archTIS Delivers Strong 1H FY2021 Results

Key financial metrics and foundational contract wins set the groundwork for continued growth in the second half of FY2021

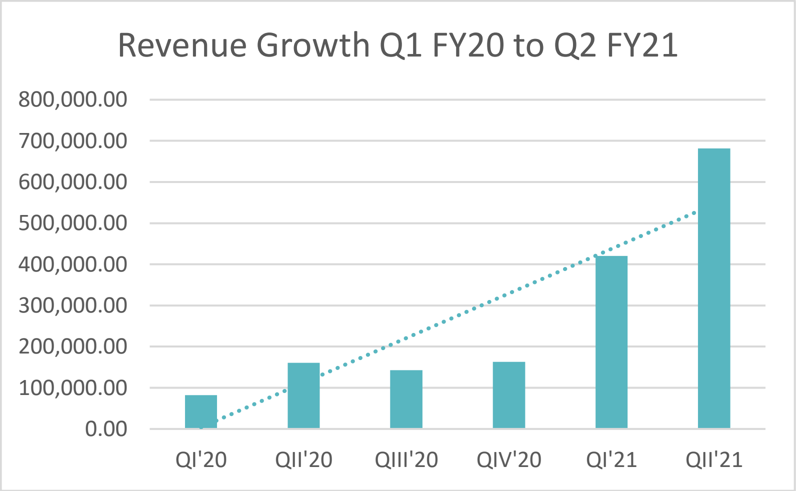
1H FY2021 Financial Performance and Operating Highlights

- Total revenues of $1,111,763 delivered vs $242,877 in comparative period, up 358%
- Recurring revenues of $459,235 vs $100,843, up 355% on comparative period
- Gross Margin of $809,946 vs $118,041, up 585% on comparative period
- Strong financial position to support future growth initiatives with cash balance of $12,104,531 at 31 December 2020 following an $8.4 million capital raising during the period
- Landmark Australian Department of Defence contract awarded with a value of $4.2 million
- Transformational Nucleus Cyber merger completed in December 2020

archTIS Limited (**ASX: AR9**, **archTIS** or the **Company**), a global provider of innovative software solutions for the secure collaboration of sensitive information, is pleased to provide its Appendix 4D and Half Year Financial Report for the half year ended 31 December 2020 (**Half Year**), together with the following commentary.

The Company delivered strong results during the Reporting Period through favourable growth in revenue and gross margin metrics as highlighted in the chart below.

Strong Financial Growth Trends



The recently concluded merger of Nucleus Cyber and the significant Australia Defence contract win, combined with additional archTIS Kojensi sales has put the Company in a strong position to continue to deliver solid revenue and licensing growth with improving gross margins. Following the $8.4M capital raising conducted during the Half-Year, the Company is also in a strong financial position to provide for expansion and investments in sales, distribution, and marketing in key regions over the coming periods.

Financial Summary

	1H FY21	1H FY20	% change
Revenue	$ 1,111,763	$ 242,877	358%
Licensing	$ 459,235	$ 100,843	355%
Gross Margin	$ 809,946	$ 118,041	586%
EBITDA	$ (941,244)	$ (1,796,896)	(48%)
Cash and Equivalents	$ 12,104,531	$ 2,428,648	398%

Revenue and margin growth has been driven through the successful commercial execution of a number of opportunities in archTIS' key target market sectors including:

- Defence,
- Intelligence,
- Defence Industry and
- Research and Development institutions.

All of these sectors are high risk targets of cyber-attacks and have strong requirements to share and protect sensitive and classified information. Increasing awareness of cyber threats, combined with stringent compliance requirements, is driving organisations to look for accredited platforms like Kojensi that can solve these problems. This need has been exacerbated by the rapid move by organisations to establish work from home capabilities outside of the enterprise domain. Revenues during this period included renewals of key customers as well as the introduction of new customers, such as Northrop Grumman, and the delivery of a number of successful trials in the R&D and Intelligence sectors.

Operating expenses are expected to increase over the coming quarters predominantly driven by investments in global sales distribution, market awareness and lead generation. The Company ended the half in a strong financial position with a cash balance of just over $12M, which includes the $8.4M capital raise to new and existing institutional and sophisticated investors conducted during the Half Year.

Operational Summary

The first half of 2021 was highlighted by two key transformational events for the Company with the award of a $4.2M landmark contract from the Australian Department of Defence (**DoD**) and the merger with Nucleus Cyber, Inc. (US).

