

1. Company details

Name of entity: archTIS Limited
ABN: 79 123 098 671
Reporting period: for the half year ended 31 December 2024
Previous period: for the half year ended 31 December 2023

2. Results for announcement to the market

		\$
Revenues from ordinary activities	down 51% to	2,769,834
Profit / (loss) from ordinary activities after tax attributable to the owners of archTIS Limited	down 4% to	(2,474,065)
Profit / (loss) for the half-year attributable to the owners of archTIS Limited	down 4% to	(2,474,065)

Dividends

No dividends were paid or payable during the half year ended 31 December 2024.

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 2024.

3. Net tangible assets

	Reporting period (\$0.011)	Previous period (\$0.002)
Net tangible assets per ordinary security		

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 2024 were subject to a review by the auditors and the review report is attached.


7. Attachments

Details of attachments (if any):

8. Signed

Signed in accordance with a resolution of the directors.

On behalf of the Directors:



Dr Miles Jakeman AM
Chairman
28 February 2025
Canberra, ACT



TRUSTED TO SAFEGUARD THE WORLD'S
MOST SENSITIVE INFORMATION

FINANCIAL REPORT FOR
THE HALF YEAR ENDED
31 DECEMBER 2024

For personal use only

Corporate Directory

Directors

Dr Miles Jakeman AM

Mr Daniel Lai

Ms Leanne Graham (Resigned 22 November 2024)

Dr Marcus Thompson AM (Appointed 11 December 2024)

Joint Company Secretaries

Ms Eryn Dawson

Mr Winton Willesee

Mr Robert Burns

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

Automatic
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/>

Table of Contents

Directors Report 3

Statement of Profit or Loss and Other Comprehensive Income 7

Statement of Financial Position 8

Statement of Changes in Equity 9

Statement of Cash Flows 10

Notes to the Interim Financial Statements 11

Directors' Declaration 21

Independent Auditor's Declaration..... 22

Independent Auditor's Review Report to the Members of archTIS Limited 23



For personal use only

DIRECTORS' REPORT

The directors present their report, together with the interim 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 2024 ('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:

- Dr Miles Jakeman AM;
- Mr Daniel Lai;
- Ms Leanne Graham (Resigned 22 November 2024); and
- Dr Marcus Thompson AM (Appointed 11 December 2024)

Company Secretary

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

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; and,
- Consulting and solutions services for secure information sharing and inter-organisational collaboration related to the above software sales.

Dividends

No dividends were declared or paid during the half year period.

Review of Operations

The financial results for the Reporting Period highlight continued focus on licensing revenue, strong gross margin percentage and positive cash from operating activities:

- Annual recurring revenue (ARR) of \$4.0M, up 11% on PCP;
- Revenue of \$2.77M include:
 - Licensing \$1.95M
 - Services \$0.82M
- Gross margin increased to 74% - up 28 basis points (Bps) on PCP;
- Operating expenses decreased to \$3.4M, a reduction of 9% on PCP; and
- Positive cash from operating activities of \$2.0M with cash and total available funding of \$6.1M as at 31 December 2024.

DIRECTORS' REPORT

Customer Wins

- The Australian Department of Defence (AUS Defence) Command and Control division signed a \$2.3M contract for new and expanded user licensing of NC Protect to dynamically secure information by applying zero trust enforcement policies to data-centric controls across Microsoft 365 (M365), SharePoint on-premises and file shares.
- AUS Defence renewed their licensing contract for Kojensi Enterprise deployed in a Top-Secret environment for a further 12-month period to share classified information;
- BAE procured additional services to build a collaboration environment to facilitate sharing between industry and Defence; and,
- An Australian industry partner engaged with archTIS on a \$0.7M services contract, including GST, to trial NC Protect through June 30, 2025, for existing and potential clients who face data-centric challenges in securing sensitive information stored and collaborated across M365.

Partner, Product Innovation and Industry Award Achievements

The Company developed and launched a new product, archTIS Trusted Data Integration (TDI), to expand into the \$474B big data market. The new TDI offering is a lightweight, fast and agile solution for integrating, securing and governing sensitive and classified structured data from multiple sources at scale and speed. It complements the existing unstructured product offerings, NC Protect and Kojensi, enabling archTIS to now offer an end-to-end product suite for all data – structured and unstructured.

