

1. Company details

Name of entity: archTIS Limited
ABN: 79 123 098 671
Reporting period: for the half year ended 31 December 2023
Previous period: for the half year ended 31 December 2022

2. Results for announcement to the market

		\$
Revenues from ordinary activities	up 142% to	5,667,746
Profit / (loss) from ordinary activities after tax attributable to the owners of archTIS Limited	up 45% to	(2,563,929)
Profit / (loss) for the half-year attributable to the owners of archTIS Limited	up 45% to	(2,563,929)

Dividends

No dividends were paid or payable during the half year ended 31 December 2023.

Comments

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the consolidated financial statements for the half year ended 31 December 2023.

3. Net tangible assets

	Reporting period	Previous period
Net tangible assets per ordinary security	(\$0.002)	\$0.012

4. Control gained over entities

There were no entities over which the reporting entity gained control during the period.

5. Loss of control over entities

There were no entities over which the reporting entity lost control during the period.

6. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements for the half year ended 31 December 2023 were subject to a review by the auditors and the review report is attached.

7. Attachments

Details of attachments (if any):

The financial statements of archTIS Limited for the half year ended 31 December 2023 are attached.

8. Signed

Signed in accordance with a resolution of the directors.

On behalf of the Directors:



Dr Miles Jakeman AM
Chairman
21 February 2024
Canberra, ACT

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FINANCIAL REPORT FOR
THE HALF YEAR ENDED
31 DECEMBER 2023

ARCHTIS LIMITED | AR9 | ACN 123 098 671

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Corporate Directory

Directors

Miles Jakeman AM
Daniel Lai
Leanne Graham

Joint Company Secretaries

Erlyn Dawson
Winton Willesee

Registered Office

Level 3, archTIS House
10 National Circuit
Barton ACT 2600

Principal Place of Business

Level 3, archTIS House
10 National Circuit
Barton ACT 2600

Share Register

Automic
Level 5, 191 St Georges Terrace
Perth, WA 6000

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:

- Australian Securities Exchange (ASX: AR9)
- U.S. OTCQB Market (OTCQB: ARHLF)

Website

www.archtis.com

Investor Portal

<https://investors.archtis.com/>

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DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Group') consisting of archTIS Limited (referred to hereafter as the 'Company' or 'Entity') and the entities it controlled at the end of, or during, the half year ended 31 December 2023 ('Reporting Period').

Directors

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

- Miles Jakeman AM
- Daniel Lai
- Leanne Graham

Company Secretary

During the Reporting Period, and as at the date of this report, the role of company secretary is jointly held by Eryn Dawson and Winton Willesee.

Principal Activities

During the reporting period the principal continuing activities of the Group consisted of:

- Sales of secure information management and collaboration software: Kojensi either in the cloud or on-premises, and NC Protect for users of the Microsoft software suite;
- Integration of certain Cipherpoint Limited technologies into NC Protect for Microsoft 365 solutions; and
- Consulting and solutions services for secure information sharing and inter-organisational collaboration related to the above software sales.

Dividends

No dividends were paid during the financial year.

Review of Operations

The financial results for the half year ended 31 December 2023 show record-breaking revenue growth across both licensing and services revenue, continued annual recurring revenue traction, increased customer receipts and a reduction in operating expenses.

Key results were as follows:

- Total revenue of \$5.7M, up 142% from the prior corresponding period (PCP);
- Licencing revenue of \$2.3M, up 49% on PCP;
- Annual recurring revenue (ARR) \$3.6M, up 3% on PCP;
- Operating expenses of \$2.9M, a reduction of 29% compared to the PCP, reflecting the Company's continued cost reduction focus;
- EBITDA improvement of 90% PCP;
- Cash and cash equivalents of \$3.7M; with customer receipts up 89% PCP;
- Extend market rate lending facility to \$2M.