The DoD award secured a Joint Capabilities Contract to perform a risk reduction activity for multi-national information sharing and cross domain services which included the addition of 600 licensed users ($760k annual licensing) to the archTIS Kojensi enterprise platform. The award is a strong endorsement of archTIS' credentials as a trusted partner for secure information sharing and better positions the underlying technologies and licenses for broader adoption across various Australian and International agencies, and the global Defence industrial base.

The 100% scrip swap merger with Nucleus Cyber provides archTIS with a new product offering to expand its secure collaboration solutions globally through Nucleus Cyber's integration with the Microsoft product suite, distribution via a Microsoft IP Co-sell partnership, as well as a network of resellers and partners. Having a US footprint also enables and expands the Company's ability to drive greater market awareness and growth.

Strong Outlook for 2H FY2021 and beyond

archTIS operates in a very large and proven addressable market. In July 2020, the Australian Federal Government released the Department of Defence "2020 Force Structure Plan" which committed approximately $15 billion over the next decade to cyber and information warfare capabilities, which included a key focus area in collaboration amongst government, business and the community to address cyber security. As an established, trusted and existing technology provider to the Australian government, archTIS is well-placed to provide best-of-breed trusted information and security.

Beyond Defence, AusCyber notes the Australian Cybersecurity industry in 2020 was worth $5.6bn and is expected to grow to $7.6bn by 2024. And globally the cybersecurity market is currently worth $173B in 2020, growing to $270B by 2026, with the majority of that spending being for externally managed security services. With the acquisition of Nucleus Cyber complete, archTIS is now well placed to expand into this global cybersecurity market.

Important company goals for the balance of the fiscal year to 30 June 2021:

- Expand global sales distribution capabilities:
    - Establish a multi-geography, global presence in APAC, the Americas and Europe, Middle East and Africa (EMEA)
    - Create a US-based Federal and Defense focused business unit to leverage existing Australian successes and relationships across key government agencies including Defence and Intelligence as well as the Defence Industrial Base of Northrop Grumman, BAE, Raytheon, Lockheed, Leidos, Thales and others
    - Continue to drive the key strategic alliances across Microsoft field sales and channel partners through the Nucleus Cyber IP Co-sell arrangement;
- Create market awareness, lead generation and demand for attribute-based access controls (ABAC);
- Pursue high-margin licenses to drive annual recurring revenue (ARR) via cross-platform technologies associated with both award-winning products of Kojensi and NC Protect;
- Develop, maintain and validate leading-edge product technology and strategies to leverage existing rich feature sets required by key markets and use cases;
- Drive operational efficiency through tight system integrations between archTIS and Nucleus Cyber; and
- Explore global product and market expansion opportunities to enhance capabilities, market distribution and increase shareholder value.

Miles Jakeman, archTIS Chairman commented: "archTIS had a very strong first half of the year that was highlighted by revenue growth, recurring licensing and improved gross margin. We are well positioned to execute on the Board strategy of increasing customer adoption on a global basis through an annual recurring revenue / software licensing model that drives significant margin and predictability over the coming quarters to create shareholder value."

Daniel Lai, archTIS Managing Director and CEO, added: "I'd like to personally thank and congratulate our staff and customers on a strong first half to 2021. Our prior half year successes will allow us to leverage and drive significant investments towards the expansion of sales distribution and identified market growth opportunities across the next six months and beyond. Our global mission to safeguard the world's most valuable information is playing out in all regions."

-ENDS-

The announcement has been authorised by the Board of archTIS Limited.

For further enquiries please contact:

Company enquiries
Daniel Lai
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archTIS Limited

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Irena Mroz
Chief Marketing Officer
archTIS Limited and Nucleus Cyber

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Investor Relations and Media enquiries
Media & Capital Partners/Mojo Media
Archtis@mojomedia.com.au

About archTIS Limited
archTIS Limited (ASX:AR9) is a global provider of innovative software solutions for the secure collaboration of sensitive information. The company's award-winning data-centric information security solutions protect the world's most sensitive content in government, defence, supply chain, enterprises and regulated industries through ABAC policies. archTIS products include Kojensi, a multi-government certified platform for the secure access, sharing and collaboration of sensitive and classified information; and NC Protect for enhanced information protection for file access and sharing, messaging and emailing of sensitive and classified content across Microsoft 365 apps, Dropbox, Nutanix Files and Windows file shares. For more information visit archtis.com

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archTIS Limited
ABN 79 123 098 671
Appendix 4D
Half year report

1. Company details

Name of entity:	archTIS Limited
ABN:	79 123 098 671
Reporting period:	for the half year ended 31 December 2020
Previous period:	for the half year ended 31 December 2019

2. Results for announcement to the market

		$
Revenues from ordinary activities	up 358% to	1,111,763
Loss from ordinary activities after tax attributable to the owners of archTIS Limited	down 37% to	(1,432,220)
Loss for the half-year attributable to the owners of archTIS Limited	down 37% to	(1,432,220)

Dividends
No dividends were paid or payable during the half year ended 31 December 2020. -

Comments
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,432,220 (31 December 2019: $2,273,490)
During the period the Company secured a landmark contract with the Department of Defence to perform a risk reduction activity for mulit-national information sharing and cross domain services. The total contract value was $4.2 million which included three licenses of archTIS' Kojensi enterprises plaform (600 users) and associated implementation services.