Corporate Update

The company secured a new non-dilutive market rate lending facility with CBA of \$1.5M. The new facility has a term of 7 months ending on 16 May 2025. The new facility is in addition to the existing CBA market rate facility of \$2M (term ending 1 December 2025), taking the total debt funding to \$3.5M. There is a fixed and floating charge over the assets of the Company in relation to the facility.

Two key appointments were announced: Dr Marcus Thompson AM, non-executive Director, and Mr Gerard Foley, Vice President and General Manager of Asia Pacific.

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 its strategic priorities.

The Company maintains a risk register, which is monitored 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;

DIRECTORS' REPORT

- 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, 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

As at 30 January 2025 archTIS had entered into a heads of agreement for the purchase of assets in Direktiv. IO. Heads of agreement is expected to be completed on 4 March 2025. The acquisition is presently intended to be funded via existing cash balances and future cash flows for a total consideration of US\$750K, structured across three tranches over a 12-month period.

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.

DIRECTORS' REPORT

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,



Dr Miles Jakeman AM

Chairman

28 February 2025

Canberra, ACT

For personal use only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2024

	Note	Dec 2024 \$	Dec 2023 \$
Revenue	5(a)	2,769,834	5,667,746
Cost of sales		(708,324)	(3,067,737)
Gross profit		2,061,510	2,600,009
Other income	5(b)	874,009	972,246
Sales and marketing		(859,208)	(1,337,848)
General administration		(4,639,082)	(4,973,149)
Loss before income tax		(2,562,771)	(2,738,742)
Income tax (expense) / benefit		88,706	174,813
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,474,065)	(2,563,929)
		Cents	Cents
Basic earnings per share	13	(0.86)	(0.90)
Diluted earnings per share	13	(0.86)	(0.90)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Note	Dec 2024 \$	Jun 2024 \$
ASSETS			
Current assets			
Cash and cash equivalents		2,331,317	2,916,097
Trade and other receivables		246,196	413,516
Other current assets		1,512,997	2,285,337
Current tax assets		-	16,174
Total current assets		4,090,510	5,631,124
Non-current assets			
Other non-current assets		-	36,971
Property, plant and equipment		94,863	106,929
Intangible assets	8	10,429,747	10,732,837
Right of use asset	9	35,887	107,661
Total non-current assets		10,560,497	10,984,398
Total assets		14,651,007	16,615,521
LIABILITIES			
Current liabilities			
Trade and other payables		148,963	802,305
Employee benefits		302,298	301,377
Provisions		457,126	680,651
Other current liabilities		398,750	461,984
Contract liabilities		3,117,197	2,517,719
Lease liability		56,390	166,588
Borrowings	10	-	1,000
Total current liabilities		4,480,724	4,931,624
Non-current liabilities			
Employee benefits		207,469	133,331
Provisions		80,330	-
Contract liabilities		1,985,642	529,539
Deferred tax liabilities		411,057	578,700
Borrowings	10	144,175	1,000,000
Total non-current liabilities		2,828,673	2,241,570
Total liabilities		7,309,397	7,173,193
NET ASSETS		7,341,610	9,442,329
EQUITY			
Issued capital	11	43,511,484	43,407,981
Reserves		1,942,629	1,672,786
Retained profits / (accumulated losses)		(38,112,503)	(35,638,438)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF ARCHTIS LIMITED		7,341,610	9,442,329

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2024

Consolidated	Issued capital	Reserves	Retained profits	Total equity
	\$	\$	\$	\$
Balance 1 July 2024	43,407,981	1,672,786	(35,638,438)	9,442,329
Total comprehensive income for the half-year	-	-	(2,474,065)	(2,474,065)
<i>Transactions with owners in their capacity as owners:</i>				
Vesting of performance rights	103,503	(103,503)	-	-
Foreign exchange reserve	-	18,133	-	18,133
Share-based payments	-	355,213	-	355,213
Balance 31 December 2024	43,511,484	1,942,629	(38,112,503)	7,341,610
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