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DIRECTORS' REPORT

Customer Wins

During the first half of FY24, archTIS continued to achieve strong customer adoption across key vertical markets and geographies. A sampling of customer wins during the half include:

- BAE Systems Australia Ltd (BAESA), the largest defence prime to the Australian Department of Defence, signed a total contract value of \$528,000 (including GST) for archTIS to build a new technology product demonstrator for secure collaboration and data integration capability. archTIS was engaged to securely collaborate across multiple data sets between key stakeholders, suppliers and customers on a need-to-know basis. Successfully delivering this capability during the December quarter has opened expanded channel opportunities across the supply chain and Australian Defence.
- Australian Naval Infrastructure Pty Ltd (ANI) signed a total contract value of \$342,540 (including GST), of which \$112,200 is ARR to license Kojensi SaaS. ANI now solves key collaboration challenges across the supply chain for navy shipbuilding facilities.
- archTIS delivered \$889,000 (including GST) of services to KPMG as part of the Department of Defence One Defence Data (1DD) program. As the program moves to its next phase, the focus will shift to identifying and implementing advanced access control management capabilities. This will lead to increased opportunities to position archTIS products.

The Company continued to expand its footprint across the Defence Industry with wins in Australia, the US, UK, Austria and South Korea. Additionally, significant enterprise customers selected archTIS data-centric security offerings to protect and secure business collaboration, including several European banking institutions, US insurance and real estate development entities, and German-based SAP, a global leader in enterprise application software.

Partner, Product Innovation and Industry Award Achievements

archTIS announced several notable achievements during the half year, including:

- Launched Kojensi, our platform for military-grade information sharing and collaboration into the UK markets with leading UK-MOD supplier Fujitsu.
- Integrated NC Protect into Microsoft 365 for Government Community Cloud High platform (GCC High), for a Defense customer, expanding joint Microsoft co-sell opportunities in the US Defence industry. GCC High is a critical evolution in cloud computing, tailored to meet the unique demands of government agencies, contractors, and organisations working with controlled unclassified information (CUI).
- Joined the NetApp Technology Alliance Program as a Preferred Partner. NC Protect's integration into NetApp ONTAP provides sensitive data discovery and classification, dynamic policy-driven access control and data security capabilities for file shares.
- Announced key distribution partnerships in Australia, the UK, the US, Sweden, and the Czech Republic for the continued sales expansion and scalability of archTIS' core offerings, Kojensi and NC Protect.
- The Company continued to invest significantly in R&D to extend the functionality and capabilities of our software solutions, as demonstrated through the receipt of an R&D tax incentive payment of \$2.1M from the ATO.
- Recognised as Cyber Business of the Year by the 2023 Australian Defence Industry Awards for the second year running. The award recognises archTIS as one of the Australian Defence Industry's high-achieving businesses leading the way in the industry.
- Awarded the "Policy Management Solution of the Year" at the 7th annual CyberSecurity Breakthrough Awards. The award program is conducted by a leading independent market intelligence organisation that recognises the top companies, technologies and products in the global information security market today.

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DIRECTORS' REPORT

- The Company was recognised with an Ellect Silver Star of Equality and named the most inclusive information security company on the Australian Securities Exchange (ASX), with women represented at every level of its leadership team.

Corporate Update

archTIS renewed its capital funding program through the extension and increase of a market rate lending facility with the Commonwealth Bank of Australia (CBA) to \$2.0M (refer to ASX announcement dated 13 December 2023).

Business Risk

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.

The Company maintains a risk register, which is managed by the Managing Director and Chief Executive Officer, Daniel Lai.

