful lives of 3-5 years.

Goodwill

Goodwill on acquisition is derived as the difference between the fair value of the purchase consideration and the fair value of the net assets acquired. This amount is not amortised but rather is subject to an annual impairment test.

	Internally generated software \$	Development in progress \$	Customer contracts \$	Software \$	Goodwill \$	Total \$
2023						
<i>Cost</i>						
Balance at 1 July 2022	8,245,624	3,732,736	2,044,823	8,514,291	2,789,524	25,326,998
Commercialisation of development to software	2,214,477	(2,214,477)	-	-	-	-
Additions	-	2,164,121	-	-	-	2,164,121
Effect of foreign exchange translation	-	-	72,856	268,697	-	341,553
Balance at 30 June 2023	10,460,101	3,682,380	2,117,679	8,782,988	2,789,524	27,832,672
<i>Accumulated amortisation</i>						
Balance at 1 July 2022	(3,944,967)	-	(706,414)	(2,397,136)	-	(7,048,517)
Amortisation	(2,058,335)	-	(338,697)	(2,026,833)	-	(4,423,865)
Impairment	-	-	-	-	-	-
Effect of foreign exchange translation	-	-	(27,720)	(97,138)	-	(124,858)
Balance at 30 June 2023	(6,003,302)	-	(1,072,831)	(4,521,107)	-	(11,597,240)
<i>Deferred research & development tax incentive</i>						
Balance at 1 July 2022	(1,959,318)	(1,623,740)	-	-	-	(3,583,058)
Additions	-	(941,394)	-	-	-	(941,394)
Re-classification	(963,297)	963,297	-	-	-	-
Recognised in income	990,463	-	-	-	-	990,463
Balance at 30 June 2023	(1,932,152)	(1,601,837)	-	-	-	(3,533,989)
Net book value at 30 June 2023	2,524,647	2,080,543	1,044,848	4,261,881	2,789,524	12,701,443

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 12. Intangible assets (continued)

	Internally generated software \$	Development in progress \$	Customer contracts \$	Software \$	Goodwill \$	Total \$
2022						
<i>Cost</i>						
Balance at 1 July 2021	5,925,324	3,271,719	1,719,475	6,373,926	2,789,524	20,079,968
Commercialisation of development to software	2,320,300	(2,320,300)	-	-	-	-
Additions	-	2,781,317	-	3,035	-	2,784,352
Recognised in business combinations	-	-	167,904	1,555,359	-	1,723,263
Effect of foreign exchange translation	-	-	157,444	581,971	-	739,415
Balance at 30 June 2022	8,245,624	3,732,736	2,044,823	8,514,291	2,789,524	25,326,998
<i>Accumulated amortisation</i>						
Balance at 1 July 2021	(2,527,873)	-	(171,947)	(637,393)	-	(3,337,213)
Amortisation	(1,417,094)	-	(494,007)	(1,633,398)	-	(3,544,499)
Impairment	-	-	-	-	-	-
Effect of foreign exchange translation	-	-	(40,460)	(126,345)	-	(166,805)
Balance at 30 June 2022	(3,944,967)	-	(706,414)	(2,397,136)	-	(7,048,517)
<i>Deferred research & development tax incentive</i>						
Balance at 1 July 2021	(1,344,303)	(1,650,235)	-	-	-	(2,994,538)
Additions	-	(1,209,873)	-	-	-	(1,209,873)
Re-classification	(1,236,368)	1,236,368	-	-	-	-
Recognised in income	621,353	-	-	-	-	621,353
Balance at 30 June 2022	(1,959,318)	(1,623,740)	-	-	-	(3,583,058)
Net book value at 30 June 2022	2,341,339	2,108,996	1,338,409	6,117,155	2,789,524	14,695,423

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 12. Intangible assets (continued)

The table below sets out the carrying amount of goodwill and intangible assets allocated to the consolidated entity's two Cash Generating Units (CGUs): Kojensi and NC Protect:

	NC Protect	Kojensi	TOTAL
	\$	\$	\$
Development in progress	521,154	1,559,389	2,080,543
Internally generated software	192,207	2,332,440	2,524,647
Customer contracts	1,044,848	-	1,044,848
Software	4,261,881	-	4,261,881
Goodwill	2,789,524	-	2,789,524
	8,809,614	3,891,829	12,701,443

The recoverable amount of the consolidated entity's Intangible Assets has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5-year projection period approved by management. The key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the new products:

- 14.6% post-tax discount rate. This discount rate reflects management's estimate of the time value of money and the entity's weighted average cost of capital adjusted for the product, the risk-free rate and the volatility of the share price relative to market movements;
- Projected revenue growth rate based on current sales pipeline, projected sales through current reseller partners, sales through new partnerships with resellers and increased users with existing customers;
- Management has performed a thorough line-by-line review of the current sales pipeline and then taken a conservative estimate of sales, projected sales through current and new reseller partners, and estimated increase in users with existing customers;
- Annual retention (renewals) rate of 90% for licensing and 100% for services;
- 4-20% per annum increase in operating costs and overheads; and,
- A terminal value arrived at using a long-term company cash growth rate of 3.25% - in line with the long-term inflation rate.