The Company also entered the Microsoft market by acquiring 100% of the global information protection business: Nucleus Cyber for a total potential consideration of up to $8.15m. The purchase consideration was through the issuance of shares in archTIS. Upon settlement the Company paid out $1.064m to retire long term loans, specific account payables and acquisition transaction costs of Nucleus Cyber Inc (these amounts being nettted off in calculating the number of shares issued). On acquisition, archTIS also acquired cash balances of Nucleus Cyber of $331k.

The Company also completed a $8.4M placement with new and existing institutional investors and sophisticated shareholders.

3. Net tangible assets

	Reporting period (Cents)	Previous period (Cents)
Net tangible assets per ordinary security	3.07	1.19

4. Control gained over entities

Name of entities (or group of entities)	archTIS EU, s.r.o.	Nucleus Cyber Inc
Jursidiction in which incorporated	Czech Republic	USA
Date control gained	30 November 2018	23 December 2020

	$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	**123,909**
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	**-**

5. Loss of control over entities

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

6. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period	Previous period	Reporting period	Previous period
	%	%	$	$
Name of associate / joint venture				
IDMaaS Joint Venture	35	35	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	-
Income tax on operating activities			-	-

7. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

Details of attachments (if any):
The Interim Report of archTIS Limited for the half-year ended 31 December 2020 is attached.

9. Signed

Signed in accordance with a resolution of the directors.
On behalf of the Directors:

Dr Miles Jakeman AM
Chairman
22 February 2021
Canberra, ACT

archTIS Limited

ABN 79 123 098 671

Interim Report
31 December 2020

Contents:

Directors	Miles Jakeman AM Leanne Graham Daniel Lai
Company secretaries	James Palmer Bruce Talbot
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 2, 267 St Georges Terrace Perth, WA 6000
Auditor	RSM Australia Partners Equinox Building 4, Level 2 70 Kent Street Deakin, ACT 2600
Accountants	mgi Joyce Dickson Level 1, 65 Canberra Avenue Griffith, ACT 2603
Solicitors	Steinepreis Paganin 16 Milligan Street, Perth, WA 6000
Bankers	Westpac Banking Corporation 6-8 Wollongong Street Fyshwick, ACT 2609
Stock exchange listing	archTIS Limited shares are listed on the Australian Stock Exchange (ASX: AR9)
Website	www.archtis.com
Corporate Governance Statement	https://www.archtis.com/company/investor-relations/

Directors' report
31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as 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 half year ended 31 December 2020.

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 AM
Leanne Graham
Daniel Lai
Stephen Smith (resigned 1 August 2020)
Wayne Zekulich (resigned 1 August 2020)
Bruce Talbot (resigned 1 August 2020)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Marketing and selling the company's Kojensi and NC Protect products and converting the significant sales pipeline to revenue.

Dividends

There have been no dividends paid or declared since the start of the financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $1,432,220. (31 December 2019: $2,273,490). Highlights include:

-securing a landmark contract with the Department of Defence to perform a risk reduction activity for mulit-national information sharing and cross domain services. The total contract value was $4.2 million which included three licenses of archTIS' Kojensi enterprises plaform (600 users) and associated implementation services.

- entering the Microsoft market by acquiring 100% of the global information protection business: Nucleus Cyber for a total potential consideration of up to $8.15m. The purchase consideration was through the issuance of shares in archTIS. Upon settlement the Company paid out $1.064m to retire long term loans, specific account payables and acquisition transaction costs of Nucleus Cyber Inc (these amounts being nettted off in calculating the number of shares issued). On acquisition, archTIS also acquired cash balances of Nucleus Cyber of $331k.

- completed a $8.4M placement with new and existing institutional investors and sophisticated shareholders.

Significant changes in the state of affairs

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

Matters subsequent to the end of the reporting period

There were no matters or circumstances that have arisen since 31 December 2020 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.

Likely developments and expected results of operations

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.