Business risks are identified through best practice methodology using industry and professional expertise. All material business risks have an appropriate mitigation strategy to reduce the risk to an acceptable level for the Company and its investors. The archTIS Board of Directors meet monthly to review strategy, performance, and business risk. Examples of such risks include:

- General economic risk – e.g. local or worldwide pandemics and market sentiment;
- Financial viability risk – e.g. the ability of the Company in its current growth phase to generate sufficient revenue to cover its expenses and debt obligations over the short-to-medium term;
- Competitive risk – e.g. actions of a competitor impact the Company's strategic direction;
- Counterparty risk – e.g. a third party may not fulfil their contractual obligations, impacting the Company;
- Market risk – target market fails to adopt product and service offerings impacting revenues
- Commercial delivery risk – e.g. actions that impact the Company's ability to successfully fulfil won customer contracts, such as supply chain delays or staffing availability or product failure; and,
- Takeover target risk – e.g. where terms of the transaction are not agreeable or in the shareholders' best interests.

An assessment was undertaken of all business-specific risks and the associated mitigating actions as at the half year, including but not limited to, resilience to cope with change, stresses and shocks, cyber security threats, competitors preventing the Company's success and availability of suitable labour resources to deliver critical projects. It was determined that the key current risks were macroeconomic conditions and cashflow management. There were no risks that required further disclosure in this report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the reporting period.

Matters subsequent to the end of the financial year

There were no matters or circumstances that have arisen since 31 December 2023 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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DIRECTORS' REPORT

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations, other than as provided elsewhere in the report or previously to the ASX, have not been included because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included in this interim report.

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

21 February 2024

Canberra, ACT

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note	Dec 2023 \$	Dec 2022 \$
Revenue	5(a)	5,667,746	2,341,864
Cost of sales		(3,067,737)	(936,240)
Gross profit		2,600,009	1,405,624
Other income	5(b)	972,246	1,419,612
Sales and marketing		(1,337,848)	(1,867,958)
General administration		(4,973,149)	(5,713,479)
Loss before income tax		(2,738,742)	(4,756,201)
Income tax (expense) / benefit		174,813	113,725
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,563,929)	(4,642,476)
		Cents	Cents
Basic earnings per share	13	(0.90)	(1.75)
Diluted earnings per share	13	(0.81)	(1.64)

The accompanying notes form part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

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	Note	Dec 2023 \$	Jun 2023 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,694,822	3,245,108
Trade and other receivables		463,789	4,289,228
Other current assets		2,535,283	3,688,316
Current tax assets		15,634	16,145
Total current assets		6,709,528	11,238,797
Non-current assets			
Other non-current assets		-	67,501
Property, plant and equipment		123,245	152,773
Intangible assets	8	11,529,505	12,701,443
Right of use asset	9	617,229	714,675
Total non-current assets		12,269,979	13,636,392
Total assets		18,979,507	24,875,189
LIABILITIES			
Current liabilities			
Trade and other payables		720,060	2,264,880
Employee benefits		297,804	346,490
Provisions		318,000	339,314
Other current liabilities		958,288	642,900
Contract liabilities		3,189,420	5,142,015
Lease liability		188,556	181,616
Borrowings	10	1,000	1,000
Total current liabilities		5,673,128	8,918,215
Non-current liabilities			
Employee benefits		241,334	176,231
Provisions		78,977	78,309
Contract liabilities		701,424	705,305
Deferred tax and other		732,906	963,627
Lease liability		502,678	597,742
Total non-current liabilities		2,257,319	2,521,214
Total liabilities		7,930,447	11,439,429
NET ASSETS		11,049,060	13,435,760
EQUITY			
Issued capital	11	43,355,254	43,276,195
Reserves		1,640,197	1,542,027
Retained profits / (accumulated losses)		(33,946,391)	(31,382,462)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF ARCHTIS LIMITED		11,049,060	13,435,760