These assumptions were applied consistently to the consolidated entity's two CGUs, Kojensi and NC Protect.

Based on the above, no impairment charge has been applied to the internally generated software and development in progress or the Nucleus Cyber Inc cash generating unit as the discounted recoverable amount for the cash generating unit exceeds the carrying value of the intangibles.

NOTES TO THE FINANCIAL STATEMENTS

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Note 13. Right-of-use asset

	Consolidated	
	2023	2022
	\$	\$
Balance as at 1 July	951,729	1,092,021
Additions	-	51,066
Adjustment to lease arrangement	-	-
Depreciation	(237,054)	(191,358)
Balance as at 30 June	<u>714,675</u>	<u>951,729</u>

The right-of-use asset represents the lease of the Canberra head office which has a lease term of 3 years with an option to extend after this period and the lease of a Melbourne regional office.

Note 14. Trade and other payables

	Consolidated	
	2023	2022
	\$	\$
Trade payables	1,852,815	491,352
Other payables	412,065	252,576
	<u>2,264,880</u>	<u>743,928</u>

Note 15. Employee benefits

	Consolidated	
	2023	2022
	\$	\$
Current		
Liability for annual leave	312,662	389,453
Liability for long service leave	33,828	143,843
	<u>346,490</u>	<u>533,296</u>
Non-current		
Liability for long service leave	176,231	104,987
	<u>176,231</u>	<u>104,987</u>
	<u>522,721</u>	<u>638,283</u>

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits

The consolidated entity's net obligation in relation to long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is calculated using expected future increases in salaries including related on-costs and expected settlement dates and is discounted to present value at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

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Note 16. Provisions

	Consolidated	
	2023	2022
	\$	\$
Current		
Contingent consideration	-	100,000
Other	339,314	177,845
	<u>339,314</u>	<u>277,845</u>
Non-current		
Lease make good	78,309	76,990
	<u>78,309</u>	<u>76,990</u>
	<u>417,623</u>	<u>354,835</u>

Recognition and measurement

A provision is recognised when the consolidated entity has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation. The provision is calculated by discounting the expected future cash flows.

Lease make good

The lease make good provision represents the value of the estimated costs to make good the premises leased by the consolidated entity at the end of the lease term.

Note 17. Other current liabilities

	Consolidated	
	2023	2022
	\$	\$
Accrued expenses	642,900	549,362
Deferred revenue	5,142,015	1,740,168
	<u>5,784,915</u>	<u>2,289,530</u>

Note 18. Lease liabilities

	Consolidated	
	2023	2022
	\$	\$
Balance as at 1 July	985,763	1,080,706
Additions	-	51,066
Interest	56,883	64,584
Payments made	(263,288)	(210,593)
Balance as at 30 June	<u>779,358</u>	<u>985,763</u>
Current	181,616	214,603
Non-current	597,742	771,160
	<u>779,358</u>	<u>985,763</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 19. Borrowings

	Consolidated	
	2023	2022
	\$	\$
Bank loan	1,000	-
	1,000	-

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	2023	2022
<i>Current</i>		
Bank loan	1,000	-
<i>Non-current</i>		
Bank loan	-	-
	1,000	-

Assets pledged as security

The bank loan is secured by a term deposit of \$214,500 held with the bank.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2023	2022
	\$	\$
Total facilities		
Bank loan	1,500,000	-
	1,500,000	-
Used at reporting date		
Bank loan	1,000	-
	1,000	-
Unused at reporting date		
Bank loan	1,499,000	-
	1,499,000	-

Note 20. Other non-current liabilities

	Consolidated	
	2023	2022
	\$	\$
Deferred revenue	705,305	1,454,368
	705,305	1,454,368

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 21. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Opening balance	Credited / (charged) to profit or loss	Balance recognised on acquisition	Changes in tax rates	Closing balance
	\$	\$	\$	\$	\$
2023					
<i>Deferred tax asset on:</i>					
Accrued income & prepayments	-	-	-	-	-
Property, plant & equipment	-	-	-	-	-
Provisions	-	-	-	-	-
Costs of raising equity	-	-	-	-	-
Accrued expenditure	-	-	-	-	-
Lease incentives	-	-	-	-	-
Tax losses	-	-	-	-	-
Deferred tax asset	-	-	-	-	-
<i>Deferred tax liability on:</i>					
Intangible assets	(1,224,722)	261,095	-	-	(963,627)
Deferred tax liability	(1,224,722)	261,095	-	-	(963,627)
Net deferred tax asset / (liability)	(1,224,722)	261,095	-	-	(963,627)