Auditor's independence declaration

The auditor's independence declaration is included in this half-year report.
This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001

On behalf of the Directors:

Dr Miles Jakeman AM

Chairman

21 February 2021
Canberra, ACT

RSM Australia Partners

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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 2020, 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

Canberra, Australian Capital Territory
Dated: 21 February 2021

Rodney Miller
Partner

The financial statements cover archTIS Limited as a consolidated entity consisting of archTIS Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is archTIS Limited's functional and presentation currency.

archTIS Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 3, archTIS House
10 National Circuit
Barton, ACT 2600

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2021.

Contents:

archTIS Limited
ABN 79 123 098 671
Consolidated statement of profit or loss and other comprehensive income
for the half year ended 31 December 2020

		Consolidated	
		Half-year ended	
	Note	31 Dec 20 $	31 Dec 19 $
Revenue from continuing operations		1,111,763	242,877
Revenue	2	1,111,763	242,877
Cost of goods sold		(301,816)	(124,836)
Gross profit		809,946	118,041
Interest revenue		1,166	5,932
Other Revennue		79,355	-
Income from research and development tax incentive		-	-
Employee benefits expense		(745,136)	(680,489)
Contractors and sub-contractors		(513,427)	(340,212)
Superannuation		(69,887)	(86,231)
Share based payments		(32,493)	(33,456)
Depreciation and amortisation expense		(448,787)	(430,004)
Consultancy fees		(30,000)	(22,500)
Advertising expense		(6,077)	(118,632)
Accountancy expense		(5,922)	(23,822)
Lease expense		-	-
Other expenses	3	(428,770)	(615,527)
Operating profit		(1,390,031)	(2,226,900)
Interest and finance charges paid/payable	3	(42,189)	(46,590)
Profit (loss) before tax from continuing operations		**(1,432,220)**	**(2,273,490)**
Income tax benefit (expense)		-	-
Profit (loss) after income tax expense for the half year from continuing operations		**(1,432,220)**	**(2,273,490)**
Other comprehensive income		-	-
Total comprehensive income (loss) for the half year		**(1,432,220)**	**(2,273,490)**
Profit (loss) for the half year is attributable to:			
Owners of archTIS Limited		(1,432,220)	(2,273,490)
		(1,432,220)	**(2,273,490)**
Earnings per share for profit from continuing operations attributable to the owners of archTIS Limited			
Basic earnings per share	13	(.81)	(1.85)
Diluted earnings per share	13	(.81)	(1.85)

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

archTIS Limited
ABN 79 123 098 671
Consolidated statement of financial position
as at 31 December 2020

	Note	Consolidated 31 Dec 20	Consolidated 30 Jun 20 $
Assets			
Current assets			
Cash and cash equivalents	4	12,104,531	2,428,648
Trade and other receivables		635,201	58,896
Other assets		311,097	194,943
R&D refundable tax offset		259,743	886,008
Total current assets		**13,310,572**	**3,568,495**
Non-current assets			
Property, plant and equipment		120,985	39,356
Intangible assets	5	13,716,784	4,261,450
Right of use asset	6	974,960	1,052,957
Tax assets		-	-
Total non-current assets		**14,812,729**	**5,353,763**
Total assets		**28,123,300**	**8,922,258**
Liabilities			
Current liabilities			
Trade and other payables		261,330	140,708
Employee Benefits		224,195	219,140
Other current liabilities		90,305	291,171
Lease liability		123,768	116,079
Contract liabilities		2,570,500	-
Total current liabilities		**3,270,098**	**767,098**
Non-current liabilities			
Provisions		3,127,007	74,249
Employee Benefits		37,115	28,346
Tax liabilities		-	-
Lease Liability		1,160,778	1,241,383
		-	-
Total non-current liabilities		**4,324,900**	**1,343,978**
Total liabilities		**7,594,998**	**2,111,076**
Net assets		**20,528,303**	**6,811,182**
Equity			
Issued capital	7	30,881,613	15,713,392
Reserves	8	1,789,171	1,808,050
Retained earnings (accumulated losses)		(12,142,481)	(10,710,260)
Total equity (attributable to the owners of archTIS Limited)		**20,528,303**	**6,811,182**

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

Consolidated statement of changes in equity
for the half year ended 31 December 2020

