

ARCHTIS LIMITED

ACN 123 098 671

PROSPECTUS

For the offers of:

- (a) up to 4,761,904 Shares at an issue price of \$0.105 per Share (**SPP Shares**), together with one free unlisted Option for every two SPP Shares subscribed for and issued, exercisable at \$0.20 each on or before the date that is three years from the date of issue (**SPP Options**) to participants under the SPP to raise approximately \$500,000 (**SPP Offer**);
- (b) an offer of up to 8,642,857 Options at no cost to participants in the Placement and to the Lead Manager (**Placement Options Offer**),

together the **Offers**.

SECURITY PURCHASE PLAN INFORMATION

The SPP Offer is currently scheduled to close at 5:00pm (AEDT) on 16 December 2022. Valid applications must be received by that time. Details of how to apply for Securities are set out in the SPP Application Form accompanying this Prospectus.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If, after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your professional advisers without delay.

The Securities offered by this Prospectus should be considered as highly speculative.

Legal Advisor to the Offers

STEINPREIS PAGANIN 
Lawyers & Consultants

IMPORTANT NOTICE

This Prospectus is dated 2 December 2022 and was lodged with the ASIC on that date. The ASIC, ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Securities offered by this Prospectus should be considered as highly speculative.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus and is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

Representations contained in this Prospectus are made taking into account that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters are publicly available information or may reasonably be expected to be known to investors and professional advisers whom prospective investors may consult.

No Investment Advice

The information contained in this Prospectus is not financial product advice or investment advice and does not take into account your financial or investment objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional advice from your accountant, financial adviser,

stockbroker, lawyer or other professional adviser before deciding to subscribe for Securities under this Prospectus to determine whether it meets your objectives, financial situation and needs.

Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the Company's management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5.

Overseas shareholders

The Offers do not, and are not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the

securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offers are not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

For further information on overseas Shareholders please refer to Section 2.7.

Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Securities.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the three months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Please refer to Section 6.3 for further details.

Target Market Determination.

In accordance with the design and distribution obligations under the Corporations Act, the Company has determined the target market for

the offer of Securities issued under this Prospectus. The Company will only distribute this Prospectus to those investors who fall within the target market determination (**TMD**) as set out on the Company's website (www.archtis.com). By accepting the Options under the Offers, you warrant that you have read and understood the TMD and that you fall within the target market set out in the TMD.

Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.archtis.com. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian or New Zealand resident and must only access this Prospectus from within Australia or New Zealand.

You may obtain a hard copy of this Prospectus free of charge by contacting the Company by phone on +61 8 9389 3125 during office hours or by emailing the Company at info@archtis.com.

Company Website

No documents or other information available on the Company's website is incorporated into this Prospectus by reference.

Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will apply to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Securities issued to them under this Prospectus. The notice will also advise holders of their

Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Definitions and Time

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 8.

All references to time in this Prospectus are references to Australian Eastern Daylight Time.

Privacy statement

The Company may collect, hold and use information provided by you to service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules

such as the ASX Settlement Operating Rules.

Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offers please call the Company Secretary on +61 8 9389 3125.

CORPORATE DIRECTORY

Directors

Dr Miles Jakeman AM
Non-Executive Chair

Daniel Lai
CEO and Managing Director

Leanne Graham
Non-Executive Director

Joint Company Secretaries

Winton Willesee
Erlyn Dawson

Registered Office

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Telephone: +61 2 6162 2792

Email: info@archtis.com
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Auditor

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

Share Registry*

Automic Registry Services
Level 5, 191 St Georges Terrace
PERTH WA 6000

Telephone: 1300 288 664
Email: hello@automic.com.au

Legal Advisers

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

*This entity is included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

TABLE OF CONTENTS

1.	TIMETABLE AND ASIC INSTRUMENT	1
2.	DETAILS OF THE OFFERS	2
3.	PURPOSE AND EFFECT OF THE OFFERS	8
4.	RIGHTS AND LIABILITIES ATTACHING TO SECURITIES	12
5.	RISK FACTORS	17
6.	ADDITIONAL INFORMATION	28
7.	DIRECTORS' AUTHORISATION	35
8.	GLOSSARY	36

1. TIMETABLE AND ASIC INSTRUMENT

1.1 Timetable

Action	Date*
Record Date for SPP Offer	Thursday, 1 December 2022
Announcement of Placement and SPP and lodgement of Appendix 3B with ASX	Friday, 2 December 2022
Lodgement of Prospectus with the ASIC	Friday, 2 December 2022
Opening Date of SPP Offer	Friday, 2 December 2022
Closing Date of Placement Options Offer	Thursday, 8 December 2022
Closing Date of SPP Offer	Friday, 16 December 2022
Announcement of results of SPP Offer	Friday, 23 December 2022
Issue of Securities under Prospectus and lodgement of Appendix 2A	Friday, 23 December 2022

Note:

* These dates are indicative only and are subject to change.