	Opening balance	Credited / (charged) to profit or loss	Balance recognised on acquisition	Changes in tax rates	Closing balance
	\$	\$	\$	\$	\$
2022					
<i>Deferred tax asset on:</i>					
Accrued income & prepayments	-	-	-	-	-
Property, plant & equipment	-	-	-	-	-
Provisions	-	-	-	-	-
Costs of raising equity	-	-	-	-	-
Accrued expenditure	-	-	-	-	-
Lease incentives	-	-	-	-	-
Tax losses	263,781	(263,781)	-	-	-
Deferred tax asset	263,781	(263,781)	-	-	-
<i>Deferred tax liability on:</i>					
Intangible assets	(1,662,952)	480,206	(41,976)	-	(1,224,722)
Deferred tax liability	(1,662,952)	480,206	(41,976)	-	(1,224,722)
Net deferred tax asset / (liability)	(1,399,171)	216,425	(41,976)	-	(1,224,722)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 22. Issued capital

	2023 Shares	Consolidated 2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	285,580,331	263,803,207	43,276,195	41,099,800

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	30-Jun-21	226,845,057		32,636,977
Issue of shares	26-Jul-21	6,390,302	\$0.3300	2,108,800
Exercise of options	12-Aug-21	400,000	\$0.2000	80,000
Exercise of options	12-Aug-21	35,000	\$0.2400	8,400
Issue of shares	18-Nov-21	28,260,870	\$0.2300	6,500,000
Exercise of options	23-Dec-21	1,871,978	\$0.2300	430,553
Share issue transaction costs, net of tax		-	-	(664,930)
Balance	30-Jun-22	263,803,207		41,099,800
Shares released from escrow NC Inc acquisition	15-Feb-22	-	-	100,000
Exercise of options	10-Oct-22	420,000	\$0.1000	61,740
Issue of shares	9-Dec-22	12,857,142	\$0.1050	1,350,000
Vesting of performance rights	15-Dec-22	201,483	-	70,342
Issue of shares	23-Dec-22	6,674,268	\$0.1050	700,802
Issue of shares	23-Feb-23	1,428,570	\$0.1050	150,000
Vesting of performance rights	22-Jun-23	195,661	-	3,130
Share issue transaction costs, net of tax		-	-	(259,619)
Balance	30-Jun-23	285,580,331		43,276,195

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives are to prudently manage capital so as to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 23. Reserves

	Consolidated	
	2023	2022
	\$	\$
Share-based payments reserve	976,075	856,894
Foreign currency reserve	565,952	391,120
	<u>1,542,027</u>	<u>1,248,014</u>

Share-based payments reserve

This reserve is used to recognise equity-settled share-based payments to certain suppliers, directors and employees. Under AASB 2, options and performance rights granted are measured at fair value at the date of the grant, using a Binomial valuation. The valuation of each tranche of options and performance rights granted is expensed on a straight-line basis over the vesting period, subject to performance conditions being met if applicable.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share-based payments	Consolidated	
		Foreign currency	Total
	\$	\$	\$
Balance at 1 July 2021	719,384	(11,724)	707,660
Share-based payments	137,510	-	137,510
Arising due to translation of financial statements for foreign subsidiaries	-	402,844	402,844
Balance at 30 June 2022	<u>856,894</u>	<u>391,120</u>	<u>1,248,014</u>
Balance at 1 July 2022	856,894	391,120	1,248,014
Share-based payments	119,181	-	119,181
Arising due to translation of financial statements for foreign subsidiaries	-	174,832	174,832
Balance at 30 June 2023	<u>976,075</u>	<u>565,952</u>	<u>1,542,027</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 24. Share-based payments

Performance rights

Under the long-term incentive plan, performance rights are offered to participants which entitle the holder to ordinary shares in the company subject to meeting certain financial performance hurdles and the holder remaining in employment with the company until the nominated vesting date.

The performance hurdles in relation to performance rights granted in the 2023 financial year are subject to financial performance conditions which measure growth in revenue, annual recurring revenue and containment of operating costs. The performance hurdles are challenging but achievable and focus executives on sales growth consistent with shareholder wealth creation.

The long-term incentive plan runs over a two-year performance period and the rights will only vest if the performance hurdles are achieved. If the vesting conditions and performance hurdles are achieved, ordinary shares will be issued to the participants at no cost. If the performance hurdles are not met, then the rights lapse.

For performance rights granted to executives for the 2023 financial year, the vesting proportions based on the performance hurdles outlined in the Notice of Annual General Meeting announced 5 September 2022 (Schedule 4) are outlined in the table below.