Consolidated	Note	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2020		15,713,392	1,808,050	(10,710,261)	6,811,181
Profit after income tax expense for the half-year		-	-	(1,432,220)	(1,432,220)
Other comprehensive income for the half-year		-	-	-	-
Total comprehensive income for the half-year		-	-	(1,432,220)	(1,432,220)
Transactions with owners in their capacity as owners:					
Issue of share capital	7	15,656,306	-	-	15,656,306
Option fees	7				-
Capital raise fees	7	(488,084)	-	-	(488,084)
Foreign Exchange Revaluation	8		(51,372)		(51,372)
Share-based payments	8	-	32,493	-	32,493
Dividends paid		-	-	-	-
Balance at 31 December 2020	7,8	**30,881,614**	**1,789,171**	**(12,142,481)**	**20,528,304**

Consolidated	Note	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2019		13,701,686	1,613,150	(6,726,078)	8,588,758
Profit after income tax expense for the half-year		-	-	(2,273,490)	(2,273,490)
Other comprehensive income for the half-year		-	-	-	-
Total comprehensive income for the half-year		-	-	(2,273,490)	(2,273,490)
Introduction of AASB 16				(258,814)	(258,814)
Transactions with owners in their capacity as owners:					
Share-based payments		-	33,456	-	33,456
Dividends paid		-	-	-	-
Balance at 31 December 2019		**13,701,686**	**1,646,606**	**(9,258,382)**	**6,089,910**

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

archTIS Limited
ABN 79 123 098 671
Consolidated statement of cash flows
for the half year ended 31 December 2020

	Note	Consolidated Half-year ended 31 Dec 20 $	31 Dec 19 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,698,083	317,514
Payments to suppliers and employees (inclusive of GST)		(4,165,023)	(2,799,642)
		(1,466,940)	(2,482,128)
Receipts from R&D Tax Incentive		886,008	-
Interest received		1,166	5,932
Interest paid		(297)	-
Net cash provided by (used in) operating activities	12	**(580,063)**	**(2,476,196)**
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		331,061	
Purchase of property, plant and equipment		(96,665)	(2,414)
Net cash provided by (used in) investing activities		**234,396**	**(2,414)**
Cash flows from financing activities			
Proceeds from issue of shares and options	7	10,558,456	-
Costs of capital raise		(488,084)	-
Net cash provided by (used in) financing activities		**10,070,372**	**-**
Net increase (decrease) in cash and cash equivalents		9,724,705	(2,478,610)
Cash and cash equivalents at the beginning of the financial half-year		2,428,648	3,255,200
Effects of exchange rate changes on cash and cash equivalents		(48,822)	-
Cash and cash equivalents at end of period	4	**12,104,531**	**776,590**

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

1. Significant accounting policies

These consolidated general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 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.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going concern

For the half-year ended 31 December 2020 the company incurred a loss of $1,432,220 (half year to 31 Dec 19: loss of $2,273,490). During the half-year to 31 December 2020 the entity had net cash outflows from operating activities of $580,063 (31 December 2019: $2,476,196). The consolidated 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:

-following a successful capital raising in November 2020 and proceeds from ongoing exercise of options by holders, the Group has cash at bank as at 31 December 2020 of $12.1m

- the Company acquired 100% of the share capital of Nucleus Cyber Inc on 23 December 2020. This acquisition provides the Company with access to the largest software client base in the world through Microsoft and its suite of collaboration solutions for Microsoft 365. The new combined product offering creates increased revenue diversity, greater recurring revenues and a platform for accelerated growth.

-acquisition also includes the hiring of seasoned sales and marketing executives to bolter the archTIS leadership team and to help execute on the Group's go-to-market strategy and convert the significant pipeline of opportunities.

- The Directors are confident that they will be able to raise additional equity if/ when required.

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.

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 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 re-measurement 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.

1. Significant accounting policies (continued)

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 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.

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 initially recognised as deferred revenue in the form of a separate 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.

1. Significant accounting policies (continued)

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.

Contract assets

Contract assets are recognised when the consolidated entity has satisfied the performance obligations in the contract and either has not recognised a receivable to reflect its unconditional right to consideration or the consideration is not due. Contract assets are treated as financial assets for impairment purposes.

Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the consolidated entity that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis

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 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, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

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.

1. Significant accounting policies (continued)

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.
For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Contract liabilities

Contract liabilities are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the consolidated entity has transferred the goods or services to the customer. The liability is the consolidated entity's obligation to transfer goods or services to a customer from which it has received consideration.

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.

Customer relationships
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 5 years.