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Consolidated	Issued capital	Reserves	Retained profits	Total equity
	\$	\$	\$	\$
Balance 1 July 2023	43,276,195	1,542,027	(31,382,462)	13,435,760
Total comprehensive income for the half-year	-	-	(2,563,929)	(2,563,929)
<i>Transactions with owners in their capacity as owners:</i>				
Vesting of performance rights	79,059	(79,059)	-	-
Foreign exchange reserve	-	(60,359)	-	(60,359)
Share-based payments	-	237,588	-	237,588
Balance 31 December 2023	43,355,254	1,640,197	(33,946,391)	11,049,060
Balance 1 July 2022	41,099,800	1,248,014	(23,144,507)	19,203,307
Total comprehensive income for the half-year	-	-	(4,642,476)	(4,642,476)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of share capital	2,150,802	-	-	2,150,802
Exercise of options	61,740	(19,740)	-	42,000
Vesting of performance rights	70,342	(70,342)	-	-
Capital raise fees	(202,332)	-	-	(202,332)
Foreign exchange reserve	-	82,396	-	82,396
Share-based payments	-	552,197	-	552,197
Balance 31 December 2022	43,180,352	1,792,525	(27,786,983)	17,185,894

The accompanying notes form part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

		Consolidated	
	Note	Dec 2023 \$	Dec 2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,907,761	4,187,675
Payments to suppliers and employees (inclusive of GST)		(9,529,363)	(7,604,985)
Receipts from R&D tax incentive		2,117,769	1,785,442
Government grants & incentives		36,600	36,600
Interest received		57,253	299
Interest paid		(3,638)	(2,236)
Income tax paid		(26,324)	(17,380)
Net cash provided by / (used in) operating activities	12	560,058	(1,614,585)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(17,150)
Net cash provided by / (used in) investing activities		-	(17,150)
Cash flows from financing activities			
Proceeds from borrowings		-	1,000
Proceeds from issue of shares		-	2,212,302
Costs of capital raise		-	(202,333)
Repayments under leases		(111,721)	(130,431)
Net cash provided by / (used in) financing activities		(111,721)	1,880,538
Net increase / (decrease) in cash held		448,337	248,803
Cash and cash equivalents at beginning of period		3,245,108	6,520,536
Effects of exchange rate changes on cash and cash equivalents		1,377	(4,711)
Cash and cash equivalents at end of period		3,694,822	6,764,628

The accompanying notes form part of these consolidated financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2023

1. Statement of compliance

The consolidated interim financial report for the half-year reporting period ended 31 December 2023 has been prepared in accordance with *Australian Accounting Standard AASB 134 'Interim Financial Reporting'* and the *Corporations Act 2001*. The consolidated interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the group as at and for the year ended 30 June 2023 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

2. Going concern

The Group incurred a loss after tax of \$2,563,929 (31 December 2022: \$4,642,476) and had net operating cash inflows of \$560,058 (31 December 2022: \$1,614,585 outflow). A cash flow forecast has been prepared which indicates that the group has sufficient cash to meet its debts as and when they fall due and payable.

The directors believe it is reasonably foreseeable that the Group 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 Group is currently exploring sales opportunities with various potential customers across the Government and Private sectors;
- The cash balance of the Group as at 31 December 2023 was \$3.7 million;
- The Company's debt facilities were extended & increased to \$2.0 million;
- If necessary, the Company will consider additional capital raising activities through the issue of new share capital.

3. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated annual report as at and for the year ended 30 June 2023.

4. Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The resulting accounting judgements and estimates may differ from the actual results. In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial report as at and for the year ended 30 June 2023.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2023

5. Revenue

	Consolidated	
	Dec 2023	Dec 2022
	\$	\$
(a) Revenue from contracts with customers		
Licensing	2,276,026	1,527,814
Services	3,373,745	806,401
Equipment	17,975	7,649
	<u>5,667,746</u>	<u>2,341,864</u>
(b) Other income		
Government grants	906,101	1,419,313
Interest income	57,253	299
Other income	8,892	-
	<u>972,246</u>	<u>1,419,612</u>

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.