Revenue for the financial period	Proportion of performance rights to vest if revenue hurdle is met*
Less than 75% of target	0%
Between 75% - 100% of target	Straight line vesting between 0% and 40%
Greater than 100% of target	40%
Annual recurring revenue for the financial period	Proportion of performance rights to vest if annual recurring revenue hurdle is met*
Less than 75% of target	0%
Between 75% - 100% of target	Straight line vesting between 0% and 40%
Greater than 100% of target	40%
Operating costs for the financial period	Proportion of performance rights to vest if operating costs hurdle is met*
Greater than 125% of target	0%
Between 100% - 125% of target	Straight line vesting between 0% and 20%
Less than 100% of target	20%

- * Subject to the holder remaining an 'Eligible Participant' under the Company's Employee Incentive Plan as at:
- 15 December 2023, at which point 50% of performance rights that have previously met the relevant performance milestone will vest; and
 - 15 June 2024, at which point the balance of the performance rights that have previously met the relevant performance milestone will vest.

The Incentive Performance Rights expire on 6 March 2025.

Tenure options

Under the long-term incentive plan, tenure options are offered to participants which entitle the holder to purchase ordinary shares in the company subject to remaining in employment with the company until the nominated vesting dates.

The long-term incentive plan runs over a three-year performance period. If the vesting conditions are achieved, the employee can exercise the vested options. Ordinary shares will be issued to the participants at an exercise price of \$0.1428 per option.

The Tenure Options expire on 6 March 2026.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 24. Share-based payments (continued)

Recognition and measurement

The grant date fair value of performance rights granted to employees is recognised as an employee benefits expense, with a corresponding increase in equity (share-based payment reserve), over the specified two-year period that the performance rights vest. The amount recognised as an expense is adjusted to reflect the actual number of performance rights for which the related service and performance hurdles are met, such that the amount ultimately recognised as an expense is based on the number of performance rights that meet the related service and performance conditions at the vesting date.

The grant date fair value of tenure options granted to employees is recognised as an employee benefits expense, with a corresponding increase in equity (share-based payment reserve), over the specified three-year period that the tenure options vest. The amount recognised as an expense is adjusted to reflect the actual number of tenure options for which the related employment service conditions are met, such that the amount ultimately recognised as an expense is based on the number of tenure options that meet the related service conditions at the vesting date.

Fair value

During the year 5,983,336 performance rights were granted to employees under the Company's Employee Incentive Plan (adopted at the Company's Annual General Meeting on 24 November 2021) (2022: 3,048,170) at a weighted average fair value of \$0.098 (2022: \$0.19). During the year 2,089,402 options were granted to employees under the Company's Employee Incentive Plan (adopted at the Company's Annual General Meeting on 24 November 2021) (2022: 1,750,000) at a weighted average fair value of \$0.038 (2022: \$0.097).

The amount recognised as employee benefits (Note 5(a)) in the current financial year for share-based payment transactions was \$212,393 (2022: \$137,510).

Number of options / performance rights

2023	Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year	Vested/ exercised during the year	Forfeited during the year	Balance at end of the year
AR90 listed options	23/12/2021	23/12/2023	\$0.35	10,044,257	-	-	-	10,044,257
AR901	10/10/2017	10/10/2022	\$0.10	420,000	-	(420,000)	-	-
AR903	22/05/2018	01/07/2023	\$0.20	800,000	-	-	-	800,000
AR905	06/09/2018	06/09/2022	\$0.24	1,330,000	-	-	(1,330,000)	-
AR907	20/11/2019	01/07/2023	\$0.20	250,000	-	-	-	250,000
AR908	13/02/2020	13/02/2023	\$0.20	360,000	-	-	(360,000)	-
AR909	30/06/2020	01/07/2023	\$0.10	500,000	-	-	-	500,000
AR9012	24/11/2021	24/11/2025	\$0.316	1,750,000	-	-	-	1,750,000
AR9013	23/12/2022	23/12/2025	\$0.20	-	3,337,102	-	-	3,337,102
AR9014	13/12/2022	13/12/2025	\$0.20	-	8,642,851	-	-	8,642,851
Performance rights FY22	24/11/2021	24/11/2023	-	3,048,170	-	(397,144)	(2,544,434)	106,592
Performance rights FY23	6/03/2023	06/03/2025	-	-	5,983,333	-	-	5,983,333
Tenure options FY23	6/03/2023	06/03/2026	\$0.1428	-	2,089,402	-	-	2,089,402
				18,502,427	20,052,688	(817,144)	(4,234,434)	33,503,537

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 24. Share-based payments (continued)

Number of options / performance rights (continued)