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2024

	Note	Consolidated	
		Dec 2024 \$	Dec 2023 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,858,949	7,907,761
Payments to suppliers and employees (inclusive of GST)		(4,714,801)	(8,105,810)
Receipts from R&D tax incentive		1,856,092	2,117,769
Government grants & incentives		36,600	36,600
Interest received		34,726	57,253
Interest paid		(51,841)	(3,638)
Income tax paid		(38,397)	(26,324)
Net cash provided by / (used in) operating activities	12	1,981,328	1,983,611
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,817)	-
Purchase of intangibles		(1,587,443)	(1,423,553)
Net cash provided by / (used in) investing activities		(1,589,260)	(1,423,553)
Cash flows from financing activities			
Repayment of borrowings		(856,825)	-
Proceeds from issue of shares		-	-
Costs of capital raise		-	-
Repayments under leases		(114,627)	(111,721)
Net cash provided by / (used in) financing activities		(971,452)	(111,721)
Net increase / (decrease) in cash held		(579,384)	448,337
Cash and cash equivalents at beginning of period		2,916,097	3,245,108
Effects of exchange rate changes on cash and cash equivalents		(5,396)	1,377
Cash and cash equivalents at end of period		2,331,317	3,694,822

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2024

1. Statement of compliance

The consolidated interim financial report for the half-year reporting period ended 31 December 2024 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 2024 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 \$2,474,065 (31 December 2023: \$2,563,929) and had net operating cash inflows of \$1,981,328 (31 December 2023: \$1,983,611). 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 2024 was \$2.3 million;
- The Company's debt facilities were extended & increased to \$3.5 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 2024.

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 2024.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2024

5. Revenue

	Consolidated	
	Dec 2024	Dec 2023
	\$	\$
(a) Revenue from contracts with customers		
Licensing	1,948,351	2,276,026
Services	821,483	3,373,745
Equipment	-	17,975
	<u>2,769,834</u>	<u>5,667,746</u>
(b) Other income		
R&D Tax Incentive	839,283	906,101
Interest income	34,726	57,253
Other income	-	8,892
	<u>874,009</u>	<u>972,246</u>

Licensing

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

Services

Services revenue includes archTIS services relating to systems integration and 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 2024 approximately \$963,000 (2023: \$3,394,000) of the consolidated entity's external revenue was derived from sales to the Australian government.

Geographical information

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2024

7. Expenses

	Consolidated	
	Dec 2024	Dec 2023
	\$	\$
(a) Employee benefits		
Salaries and wages	2,240,840	2,712,964
Superannuation	214,065	284,074
Other employee benefits	262,738	548,055
Share-based payments	355,213	237,588
less: capitalised to software development	(919,614)	(1,423,553)
	2,153,242	2,359,128
(b) Depreciation and amortisation		
Depreciation - property, plant and equipment	85,657	126,975
Amortisation - intangibles	1,924,854	2,382,985
	2,010,511	2,509,960
(c) Finance costs		
Interest and finance charges paid/payable	56,270	27,237
	56,270	27,237
(d) Contractors		
Payments to contractors	1,035,866	555,471
less: capitalised to software development	(617,676)	(225,040)
	418,190	330,431
(e) Hosting charges		
Hosting charges	265,863	139,007
	265,863	139,007

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2024

8. Intangible assets

	Consolidated	
	Dec 2024	Jun 2024
	\$	\$
Internally generated software – at cost	14,433,810	11,841,701
less: deferred research & development tax incentive	(2,348,215)	(1,586,174)
less: accumulated amortisation	(9,032,898)	(8,176,279)
	3,052,697	2,079,248
Development in progress – at cost	4,820,811	5,824,045
less: impairment	(783,905)	(783,905)
less: deferred research & development tax incentive	(1,406,792)	(2,075,395)
	2,630,114	2,964,745
Customer contracts – at cost	2,247,204	2,119,445
less: accumulated amortisation	(1,831,344)	(1,519,991)
	415,860	599,454
Software – at cost	9,263,125	8,789,535
less: accumulated amortisation	(7,721,572)	(6,489,669)
	1,541,553	2,299,866
Goodwill	2,789,524	2,789,524
	10,429,747	10,732,837