6. 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 half year ended 31 December 2023 approximately \$3,394,000 (2022: \$1,516,000) 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2023

7. Expenses

	Consolidated	
	Dec 2023	Dec 2022
	\$	\$
(a) Employee benefits		
Salaries and wages	2,712,964	3,383,484
Superannuation	284,074	294,218
Other employee benefits	548,055	408,360
Share-based payments	237,588	432,697
less: capitalised to software development	(1,423,553)	(1,124,949)
	2,359,128	3,393,810
(b) Depreciation and amortisation		
Depreciation - property, plant and equipment	126,975	138,561
Amortisation - intangibles	2,382,985	1,960,802
	2,509,960	2,099,363
(c) Finance costs		
Interest and finance charges paid/payable	27,237	32,322
	27,237	32,322
(d) Contractors		
Payments to contractors	555,471	879,990
	555,471	879,990
(e) Hosting charges		
Hosting charges	139,007	158,296
	139,007	158,296

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2023

8. Intangible assets

	Consolidated	
	Dec 2023	Jun 2023
	\$	\$
Internally generated software – at cost	11,841,702	10,460,101
less: deferred research & development tax incentive	(2,021,743)	(1,932,152)
less: accumulated amortisation	(7,173,298)	(6,003,302)
	<u>2,646,661</u>	<u>2,524,647</u>
Development in progress – at cost	3,724,332	3,682,380
less: deferred research & development tax incentive	(1,620,085)	(1,601,837)
	<u>2,104,247</u>	<u>2,080,543</u>
Customer contracts – at cost	2,057,818	2,117,679
less: accumulated amortisation	(1,259,876)	(1,072,831)
	<u>797,942</u>	<u>1,044,848</u>
Software – at cost	8,561,087	8,782,988
less: accumulated amortisation	(5,369,956)	(4,521,107)
	<u>3,191,131</u>	<u>4,261,881</u>
Goodwill	<u>2,789,524</u>	<u>2,789,524</u>
	<u>11,529,505</u>	<u>12,701,443</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2023

8. Intangible assets (continued)

Reconciliations

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

	Internally generated software \$	Developme nt in progress \$	Customer contracts \$	Software \$	Goodwill \$	Total \$
<i>Cost</i>						
Balance 1 July 2023	10,460,101	3,682,380	2,117,679	8,782,988	2,789,524	27,832,672
Additions	-	1,423,553	-	-	-	1,423,553
Commercialisation of development to internally generated software	1,381,601	(1,381,601)	-	-	-	-
Effect of foreign exchange translation	-	-	(59,861)	(221,901)	-	(281,762)
Balance 31 December 2023	<u>11,841,702</u>	<u>3,724,332</u>	<u>2,057,818</u>	<u>8,561,087</u>	<u>2,789,524</u>	<u>28,974,463</u>
<i>Accumulated amortisation</i>						
Balance 1 July 2023	(6,003,302)	-	(1,072,831)	(4,521,107)	-	(11,597,240)
Amortisation	(1,169,996)	-	(224,669)	(988,320)	-	(2,382,985)
Effect of foreign exchange translation	-	-	37,624	139,471	-	177,095
Balance 31 December 2023	<u>(7,173,298)</u>	<u>-</u>	<u>(1,259,876)</u>	<u>(5,369,956)</u>	<u>-</u>	<u>(13,803,130)</u>
<i>Deferred research & development tax incentive</i>						
Balance 1 July 2023	(1,932,152)	(1,601,837)	-	-	-	(3,533,989)
Additions	-	(619,245)	-	-	-	(619,245)
Re-classification	(600,997)	600,997	-	-	-	-
Recognised in income	511,406	-	-	-	-	511,406
Balance 31 December 2023	<u>(2,021,743)</u>	<u>(1,620,085)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,641,828)</u>
Net book value 31 December 2023	<u>2,646,661</u>	<u>2,104,247</u>	<u>797,942</u>	<u>3,191,131</u>	<u>2,789,524</u>	<u>11,529,505</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2023

8. Intangible assets (continued)

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 the Board. 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:

- 14.7% 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;
- 9-28% 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.