2022	Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year	Vested/ exercised during the year	Forfeited during the year	Balance at end of the year
AR90 listed options	23/12/2021	23/12/2023	\$0.35	-	10,044,257	-	-	10,044,257
AR901	10/10/2017	10/10/2022	\$0.10	420,000	-	-	-	420,000
AR903	22/05/2018	01/07/2023	\$0.20	1,200,000	-	(400,000)	-	800,000
AR905	06/09/2018	06/09/2022	\$0.24	1,365,000	-	(35,000)	-	1,330,000
AR904	06/07/2018	05/07/2021	\$0.20	1,600,000	-	-	(1,600,000)	-
AR907	20/11/2019	01/07/2023	\$0.20	250,000	-	-	-	250,000
AR908	13/02/2020	13/02/2023	\$0.20	360,000	-	-	-	360,000
AR909	30/06/2020	01/07/2023	\$0.10	500,000	-	-	-	500,000
AR9012	24/11/2021	24/11/2025	\$0.316	-	1,750,000	-	-	1,750,000
Performance rights FY22	24/11/2021	24/11/2023	-	-	3,048,170	-	-	3,048,170
				5,695,000	14,842,427	(435,000)	(1,600,000)	18,502,427

Note 25. Retained profits / (accumulated losses)

	Consolidated	
	2023	2022
	\$	\$
Retained losses at the beginning of the financial year	(23,144,507)	(13,699,219)
Loss after income tax expense for the year	(8,237,955)	(9,445,288)
Retained losses at the end of the financial year	(31,382,462)	(23,144,507)

Note 26. Dividends

Dividends

No dividends were paid or declared during the year.

Franking Credits

	Consolidated	
	2023	2022
	\$	\$
Franking credits available for subsequent financial years based on tax rate of 26%	15,549	15,549

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 27. Financial instruments

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk.

Risk management is carried out under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

Market risk

Foreign exchange risk

The consolidated entity is not exposed to any significant foreign exchange risk.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from short-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit. The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. There are no guarantees against any receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with customers to mitigate risk.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Liquidity risk refers to the risk that the consolidated entity maintains sufficient liquid assets to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 28. Key management personnel disclosures

	Consolidated	
	2023	2022
	\$	\$
Short term employee benefits	1,269,596	1,047,157
Post-employment benefits	88,536	64,389
Long term benefits	10,220	5,000
Share-based payments	148,915	137,510
	<u>1,517,267</u>	<u>1,254,056</u>

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company, and its network firms:

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services</i>		
Audit or review of the financial statements	<u>129,148</u>	<u>140,535</u>
<i>Other services</i>		
Review of deferred consideration on acquisition	-	6,000
Tax advice	-	7,500
Research and development tax grant	67,760	61,800
	<u>67,760</u>	<u>75,300</u>
	<u>196,908</u>	<u>215,835</u>

Note 30. Commitments

	Consolidated	
	2023	2022
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities:		
Within one year	20,252	24,585
One to five years	31,206	30,731
	<u>51,458</u>	<u>55,316</u>

Operating lease commitments includes contracted amounts for office and computer equipment under non-cancellable operating leases expiring within one to five years.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 31. Related party transactions

Parent entity

archTIS Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Associates

There are no associates.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2023	2022
	\$	\$
<i>Payments for services from other related parties:</i>		
Payment for Corporate Advisor services from Shop Capital Pty Ltd	17,325	-
Payment for Corporate Advisor services from Amicaa/MST	-	420,000
<i>Transactions with subsidiaries</i>		
Loan to archTIS US, Inc.	(895,503)	2,357,161
Loan to Nucleus Cyber Pty Ltd	60,213	(88,115)
Loan to archTIS UK Limited	386,322	422,482
Loan to archTIS EU GmbH	5,861	51,825
	443,107	2,743,353

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

	Parent	
	2023	2022
	\$	\$
<i>Statement of profit or loss and other comprehensive income</i>		
Loss after income tax	(6,748,570)	(8,026,687)
Total comprehensive income	(6,748,570)	(8,026,687)
<i>Statement of financial position</i>		
Total current assets	10,870,050	10,268,947
Total assets	26,985,112	27,420,056
Total current liabilities	8,428,999	3,632,987
Total liabilities	9,860,193	6,003,374
Net assets	17,124,919	21,416,682
Equity		
Issued capital	43,276,195	41,099,800
Reserves	1,292,652	1,012,241
Retained profits / (accumulated losses)	(27,443,928)	(20,695,359)
Total equity	17,124,919	21,416,682

The parent entity and its subsidiaries are not party to any deeds of cross guarantee under which each company guarantees the debts of the others.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments

The parent entity had no capital commitments as at 30 June 2023 and 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for investments in subsidiaries which are accounted for at cost, less any impairment, in the parent entity.