For personal use only

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2024

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 \$
Cost						
Balance 1 July 2024	11,841,701	5,040,140	2,119,445	8,789,535	2,789,524	30,580,345
Additions	-	1,588,874	-	-	-	1,588,874
Commercialisation of development to internally generated software	2,592,108	(2,592,108)	-	-	-	-
Effect of foreign exchange translation	-	-	127,759	473,590	-	601,349
Balance 31 December 2024	14,433,809	4,036,906	2,247,204	9,263,125	2,789,524	32,770,568
Accumulated amortisation						
Balance 1 July 2024	(8,176,279)	-	(1,519,991)	(6,489,669)	-	(16,185,939)
Amortisation	(856,619)	-	(210,433)	(857,802)	-	(1,924,854)
Effect of foreign exchange translation	-	-	(100,920)	(374,101)	-	(475,021)
Balance 31 December 2024	(9,032,898)	-	(1,831,344)	(7,721,572)	-	(18,585,814)
Deferred research & development tax incentive						
Balance 1 July 2024	(1,586,174)	(2,075,395)	-	-	-	(3,661,569)
Additions	-	(458,964)	-	-	-	(458,964)
Re-classification	(1,127,567)	1,127,567	-	-	-	-
Recognised in income	365,526	-	-	-	-	365,526
Balance 31 December 2024	(2,348,215)	(1,406,792)	-	-	-	(3,755,007)
Net book value 31 December 2024	3,052,696	2,630,114	415,860	1,541,553	2,789,524	10,429,747

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2024

8. Intangible assets (continued)

For impairment assessment purposes, assets are grouped at the lowest level at which independent cash inflows are generated, referred to as CGUs. It has been determined that archTIS LTD operates as a single CGU. This conclusion is based on the company's centralised management structure, and product development processes. The business operates a geographically dispersed sales model which is not considered an independent CGU.

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

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

- 13.43% 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 to estimate of sales, projected sales through current and new reseller partners, and estimated increase in users with existing customers;
- Annual retention (renewals) rate of 100% for named strategic licence accounts over the 5 year term, 75% for all other licencing;
- Services revenue is expected to decline over the 5 year term as a proportion of total revenue.
- Staffing and contractor costs are projected to increase by 16% compound annual growth rate over the next 5 year term.
- 5-15% per annum increase in operating costs and overheads; and,
- Terminal EBITDA Multiple of 4X.

These assumptions were applied consistently to the consolidated group, which has been determined to be the lowest level of CGU.

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

9. Right of use asset

	Consolidated	
	Dec 2024	Jun 2024
	\$	\$
Land and buildings – right of use	713,297	713,297
less: accumulated depreciation	(677,410)	(605,636)
	<u>35,887</u>	<u>107,661</u>

The right of use asset represents the lease of the Canberra head office, which has a remaining lease term of 4 months with an option to extend after this period. As of 28 January this lease has been extended for a further 12 months with a market rate adjustment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2024

10. Borrowings

	Consolidated	
	Dec 2024	Jun 2024
	\$	\$
Bank loan	144,175	1,001,000
	<u>144,175</u>	<u>1,001,000</u>

Total secured liabilities

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

	Consolidated	
	Dec 2024	Jun 2024
	\$	\$
Current		
Bank Loan	-	1,000
Non-current		
Bank loan	144,175	1,000,000
	<u>144,175</u>	<u>1,001,000</u>

Assets pledged as security

The bank loan is secured by a term deposit of \$240,504 held with the bank.

Financing arrangements

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

	Consolidated	
	Dec 2024	Jun 2024
	\$	\$
Total facilities		
Bank loan	3,500,000	2,000,000
	<u>3,500,000</u>	<u>2,000,000</u>
Used at reporting date		
Bank loan	144,175	1,001,000
	<u>144,175</u>	<u>1,001,000</u>
Unused at reporting date		
Bank loan	3,355,825	999,000
	<u>3,355,825</u>	<u>999,000</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2024