9. Right of use asset

	Consolidated	
	Dec 2023	Jun 2023
	\$	\$
Land and buildings – right of use	1,139,499	951,729
less: accumulated depreciation	(522,270)	(237,054)
	<u>617,229</u>	<u>714,675</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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2023

10. Borrowings

	Consolidated	
	Dec 2023	Jun 2023
	\$	\$
Bank loan	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	Dec 2023	Jun 2023
	\$	\$
Bank loan	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

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	
	Dec 2023	Jun 2023
	\$	\$
Total facilities		
Bank loan	2,000,000	1,500,000
	<u>2,000,000</u>	<u>1,500,000</u>
Used at reporting date		
Bank loan	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
Unused at reporting date		
Bank loan	1,999,000	1,499,000
	<u>1,999,000</u>	<u>1,499,000</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2023

11. Issued capital

	31 Dec 2023	Consolidated		30 Jun 2023
	Shares	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>286,257,616</u>	<u>285,580,331</u>	<u>43,355,254</u>	<u>43,276,195</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	30-Jun-22	263,803,207		41,099,800
Shares released from escrow NC Inc acquisition	26-Jul-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
Vesting of performance rights	21-Nov-23	106,592	-	22,917
Vesting of performance rights	21-Dec-23	570,693	-	56,142
Balance	31-Dec-23	286,257,616		43,355,254

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2023

12. Reconciliation of profit or loss after income tax expense to net cash from operating activities

	Consolidated Dec 2023	Dec 2022
	\$	\$
Loss after income tax expense for the half-year	(2,563,929)	(4,642,476)
<i>Adjustments for:</i>		
Depreciation and amortisation	2,509,960	2,099,363
Share-based payments	237,588	432,697
Interest on lease liabilities	23,599	30,086
Foreign exchange differences	12,300	34,287
<i>Change in operating assets and liabilities:</i>		
(Increase) / decrease in trade and other receivables	3,825,439	1,562,852
(Increase) / decrease in accrued revenue	(171,751)	(158,554)
(Increase) / decrease in prepayments	255,794	(225,007)
(Increase) / decrease in research and development assets	(1,423,553)	(1,072,257)
(Increase) / decrease in other assets	(3,939)	(43,829)
(Increase) / decrease in R&D tax incentive receivable	1,140,430	337,282
(Increase) / decrease in deferred tax assets	-	-
Increase / (decrease) in trade and other payables	(1,435,939)	(22,093)
Increase / (decrease) in accrued expenses	315,388	(48,162)
Increase / (decrease) in income taxes payable	511	(17,380)
Increase / (decrease) in employee benefits	16,417	(135,312)
Increase / (decrease) in provisions	(20,646)	137,937
Increase / (decrease) in deferred revenue	(1,956,475)	229,706
Increase / (decrease) in deferred tax liabilities	(201,136)	(113,725)
Net cash provided by / (used in) operating activities	560,058	(1,614,585)

13. Earnings per share

	Dec 2023	Dec 2022
	\$	\$
Loss after income tax attributable to the owners	(2,563,929)	(4,642,476)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	285,634,519	265,835,354
	Cents	Cents
Basic earnings per share	(0.90)	(1.75)
	Number	Number
Weighted average number of ordinary shares used in calculating diluted earnings per share	315,235,421	282,821,845
	Cents	Cents
Diluted earnings per share	(0.81)	(1.64)

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2023

14. 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.

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DIRECTORS DECLARATION

31 DECEMBER 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 Group's financial position as at 31 December 2023 and of its performance for the half-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



Miles Jakeman AM

Chairman

21 February 2024

Canberra

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of archTIS Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



C J Hume
Partner

Canberra, Australian Capital Territory
Dated: 21 February 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of ARCHTIS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of archTIS Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration [of the consolidated entity comprising the company and the entities it controlled at the half-year end.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of archTIS Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual 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 archTIS Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Directors' Responsibility for the Half-Year Financial Report

The directors of archTIS Limited are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



RSM AUSTRALIA PARTNERS



C J Hume
Partner

Canberra, Australian Capital Territory
Dated: 21 February 2024

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