1.2 ASIC instrument

In certain circumstances, a listed company may undertake a share purchase plan in accordance with ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (**ASIC Instrument**). The ASIC Instrument allows a share purchase plan to be conducted without the use of a prospectus once in any consecutive 12-month period.

As the Company is also offering Options under the SPP, the Company is unable to rely on the relief granted by the ASIC Instrument in respect of the Options (given the relief relates to offers of fully paid ordinary shares only) and, therefore, is undertaking the issue of Shares and Options under the SPP pursuant to this Prospectus.

2. DETAILS OF THE OFFERS

2.1 Background on the Placement and the SPP

On 2 December 2022, the Company announced that it had negotiated a comprehensive financing package comprising:

- (a) a placement to professional and sophisticated investors to raise \$1,500,000 via the issue of 14,285,714 Shares at an issue price of \$0.105 per Share together with one (1) new Option for every two (2) Shares subscribed for and issued (**Placement**);
- (b) a share purchase plan to raise \$500,000, under which Eligible Shareholders would be given an opportunity to acquire Shares up to the value of \$30,000 at an issue price of \$0.105 per Share together with one (1) new Option for every two (2) Shares subscribed for and issued to those Eligible Participants (**SPP**); and
- (c) a \$1,500,000 market rate facility through the Commonwealth Bank of Australia.

PAC Partners Securities Pty Ltd (ACN 623 653 912) and Viriathus Capital LLC TIN 56 2618971 have been engaged to act as joint lead managers in relation to the Placement (**Joint Lead Managers**). In consideration for the services to be provided to the Company, the Joint Lead Managers will receive the following fees (in aggregate):

- (a) a management fee of 2% of the total amount raised under the Placement (plus GST);
- (b) a distribution fee of 4% of the total amount raised under the Placement (plus GST); and
- (c) 1,500,000 options on the same terms and conditions as the Placement Options and SPP Options as consideration for the funds raised under the Placement.

Further details in relation to the Placement and the SPP are set out in the ASX announcement dated 2 December 2022 (**Announcement**).

2.2 The Placement Options Offer

By the Placement Options Offer under this Prospectus, the Company offers 8,642,857 unlisted Options, exercisable at \$0.20 each, on or before the date that is three (3) years from the date of issue of the Options, to participants in the Placement and the Joint Lead Managers.

The Placement Options Offer is open for acceptance by participants in the Placement and the Joint Lead Managers.

No funds will be raised from the issue of Options pursuant to the Placement Options Offer as the Options are being offered as a term of the Placement or as part of the fee payable to the Joint Lead Managers. Any fractional entitlements will be rounded down to the nearest whole number.

The Options under the Placement Options Offer will be issued on the terms and conditions set out in Section 4.1. All of the Shares issued upon exercise of those Options will rank equally with the Shares on issue at the date of this Prospectus.

Please refer to Section 4.2 for further information regarding the rights and liabilities attaching to Shares.

The purpose and effect of the Placement Options Offer is set out in Section 3.1 and 3.2.

Application Forms for participation in the Placement Options Offer will be provided to eligible subscribers under the Placement Options Offer and you should not subscribe for Options under the Placement Options Offer unless you have been provided with an Application Form.

2.3 Share Purchase Plan

2.3.1 The SPP Offer

By the SPP Offer under this Prospectus, the Company offers up to 4,761,904 Shares at an issue price of \$0.105 per Share, together with one (1) unlisted Option for every two (2) Shares subscribed for and issued, exercisable at \$0.20 per Option on or before the date that is three (3) years from the date of issue of the Options, to Eligible Shareholders.

The SPP Offer is an offer to each Eligible Shareholder to subscribe for new Shares to a maximum value of \$30,000 at an issue price of \$0.105 per Share, together with one unlisted Option for every two Shares subscribed for and issued. Fractional entitlements will be rounded down to the nearest whole number.