Note 33. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

	Country of incorporation	Ownership interest	
		2023	2022
		%	%
archTIS EU s.r.o	Czech Republic	100%	100%
archTIS US, Inc.	US	100%	100%
Nucleus Cyber Pty Ltd	Australia	100%	100%
archTIS UK Limited	UK	100%	100%
archTIS EU GmbH	Germany	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 34. Reconciliation of profit after income tax expense to net cash from operating activities

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax expense for the year	(8,237,955)	(9,445,288)
<i>Adjustments for:</i>		
Depreciation and amortisation	4,706,792	3,779,380
Net gain on disposal of assets	(71,094)	-
Share-based payments	212,393	137,510
Interest on lease liabilities	56,883	64,584
Foreign exchange differences	35,663	36,145
<i>Change in operating assets and liabilities:</i>		
(Increase) / decrease in trade and other receivables	(1,807,630)	(1,854,889)
(Increase) / decrease in accrued revenue	(158,297)	(143,778)
(Increase) / decrease in prepayments	(993,077)	(19,935)
(Increase) / decrease in research and development assets	(2,164,120)	(2,192,798)
(Increase) / decrease in other assets	(25,339)	(59,018)
(Increase) / decrease in R&D tax incentive receivable	(477,915)	(168,057)
(Increase) / decrease in deferred tax assets	-	287,866
Increase / (decrease) in trade and other payables	1,497,174	(333,147)
Increase / (decrease) in accrued expenses	93,538	213,539
Increase / (decrease) in income taxes payable	(13,994)	-
Increase / (decrease) in employee benefits	(115,562)	314,645
Increase / (decrease) in provisions	162,788	179,142
Increase / (decrease) in deferred revenue	2,652,783	(733,377)
Increase / (decrease) in deferred tax liabilities	(308,938)	(632,042)
Net cash from operating activities	<u>(4,955,907)</u>	<u>(10,569,518)</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 35. Earnings per share

	2023	2022
	\$	\$
Loss after income tax attributable to the owners	<u>(8,237,955)</u>	<u>(9,445,288)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	275,322,611	251,476,896
<i>Adjustments for calculation of diluted earnings per share:</i>		
Options	20,837,577	10,676,212
Performance rights	2,615,670	1,820,551
Weighted average number of ordinary shares used in calculating diluted earnings per share	298,775,858	263,973,659
	Cents	Cents
Basic earnings per share	(2.99)	(3.76)
Diluted earnings per share	(2.76)	(3.58)

Note 36. Matters subsequent to the end of the financial year

No matter or circumstance has arisen since reporting date that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DIRECTORS DECLARATION

30 JUNE 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors,

A handwritten signature in black ink, appearing to read 'Miles Jakeman', is written over a light grey rectangular background.

Miles Jakeman AM

Chairman

23 August 2023

Canberra

**RSM Australia Partners**

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of archTIS Limited and its controlled entities for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

Canberra, Australian Capital Territory
Dated: 23rd August 2023

C J HUME
Partner

RSM Australia Partners

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
archTIS LIMITED**

Opinion

We have audited the financial report of archTIS Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Capitalisation of assets, including useful lives, amortisation and impairment	
Refer to Note 12 in the financial statements	
<p>There are a number of areas where judgments significantly impact the carrying value of intangible assets, and their respective amortisation profile. These areas are as follows:</p> <ul style="list-style-type: none"> the decision to capitalise or expense costs, as per <i>AASB 138 Intangible Assets</i>; the annual asset life and impairment review, as per <i>AASB 136 Impairment of Assets</i>; and significant changes that have taken place during the period or are expected to take place in the near future, which will impact the extent to which, or manner in which, an asset is used or is expected to be used. <p>Changes in these judgments have a significant impact on the results of the Group. Accordingly, this was considered a key audit matter.</p> <p>Disclosures relating to the capitalisation and impairment of assets can be found at Notes 1(q), 1(r), 2 and 12.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Evaluated the appropriateness of capitalisation policies, as per <i>AASB 138</i>. Tested a sample of costs capitalised to determine whether capitalisation was appropriate. Evaluated the reasonableness of management's assessment of expected future economic benefits that are attributable to the intangible assets. <p>We assessed the application of the Group's annual asset life review. This included the judgments made by the Group on:</p> <ul style="list-style-type: none"> the appropriateness of assets lives applied in the calculation of amortisation. <p>Our audit procedures in relation to management's assessment of impairment included:</p> <ul style="list-style-type: none"> Evaluating the valuation methodology used. Evaluating the reasonableness of key assumptions including the cashflow forecasts, revenue growth rates, discount rates and other inputs used in the model. <p>We evaluated the adequacy of disclosures included in Notes 1(q), 1(r), 2 and 12.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 27 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of archTIS Limited., for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



RSM AUSTRALIA PARTNERS



C J HUME
Partner

Canberra, Australian Capital Territory
Dated: 23rd August 2023

SHAREHOLDER INFORMATION

1 AUGUST 2023

The shareholder information set out below was applicable as at 1 August 2023.