2 Revenue

	Consolidated Half-year ended 31 Dec 20 $	Consolidated Half-year ended 31 Dec 19 $
From continuing operations		
Revenue from contracts with customers		
Sale of goods		
Rendering of services	728,790	206,286
Sale of goods	382,972	36,591
	1,111,763	242,877
Other revenue		
Lease incentives	-	-
Interest Revenue	1,166	5,932
Other Revenue	79,355	-
Net gain on disposal of property, plant and equipment	-	-
	80,521	5,932
Revenue from continuing operations	1,192,283	248,809

3 Expenses

	Consolidated Half-year ended 31 Dec 20 $	Consolidated Half-year ended 31 Dec 19 $
Profit before income tax from continuing operations includes the following specific expenses:		
Cost of sales	301,816	124,836
Finance costs		
Interest and finance charges paid/payable	42,189	46,590
Rental expense relating to operating leases		
Amortisation of Right of Use Asset	77,997	81,155
Minimum lease payments	-	-
Superannuation expense		
Defined contribution superannuation expense	69,887	86,231
Share-based payments expense		
Share-based payments expense	32,493	33,456

3 Expenses (continued)

	Consolidated 31 Dec 20 $	Consolidated 31 Dec 19 $
Other expenses		
Information, communications and technology	66,321	206,867
General administration	252,647	213,219
Travel	5,296	4,325
Meetings and conferences	2,118	111,467
Recruitment	58,971	14,143
Audit	22,285	45,118
Insurances	21,134	20,388
	428,771	615,527
Interest		
Interest - lease (AASB 16)	42,189	46,590
Finance Charges and expenses	-	-
	42,189	46,590

4 Cash and cash equivalents

	Consolidated 31 Dec 20 $	Consolidated 30 Jun 20 $
Cash at bank and on hand	12,104,531	2,428,648
	12,104,531	2,428,648

5. Intangible assets

	Consolidated 31 Dec 20 $	Consolidated 30 Jun 20 $
Capitalised development Cost:		
Internally Generated Software		
Balance at beginning of period	3,550,261	3,202,566
Additions from internal development	-	347,695
Balance at end of period	3,550,261	3,550,261
Accumulated amortisation and impairment:		
Balance at beginning of period	(787,062)	(115,819)
Amortisation	(357,944)	(671,243)
Balance at end of period	(1,145,006)	(787,062)
Development in Progress		
Balance at beginning of period	1,498,251	1,296,435
Commercialisation of development to software	-	(347,695)
Additions to development in progress	134,964	549,511
Written down	-	-
Balance at end of period	1,633,215	1,498,251
Carrying amount at end of period	4,038,470	4,261,450

5. Intangible assets (continued)

	Note	Consolidated 31 Dec 20 $	Consolidated 30 Jun 20 $
Reconciliations			
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:			
Carrying amount at beginning of period		4,261,450	4,383,182
Additions from internal development and Development in Progress		134,964	549,511
R&D tax incentive benefit		-	-
Impairment losses		-	-
Amortisation of Internally Generated Software		(358,304)	(671,243)
Intangible assets acquired	15	7,498,355	-
Goodwill on acquisition	15	2,180,320	-
Carrying amount at end of period		13,716,785	4,261,450

Capitalised development costs relate to the development of new techniques to provide enhanced secure content management capability.

The recoverable amount of the entity's capitalised development costs has been determined by a value-in-use calculation using a discounted cash flow model, based on a 4.5 year projection period approved by management.

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:

a. 17% post-tax discount rate;

b. 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;

c. 3-5% per annum increase in operating costs and overheads.

The discount rate of 17% post-tax 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.

Management believes the projected revenue growth rate is prudent and justified, based on its market analyses and evaluation.
There were no other key assumptions for the product.
Based on the above, no impairment charge has been applied as the discounted recoverable amount for the product exceeds the capitalised development.

Sensitivity

As disclosed in note 1, the directors have made judgements and estimates in respect of impairment testing of capitalised development cost. Should these judgements and estimates not occur the resulting capitalised development cost carrying amount may decrease. The sensitivities are as follows:

a. Expected revenue assumption would need to decrease by more than 56% for the product before capitalised development cost would need to be impaired, with all other assumptions remaining constant;

b. The assumed discount rate would be required to increase by 99% for the product before capitalised development cost would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of product's capitalised development cost is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

6. Right of Use Asset

	Consolidated	
	31 Dec 20	30 Jun 20
	$	$
Land and buildings - right of use	1,901,927	1,901,927
Less: accumulated amortisation	(926,967)	(848,970)
	974,960	1,052,957

Additions to the right-of-use assets during the half-year were nil.

The consolidated entity leases land and buildings for its office under an agreement of six years with an option to extend. The lease has an escalation clause.