11. Issued capital

	31 Dec 2024	30 Jun 2024	31 Dec 2024	30 Jun 2024
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>287,967,152</u>	<u>286,624,298</u>	<u>43,511,484</u>	<u>43,407,981</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
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
Vesting of performance rights	15-Jun-24	366,682	-	54,951
Establishment costs, net of tax		-	-	(2,224)
Balance	30-Jun-24	<u>286,624,298</u>		<u>43,407,981</u>
Vesting of performance rights	15-Dec-24	698,001	-	41,003
Vesting of performance rights	31-Dec-24	644,853	-	62,500
Balance	31-Dec-24	<u>287,967,152</u>		<u>43,511,484</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2024

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

	Consolidated	
	Dec 2024	Dec 2023
	\$	\$
Loss after income tax expense for the half-year	(2,474,065)	(2,563,929)
<i>Adjustments for:</i>		
Depreciation and amortisation	2,010,511	2,509,960
Share-based payments	355,213	237,588
Interest on lease liabilities	4,429	23,599
Other non-cash items	16,202	-
Foreign exchange differences	11,449	12,300
<i>Change in operating assets and liabilities:</i>		
(Increase) / decrease in trade and other receivables	167,320	3,825,439
(Increase) / decrease in accrued revenue	(345,000)	(171,751)
(Increase) / decrease in prepayments	128,109	255,794
(Increase) / decrease in other assets	66,231	(3,939)
(Increase) / decrease in R&D tax incentive receivable	959,971	1,140,430
Increase / (decrease) in trade and other payables	(653,342)	(1,435,939)
Increase / (decrease) in accrued expenses	(63,234)	315,388
Increase / (decrease) in income taxes payable	77,868	511
Increase / (decrease) in employee benefits	75,059	16,417
Increase / (decrease) in provisions	(204,888)	(20,646)
Increase / (decrease) in deferred revenue	2,055,582	(1,956,475)
Increase / (decrease) in deferred tax liabilities	(206,087)	(201,136)
Net cash provided by / (used in) operating activities	1,981,328	1,983,611

13. Earnings per share

	Dec 2024	Dec 2023
	\$	\$
Loss after income tax attributable to the owners	(2,474,065)	(2,563,929)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	286,684,994	285,634,519
	Cents	Cents
Basic earnings per share	(0.86)	(0.90)
	Number	Number
Weighted average number of ordinary shares used in calculating diluted earnings per share	286,684,994	285,634,519
	Cents	Cents
Diluted earnings per share	(0.86)	(0.90)

*Antidilutive Effect: If basic EPS is negative, adding more shares to the denominator would decrease the loss per share, making the EPS less negative. AASB 133(43) requires the disclosure of diluted EPS to be the same as basic EPS.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2024

14. Matters subsequent to the end of the reporting period

As at 30 January 2025 archTIS had entered into a heads of agreement for the purchase of assets in Direktiv IO. Heads of agreement is expected to be completed on 4 March 2025. The acquisition is presently intended to be funded via existing cash balances and future cash flows for a total consideration of US\$750k, structured across three tranches over a 12-month period.

15. Consolidated Entity Disclosure Statement as at 31 December 2024

ArchTIS Limited is the Group's Ultimate Parent Company. ArchTIS Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business Level 3, archTIS House, 10 National Circuit, BARTON ACT 2600.

Entity Name	Entity Type	Country of Incorporation	Ownership Interest	Tax Residency
archTIS EU s.r.o	Body Corporate	Czech Republic	100%	Czech Republic
archTIS US, Inc.	Body Corporate	US	100%	US
Nucleus Cyber Pty Ltd	Body Corporate	Australia	100%	Australia
archTIS UK Limited	Body Corporate	UK	100%	UK
archTIS EU GmbH	Body Corporate	Germany	100%	Germany

DIRECTORS DECLARATION

31 DECEMBER 2024

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards AASB 134 'Interim Financial Reporting', 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 2024 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



Dr Miles Jakeman AM

Chairman

28 February 2025

Canberra

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61(0) 2 8226 4500
F +61(0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of archTIS Limited for the half-year ended 31 December 2024, 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

Sydney, New South Wales
Dated: 28 February 2025

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 2024, 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 2024 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 2024 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.

A handwritten signature in blue ink, appearing to read 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'C J Hume'.

C J Hume
Partner

Sydney, New South Wales
Dated: 28 February 2025