The Company reserves the right to accept oversubscriptions under the SPP Offer of up to a further \$500,000, comprising a further 4,761,904 Shares and 2,380,952 Options.

All of the Shares offered under the SPP Offer pursuant to this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 4.2 for further information regarding the rights and liabilities attaching to the Shares.

The Options offered under the SPP Offer pursuant to this Prospectus will be unlisted and exercisable at \$0.20 each on or before the date that is three (3) years from the date of issue of the SPP Options and otherwise on the terms set out in Section 4.1. All of the Shares issued upon exercise of the Options will rank equally with the Shares on issue at the date of this Prospectus.

The SPP Offer is non-renounceable, which means that Eligible Shareholders may not transfer their rights to any Securities offered under the SPP Offer.

2.3.2 Eligible Shareholders under the SPP Offer

Only Eligible Shareholders may participate in the SPP Offer. '**Eligible Shareholders**' for the purpose of the SPP Offer are Shareholders:

- (a) who were registered holders of Shares on the Record Date; and
- (b) whose registered address was in Australia or New Zealand.

If you are the only registered Shareholder of a holding of Shares, but you receive more than one SPP Offer (for example because you are registered as the holder of Shares in more than one capacity), you may only apply for one parcel of Shares with a value of up to \$30,000. The Company reserves the right to reject any application for Shares under this Prospectus to the extent it considers that

the application (whether alone or in conjunction with other applications) does not comply with these requirements.

Participation in the SPP Offer is optional and is subject to the terms and conditions set out in this Prospectus.

2.3.3 How to apply under the SPP Offer

Eligible Shareholders may apply under the SPP Offer by completing the SPP Application Form accompanying this Prospectus in accordance with the instructions provided by the share registry.

Pursuant to the SPP Offer, Eligible Shareholders may apply for Shares with a maximum value of \$30,000. Eligible Shareholders may participate by selecting one of the following options to purchase Shares under the SPP Offer:

	SPP Application Amount	Number of Shares which may be purchased
Offer A	\$1,000	9,523
Offer B	\$2,500	23,809
Offer C	\$5,000	47,619
Offer D	\$7,500	71,428
Offer E	\$10,000	95,238
Offer F	\$15,000	142,857
Offer G	\$20,000	190,476
Offer H	\$25,000	238,095
Offer I	\$30,000	285,714

Where the amount applied for results in a fraction of a Security the number of Shares issued will be rounded down to the nearest whole Security.

Applications under the SPP Offer need to be received by or on behalf of the Company by **no later than 5.00pm (AEDT) on the Closing Date.**

The Company reserves the absolute discretion to scale back applications under the SPP Offer to the extent and in the manner it sees fit. If the Company undertakes a scale back, you will receive the number of SPP Shares and Options determined by the Company in its absolute discretion which may be less than the number of Securities applied for. In this case, the difference between the application moneys received and the number of Securities allocated to you multiplied by the issue price per SPP Share may be refunded to you by direct credit (to your nominated account recorded on the Company's share register) or by cheque as soon as practicable, without interest.

If you require assistance in applying under the SPP Offer, please contact the Company's Share Registry, Automic on 1300 288 664 (callers within Australia) or +61 2 9698 5414 (callers outside Australia).

Specific information for custodians

Custodians should note that a Custodian Certificate can be obtained by contacting the Share Registry and the completed copy must be emailed to custodialcertificates@automicgroup.com.au.

2.3.4 Payment for the SPP Offer

Australian residents

For Australian residents, payment for your subscription under the SPP Offer can be made via BPAY® only.

Please note that by making payment by BPAY®:

- (a) you do not need to submit the SPP Application Form but are taken to have made the declarations on that SPP Application Form; and
- (i) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Securities which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5:00pm (AEDT) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Securities (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

New Zealand residents

To facilitate payment of Application Monies from Eligible Shareholders resident in New Zealand (**New Zealand Shareholders**), in addition to the options of applying via BPAY®, New Zealand Shareholders can remit their application monies by international electronic funds transfer (**EFT**) in accordance with their personalised offer letter sent to New Zealand Shareholders.

Please note that the application monies remitted by New Zealand Shareholders by EFT will be subject to international transfer and foreign currency conversion fees levied by your financial institution such that the amount received by the Company in Australian dollars will be less than the amount remitted in New Zealand dollars.