Quotation

Listed securities in archTIS Limited are quoted on the Australian Securities Exchange under ASX code AR9 (Fully Paid Ordinary Shares) and AR90 (Listed Options), and the OTCQB Venture Market under the symbol ARHLF (Fully Paid Ordinary Shares), and are not listed on any other exchange.

Voting Rights

The voting rights attached to the Fully Paid Ordinary Shares of the Company are:

- (a) at a meeting of shareholders or classes of shareholders each shareholder entitled to vote may vote in person or by proxy, attorney or representative, or, if a determination has been made by the Board, by direct vote; and
- (b) on a show of hands, every person present who is a shareholder (or their proxy, attorney or representative) has one vote (even though they may represent more than one member), and
- (c) on a poll, every person present who is a shareholder, or a proxy, attorney or representative of a shareholder (or where a direct vote has been lodged) shall have one vote for each fully paid ordinary share held.

There are no voting rights attached to any Options or Performance Rights on issue.

Distribution of shareholders

i) Fully Paid Ordinary Shares

Holdings Range	Holders	Units	%
1 to 1,000	146	69,575	0.02%
1,001 to 5,000	1,537	4,166,680	1.46%
5,001 to 10,000	702	5,497,073	1.92%
10,001 to 100,000	1,428	49,178,222	17.22%
100,001 and over	348	226,668,781	79.37%
	4,161	285,580,331	100.00%

On 1 August 2023, there were 1549 holders of unmarketable parcels of less than 4,762 Shares (based on the closing Share price of \$0.105).

SHAREHOLDER INFORMATION

1 AUGUST 2023

ii) AR90 Listed Options exercisable at \$0.35 on or before 23 December 2023

Holdings Range	Holders	Units	%
1 to 1,000	1	1	-
1,001 to 5,000	35	100,406	1.00%
5,001 to 10,000	16	113,303	1.13%
10,001 to 100,000	40	1,421,722	14.15%
100,001 and over	18	8,408,825	83.72%
	110	10,044,257	100%

iii) AR9012 Unlisted Options exercisable at \$0.316 on or before 24 November 2025

Holdings Range	Holders	Units	%
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	2	1,750,000 ¹	100%
	2	1,750,000	100%

¹ Holders who hold more than 20% of securities are:

Mr Miles Gareth Jakeman – 1,000,000 options

Cloud Rainmakers Limited – 750,000 options

SHAREHOLDER INFORMATION

1 AUGUST 2023

iv) *AR9013 Unlisted Options exercisable at \$0.20 on or before 23 December 2025*

Holdings Range	Holders	Units	%
1 to 1,000	-	-	-
1,001 to 5,000	27	128,785	3.86%
5,001 to 10,000	-	-	-
10,001 to 100,000	48	1,541,652	46.20%
100,001 and over	11	1,666,665	49.94%
	86	3,337,102	100%

v) *AR9014 Unlisted Options exercisable at \$0.20 on or before 13 December 2025*

Holdings Range	Holders	Units	%
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	11	601,181	6.96%
100,001 and over	14	8,041,670 ¹	93.04%
	25	8,642,851	100%

¹ Holders who hold more than 20% of securities are:

Brio Capital Master Fund Ltd – 3,571,428 options

SHAREHOLDER INFORMATION

1 AUGUST 2023

vi) AR9015 Unlisted Employee Options exercisable at \$0.1428 on or before 6 March 2026

Holdings Range	 Holders	 Units	 %
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	25	1,434,207	89.29%
100,001 and over	3	655,195	10.71%
	28	2,089,402	100%

vii) Performance Rights – AR9PR01

Holdings Range	 Holders	 Units	 %
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	1	106,592 ¹	100%
	1	106,592	100%

¹ All the securities in this class are held by:

Daniel Chun Leung Lai

SHAREHOLDER INFORMATION

1 AUGUST 2023

viii) Employee Performance Rights

Holdings Range	Holders	Units	%
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	11	3,923,832	100%
	11	3,923,832	100%

ix) Employee Restricted Stock Units

Holdings Range	Holders	Units	%
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	3	2,059,501	100%
	3	2,059,501	100%

SHAREHOLDER INFORMATION

1 AUGUST 2023

Substantial Shareholders

The names of the substantial shareholders as notified to the Company as at 1 August 2023 are:

Name: Kurt Mueffelman

- Holder of: 18,262,456 fully paid ordinary shares
- Last Substantial Holder Notice Received: 14 December 2022

Kurt Mueffelman has acquired 121,067 Shares (pursuant to the conversion of securities issued under the Company's Employee Incentive Scheme) since lodgement of the abovementioned Substantial Holder Notice. This increase in interest is not reportable under section 671B of the Corporations Act, and as such, an updated Substantial Holder Notice has not been lodged.