7. Equity - Issued capital

	Consolidated			
	31 Dec 20 No.	31 Dec 20 $	30 Jun 20 No.	30 Jun 20 $
Ordinary shares - fully paid	221,625,057	30,881,614	164,021,946	17,717,891
Ordinary shares - paid to $0.0000	-	-	-	-
Capital raise fees	-	-	-	(2,004,499)
	221,625,057	30,881,614	164,021,946	15,713,392
Balance at beginning of year	164,021,946	15,713,392	123,096,982	13,701,686
Share issue - Placement/Acquisition Subsidiary	41,638,190	13,497,848	40,924,964	2,250,873
Share Issue on Exercise of Options	15,964,921	2,158,458		-
Share forfeitures		-		-
Capital raise fees		(488,084)		(239,167)
Net increase (decrease) during year	57,603,111	15,168,222	40,924,964	2,011,706
Balance at end of year	221,625,057	30,881,614	164,021,946	15,713,392

Reconciliation of cash proceeds from issue of shares				
Balance at beginning of year.		15,713,392		13,701,686
share issues for non-cash consideration		5,097,849		-
Share issues		8,399,999		2,250,873
Options		2,158,458		-
Capital raise fees		(488,084)		(239,167)
Balance as per above		30,881,614		15,713,392

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number
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.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability 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 dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

8. Equity -Reserves

	Consolidated	
	31 Dec 20	30 Jun 20
Share-based payment reserve	$	$
Balance at beginning of period	1,806,792	1,611,892
Arising on share-based payments	32,493	194,900
Balance at end of period	1,839,285	1,806,792
Foreign Exchange Translation reserve		
Balance at the beginning of period	1,258	1,258
Arising due to translation of financial statements for foreign subsidiaries	(51,372)	-
Balance at end of period	(50,114)	1,258
Total	1,789,171	1,808,050

9. Share options

The company issues equity-settled share based payments to certain entities. Under AASB 2 these are measured at fair value at the date of the grant. This amount is expensed on a straight line basis over the vesting period based on the company's estimate of the number of shares that will eventually vest.

The weighted average fair value of the share options granted during the financial year to 31 December 2020 is $0.017 (30 June 2020: $0.048). Options were valued using the binomial method. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

	Consolidated	
	31 Dec 20	30 Jun 20
Inputs into the valuation model:		
Grant date share price	$0.06	$0.11 - $0.13
Exercise price	$0.10	$0.10 - $0.20
Expected volatility	70%	70%
Option life	3 years	3-4 years
Early exercise multiple	-	2.5 years
Dividend rate	$0.00	$0.00
Risk-free interest rate	0.50%	0.49% - 0.73%
Share option value (Binomial valuation)	$0.017	$0.038-$0.057
at start of period	20,879,880	19,589,880
Granted	6,000,000	1,290,000
Exercised	(15,964,880)	-
Lapsed	-	-
at end of period	10,915,000	20,879,880
Date exercisable	01-Jul-20 to 01-Jul-23	01-Jul-20 to 01-Jul-23
Expiry date	01-Feb-21 to 01-Jul-23	13-Feb-23 to 01-Jul-23

10. Contingent assets and contingent liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable:

Guarantees
A financial institution has provided bank guarantees secured over a term deposit account.

11. Events after the reporting period

There were no matters or circumstances that have arisen since 31 December 2020 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.

12. Cash flow information

	Consolidated Half-year ended	
	31 Dec 20	**31 Dec 19**
Reconciliation of cash flow from operations with profit (loss) after income tax		
Profit (loss) after income tax	(1,432,220)	(2,273,490)
Non-cash flows in profit (loss):		
- Depreciation and amortisation	448,787	430,004
- AASB 16 adjustment	(72,169)	(64,762)
- Share-based payments	32,493	33,456
Changes in operating assets and liabilities, net of the effects of purchase and disposal		
- (Increase) decrease in trade and other receivables	(562,708)	(131,410)
- (Increase) decrease in accrued revenue	70,710	177,182
- (Increase) decrease in prepayments	(171,247)	(23,342)
- (Increase) decrease in research and development assets	(134,964)	(568,840)
- (Increase) decrease in R&D tax incentive receivable	861,594	-
- Increase (decrease) in trade and other payables	(1,370,085)	(90,329)
- Increase (decrease) in deferred revenue	1,778,097	35,335
- Increase (decrease) in employee benefits	(28,352)	-
Net cash provided by (used in) operating activities	(580,063)	(2,476,196)

13. Earnings per share

	Consolidated Half-year ended	
	31 Dec 20	**31 Dec 19**
	Cents	**Cents**
Earnings per share for profit from continuing operations		
Profit after income tax	(.81)	(1.85)
Non-controlling interest	-	-
Profit (loss) after income tax attributable to the owners of archTIS Limited	(.81)	(1.85)
Basic earnings per share	(.81)	(1.85)
Diluted earnings per share	(.81)	(1.85)