For processing and reconciliation, when making your payment, please add to the remittance advice your Unique Payment Reference which appears in Option B on the front of the SPP Application Form.

2.4 Minimum subscription

There is no minimum subscription.

2.5 ASX listing

2.5.1 Shares

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made within 7 days of the date of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

2.5.2 Options

The Company will not apply for Official Quotation of the Options issued pursuant to this Prospectus.

2.6 Issue

Securities issued pursuant to the Offers will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus. Application monies will be held in a separate subscription account until the Securities are issued. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the application monies will be for the benefit of the Company and will be retained by the Company irrespective of whether any Securities are issued and each Applicant waives the right to claim any interest.

The Directors will determine the recipients of all the Securities under the SPP Offer. The Directors reserve the right to reject any application or to allocate any Applicant fewer Securities than the number applied for.

Where the number of Securities issued is less than the number applied for, the surplus moneys will be returned as soon as practicable after the Closing Date. Where no issue of Securities is made, the amount tendered on application will be returned in full as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

Holding statements for Securities issued under the Offers will be mailed in accordance with the timetable set out at the commencement of this Prospectus.

2.7 Restrictions on the distribution of the Prospectus

The distribution of this Prospectus outside Australia and New Zealand may be restricted by law.

The Offers do not, and are not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

New Zealand

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

The Offers and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offers must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

The SPP Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

3. PURPOSE AND EFFECT OF THE OFFERS

3.1 Purpose of the Placement and Offers

The primary purpose of the SPP Offer and the Placement is to raise up to \$2,000,000 (before costs and assuming no oversubscriptions are accepted under the SPP Offer). The funds raised from the SPP Offer together with the Placement are planned to be used in accordance with the table set out below:

Proceeds of the SPP Offer and Placement	Full Subscription (\$2,000,000) ¹	%
Continue expansion of Kojensi into international markets	\$1,000,000	50%
Support of near-term and further account expansions into the Australian Department of Defence and the KPMG DefenceOne Data Program	\$500,000	25%
Create an NC Protect sales model for ITAR and US Cybersecurity Maturity Model Certification (CMMC) accounts through the Microsoft Co-Sell relationship	\$381,794	19%
Expenses of the Offers (including the Joint Lead Manager Placement Fees) ²	\$118,206	6%
Total	\$2,000,000	100%

Notes:

1. In the event that the Company accepts any oversubscriptions under the SPP Offer, those funds (up to \$500,000) will be allocated to the Company's general working capital to be used and deployed by the Company as required to meet general expenses, including salaries and wages and corporate costs, or into specific projects if and as required.
2. Refer to Sections 6.2 and 6.8 for further details relating to the fees payable to the Joint Lead Managers and the estimated expenses of the Offers (respectively).

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

On completion of the Placement and SPP Offer, the Board believes the Company will have sufficient working capital to achieve the above objectives. However, to the extent the SPP Offer is not fully subscribed, the Company will seek to appropriately scale back and or delay its discretionary spending, while it seeks alternative sources of funding (as required).

Placement Options Offer

The Placement Options Offer is being made to participants in the Placement such that the relief provided under ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80 with respect to the on-sale provisions of section 707 of the Corporations Act is available.

Specifically, given the Placement Options are issued with disclosure under this Prospectus, the Shares issued upon the exercise of any of the Placement Options can be on-sold within 12 months of their issue, without a disclosure document for the on-sale offer.

No funds will be raised under the Placement Options Offer (other than funds raised if the Placement Options are subsequently exercised) as the Placement Options are issued free to subscribers under the Placement on a one for two basis.

3.2 Effect of the Offers

The principal effect of the Offers will be to:

- (a) increase the cash reserves by \$2,000,000 (before deducting the estimated expenses of the Placement and the Offers) immediately after completion of the Placement and the Offers; and
- (b) increase the number of Shares on issue from 264,223,207 to 283,270,826 Shares following completion of the Placement and the Offers; and
- (c) increase the number of Options on issue from 13,704,257 to 24,728,066 Options following completion of the Placement and the Offers,

assuming the SPP Offer is fully subscribed and no oversubscriptions are accepted. If the Company does accept oversubscriptions under the SPP Offer, the Company will raise up to a further \$500,000 and increase its Shares on issue by up to 4,761,905 Shares and 2,380,952 Options.