Name: SG Hiscock & Company Limited

- Holder of: 13,709,182 fully paid ordinary shares
- Substantial Holder Notice Received: 3 December 2020

Restricted Securities

There are no restricted securities listed on the Company's register as at 1 August 2023.

On market buy-back

There is currently no on market buy back in place.

SHAREHOLDER INFORMATION

1 AUGUST 2023

Equity security holders

i) Fully Paid Ordinary Shares

The twenty largest shareholders of the Company's quoted Shares as at 1 August 2023 are as follows:

		Number held	% of total shares issued
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,003,188	6.65%
2	KURT MUEFFELMANN	13,146,153	4.60%
3	BRIO CAPITAL MASTER FUND LTD	11,690,683	4.09%
4	CITICORP NOMINEES PTY LIMITED*	10,349,384	3.62%
5	MR BRUCE ALEXANDER TALBOT & MRS SUZANNE TALBOT <TALBOT FAMILY A/C>	8,366,436	2.93%
6	MR PETER ROBERT WOODLAND	7,869,850	2.76%
7	DANIEL CHUN LEUNG LAI	7,320,616	2.56%
8	POSSUM HILL PTY LTD	5,429,469	1.90%
9	MR RHYS DAVID FORD	4,950,000	1.73%
10	MR OTTMAR WEISS	3,895,527	1.36%
11	MR DAVID WOOD	3,213,491	1.13%
12	MR ANTHONY MANUEL WHITFIELD	2,600,000	0.91%
13	MICHAEL DE FELICE PTY LTD	2,569,136	0.90%
14	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,211,393	0.77%
15	MR MICHAEL JAMES WARE	2,200,000	0.77%
16	MR DANIEL CHUN LEUNG LAI	2,163,636	0.76%
17	MR JOHN BAIRD SAMSON RASAKU	2,055,000	0.72%
18	LEIGH ROWLAND	2,001,714	0.70%
19	SYRAX INVESTMENTS PTY LTD	2,000,000	0.70%
19	PHILLIP JONATHAN DEAN & ROBYN CLAIRE DEAN <DEAN TEAM SUPER FUND>	2,000,000	0.70%
20	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,816,249	0.64%
	Top 20 Holders of Ordinary Shares	116,851,925	40.92%
	Total Remaining Holders Balance	168,728,406	59.08%

*Citicorp Nominees Pty Limited hold 4,995,236 shares as a custodian for Kurt Mueffelmann

SHAREHOLDER INFORMATION

1 AUGUST 2023

ii) AR90 Listed Options exercisable at \$0.35 on or before 23 December 2023

The twenty largest holders of the Company's quoted Options as at 1 August 2023 are as follows:

	Number held	% of total shares issued
1 CITICORP NOMINEES PTY LIMITED	2,173,913	21.64%
2 BRIO CAPITAL MASTER FUND LTD	1,449,275	14.43%
3 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	724,638	7.21%
3 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	724,638	7.21%
4 MR JAMES HANKIN	444,927	4.43%
5 MR SPENCER SHERWOOD	368,650	3.67%
6 MR JONTE HANNIGAN	368,414	3.67%
7 MR JAMES HANKIN	352,993	3.51%
8 MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	289,855	2.89%
9 MISS JESSICA ANN BAGGS	250,000	2.49%
10 NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	217,390	2.16%
11 MR PAUL CLIVE CHAMBERS & MISS KATRINA LOUISE CHAMBERS	205,000	2.04%
12 TVCT PTY LTD	144,928	1.44%
12 MR JAMIE JOHN DUFFIELD	144,928	1.44%
12 MR PAUL MICHEAL GLOSSOP	144,928	1.44%
12 MOMENTUM PARTNERSHIPS PTY LTD	144,928	1.44%
13 DAVID WOOD FLIGHTSPEED PTY LTD (ABN 22 150 755 007)	136,957	1.36%
14 CITICORP NOMINEES PTY LIMITED	122,463	1.22%
15 MR DAVID FREDERICK OAKLEY <DFO INVESTMENT A/C>	86,957	0.87%
16 MR JAMES DOUGLAS CORKILL	84,683	0.84%
17 MR CHUNG YEE WONG	81,377	0.81%
18 LYCD NO 1 PTY LTD <LYCD NO 1 SUPERFUND A/C>	72,464	0.72%
18 IRENA MROZ	72,464	0.72%
18 NEAVE TRADING PTY LTD	72,464	0.72%
19 DR KYLE LEE HOEHN	65,288	0.65%
20 JR CONTRACTING MILDURA PTY LTD	62,246	0.62%
Top 20 Holders of Listed Options	9,006,768	89.67%
Total Remaining Holders Balance	1,037,489	10.33%



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