13. Earnings per share (continued)

	Consolidated Half-year ended 31 Dec 20 $	31 Dec 19 $
Earnings per share for profit		
Profit (loss) after income tax	(1,432,220)	(2,273,490)
Non-controlling interest	-	-
Profit (loss) after income tax attributable to the owners of archTIS Limited	(1,432,220)	(2,273,490)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	177,841,801	123,096,982

Adjustments for calculation of diluted earnings per share: nil

14. Deferred Consideration Shares

During the quarter, the Company acquired 100% of the shares of Nucleus Cyber Inc. The purchase consideration was through the issuance of shares in archTIS. Upon settlement, the Company paid out (net issued shares) $1,064k to retire long term loans, specific accounts payables and acquisition transaction costs of Nucleus Cyber Inc. On acquisition, archTIS also acquired cash balances of Nucleus Cyber of $331k.

Further shares may be issued to the vendors of Nucleus Cyber Inc if the business meets certain revenue targets in June 2021 (Deferred Consideration Shares). The maximum value of these shares will be $2.7m. The number of shares is determined using the Volume Weighted Average Price (VWAP) of Company shares in the month of June 2021. The VWAP "floor" is $0.33 meaning the maximum number of Deferred Consideration Shares is 8,181,819.

The table below shows a summary in relation to the Deferred Consideration Shares:

	Number of Deferred Consideration shares
Issued during the quarter	-
Maximum number to be issued in the future	8,181,819

Basis on which Deferred Consideration Shares will be paid out.

The number of Deferred Consideration Shares to be issued will be determined by determining the percentage of the actual Annual Recurring Revenue (ARR) to the $1,000,000 hurdle. The full number of shares will be issuable if the ARR is 100% or more of the $1,000,000 hurdle, 50% of the Deferred Consideration Shares will be issuable in the ARR is 50% of the hurdle and no Deferred Consideration Shares will be issued if the ARR is less than 50% of that hurdle. If the ARR falls between 50%-100% of that hurdle, then a number of Deferred Consideration Shares equal to that percentage will be issued.

15. Business Combinations

On 23 Decmeber 2020 archTIS Limited, acquired 100% of the ordinary shares of Nucleus Cyber Inc for the total expected consideration of $8,147,849. Nucleus Cyber Inc provides advanced ifnormation protection solutions that prevent data loss and protect aagainst insider threats across the Microsoft software suite. Nucleus Cyber's 'NC Protect' solution provides a simple fast and inexpensive solution to tailor information proection for file sharing, messaging and chat across collaboration tools. The acquired business contributed revenues of $9,927 and profit after tax of $123,909 to the consolidated entity for the period from 24 December 2020 to 31 December 2020. If the acquisition occurred on 1 July 2020 the half-year contributions would have been revenues of $103,271 and profit after tax of $61,523. The following purchase price allocation (PPA) is provisional as at the date of this financial report. The PPA may be refined further in time for the 30 June 2021 annual report if further information comes to light of conditions that existed as at acquisition date.

Details of the acquisition are as follows:

	Fair Value $
Cash and cash equivalents	331,060
Trade receivables	13,597
Prepayments	15,117
Other debtors	500
R&D refund receivable	235,329
Intangible assets:	
-software	5,500,000
-customer relationships	1,998,355
Trade payables and accruals	(648,089)
Deferred revenue	(792,402)
Other current liabilities	(173,773)
Employee benefits	(42,176)
Convertible Notes	(266,765)
Loans & finance	(203,223)
Net assets acquired	5,967,529
Goodwill	2,180,320
Acquisition-date fair value of the total consideration transferred	8,147,849
Representing:	
Issued share capital	5,097,849
Contingent consideration (included in Provisions)	2,700,000
Bonus accrual	350,000
	8,147,849
Acquisition costs expensed to profit or loss	51,604
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	-
Less: cash and cash equivalents	(331,060)
Net cash used	(331,060)

In the directors' opinion:

a. the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

b. the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and

c. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors:

Dr Miles Jakeman AM
Chairman

21 February 2021
Canberra, ACT

RSM Australia Partners

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

ARCHTIS LIMITED

Report on the Half-Year Financial Report

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 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group 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

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 Group*, 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 Group's financial position as at 31 December 2020 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*. As the auditor of archTIS Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. 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.

Conclusion

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 Group's financial position as at 31 December 2020 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*.

RSM AUSTRALIA PARTNERS

Rodney Miller
Partner

Canberra, Australian Capital Territory
Dated: 21 February 2021