3.3 Effect on capital structure

The effect of the Offers on the capital structure of the Company, assuming all Securities are issued under this Prospectus and no existing convertible securities are converted into Shares after the date of this Prospectus, is set out below.

Shares

Shares	Number
Shares currently on issue ¹	264,223,207
Shares to be issued under the Placement	14,285,714
Shares to be issued under the SPP Offer	4,761,905
Total Shares on issue on completion of the Offers	283,270,826

Notes:

1. The rights and liabilities attaching to the Shares are summarised in Section 4.2.

Options

	Number
Options currently on issue (quoted)	10,044,257
Options currently on issue (unquoted)	3,660,000
Total Options on issue as at the date of this Prospectus¹	13,704,257

	Number
Options issuable under the Placement Options Offer ²	8,642,857
Options issuable under the SPP Offer ²	2,380,952
Total Options on issue after completion of the Offers	24,728,066

Notes:

1. Comprising of:
 - (a) 10,044,257 quoted Options exercisable at \$0.35 on or before 23 December 2023;
 - (b) 1,750,000 unquoted Options exercisable at \$0.316 on or before 24 November 2025;
 - (c) 250,000 unquoted Options exercisable at \$0.20 on or before 1 July 2023;
 - (d) 500,000 unquoted Options exercisable at \$0.10 on or before 1 July 2023;
 - (e) 800,000 unquoted Options exercisable at \$0.20 on or before 1 July 2023; and
 - (f) 360,000 unquoted Options exercisable at \$0.20 on or before 13 February 2023.
2. The rights and liabilities attaching to the Options are summarised in Section 4.1 of this Prospectus.

Performance Rights

	Number
Performance Rights currently on issue	106,592
Total Performance Rights on issue after completion of the Offers	106,592

The capital structure on a fully diluted basis as at the date of this Prospectus is 278,034,056 Shares and on completion of the Offers (assuming the maximum number of Securities under this Prospectus are issued would be 308,105,484 Shares).

3.4 Pro forma balance sheet

The audited balance sheet as at 30 June 2022 and the unaudited pro-forma balance sheet as at 30 June 2022 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Securities offered under this Prospectus are issued and the Placement Shares are issued, no Options or convertible securities are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	AUDITED 30 June 2022 \$	PROFORMA Adjustments \$	PROFORMA 30 June 2022 \$
CURRENT ASSETS			
Cash	6,520,536	1,881,794 ¹	8,402,330
Trade and other receivables	2,481,598	-	2,481,598
Other current assets	2,061,626	-	2,061,626
TOTAL CURRENT ASSETS	11,063,760	1,881,794¹	12,945,554
NON-CURRENT ASSETS			
Plant and equipment	91,035	-	91,035
Intangibles	14,695,423	-	14,695,423
Right of use asset	951,729	-	951,729
Other non-current assets	92,789	-	92,789
TOTAL NON-CURRENT ASSETS	15,830,976	-	15,830,973
TOTAL ASSETS	26,894,736	1,881,794¹	28,776,530
CURRENT LIABILITIES			
Trade and other Payables	743,928	-	743,928
Employee benefits	533,296	-	533,296
Provisions	277,845	-	277,845
Other current liabilities	2,289,530	-	2,289,530
Lease liability	214,603	-	214,603
TOTAL CURRENT LIABILITIES	4,059,202	-	4,059,202
NON-CURRENT LIABILITIES			
Employee benefits	104,987	-	104,987
Provisions	76,990	-	76,990
Other non-current liabilities	1,454,368	-	1,454,368
Deferred tax liabilities	1,224,722	-	1,224,722
Lease liability	771,160	-	771,160
TOTAL NON-CURRENT LIABILITIES	3,632,227	-	3,632,227
TOTAL LIABILITIES	7,691,429	-	7,691,429
NET ASSETS	19,203,307	1,881,794¹	21,085,101
EQUITY			
Share capital	41,099,800	1,881,794 ²	42,981,594
Options Reserve	1,248,014	-	1,248,014
Retained loss	(23,144,507)	-	(23,144,507)
TOTAL EQUITY	19,203,307	1,881,794²	21,085,101

Notes:

- Total funds expected to be raised from the SPP Offer and Placement of \$2,000,000, less the expected expenses of the offers (including Lead Manager Fees) of \$90,000, per sections 6.2 and 6.8.
- Total capital expected to be issued as part of the SPP Offer and Placement of \$2,000,000, less the expected expenses of the offers (including Lead Manager Fees) of \$118,206 'capitalised' against this amount, per sections 6.2 and 6.8.

4. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

4.1 Terms of Options

The Options to be issued under the SPP Offer and the Placement Options Offer will be issued on the following terms and conditions:

(a) **Entitlement**

Each Option entitles the holder to subscribe for one (1) Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.20 (**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5:00 pm (AEDT) on the date that is three years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 5 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the

Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under section (g)(i) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **No Quotation of Options**

The Company will not apply to ASX for quotation of the Options.

(i) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

4.2 **Rights and liabilities attaching to Shares**

The following is a summary of the more significant rights and liabilities attaching to the Shares being offered pursuant to this Prospectus or which may be issued upon exercise of the Options on issue in the Company and offered under this Prospectus. This summary is not exhaustive and does not constitute a definitive

statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of

the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

5. RISK FACTORS

5.1 Introduction

The Securities offered under this Prospectus should be considered as highly speculative and an investment in the Company is not risk free.

The Directors strongly recommend that prospective investors consider the risk factors set out in this Section 5, together with all other information contained in this Prospectus.

The future performance of the Company and the value of the Company's Securities may be influenced by a range of factors, many of which are largely beyond the control of the Company and the Directors. The key risks associated with the Company's business, the industry in which it operates and general risks applicable to all investments in listed securities and financial markets generally are described below.

The risks factors set out in this Section 5, or other risk factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the Company's Securities. This Section 5 is not intended to provide an exhaustive list of the risk factors to which the Company is exposed.

Before determining whether to invest in the Company you should ensure that you have a sufficient understanding of the risks described in this Section 5 and all of the other information set out in this Prospectus and consider whether an investment in the Company is suitable for you, taking into account your objectives, financial situation and needs.

If you do not understand any matters contained in this Prospectus or have any queries about whether to invest in the Company, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

5.2 Risks specific to the Company

(a) Capability risks

The provision of services to government agencies relies heavily on having the capability to service the government client and address their needs. The Company has developed its reputation and been appointed to various government panels as a result of displaying that it has the capability to service the relevant needs. Capability risk relates to the ability of the Company to adequately address the following key issues:

- (i) **Resource/skills risk:** The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.
- (ii) **Technology refresh cycle outstrips the Company's ability to upgrade and or update:** The Company's trusted information sharing solution will quickly move beyond the initial release versions of the Kojensi and NC Protect products, as typically the timeframes for introduction of new capabilities can be in

months rather than years. This affects hardware and software and can also include software partners ceasing (sunsetting) components that may form part of the archTIS products.

(iii) **Partner risks:**

(A) **Partner understanding:** there is a risk that the Company's partners do not understand the potential opportunity that the Company's trusted information sharing/secure information sharing offerings can afford them, although key partners with whom the Company is currently engaged do have a good understanding of the problem and the archTIS solution.

(B) **Partner demands and lack of skills:** there is a risk that the Company's partners will demand inclusion of their particular product or service, and/or lack complementary skills required to deliver joint solutions.

(C) **Partners commitment:** poor commitment from partners to contribute services for no fee and lack of commitment of partners to sell the Kojensi and NC Protect products.

(iv) **Lack of compliance framework for clients:** while there are standards for the accreditation of secure software for the government, there is no defined assurance framework for cloud trusted information sharing capabilities in the broader commercial sector.

(v) **Commercial Liability:** the sensitive nature of target client information (including privacy data), may expose archTIS to commercial liability for technical failure or compromise of the information. For example, a breach of the platform would be detrimental to the reputation of the Company. Upon the commencement of sales and the provision of services to commercial/non-government clients, these same risks will be relevant to developing and building the trust of commercial clients to use the Company's products. Anything that diminishes the capability of the client to develop the trust of its clients and deliver its services would likely have a negative effect on the Company's business and its prospects.

(b) **Sales and timing risks**

The secure content and collaboration market is still evolving in response to market need. While market demand is growing, available secured sharing information solutions are very limited, focussed on solutions that use basic security but are not accredited for higher levels such as PROTECTED (the government equivalent of 'commercial-in-confidence'), which is what governments require.

For government customers, the sales cycle can be lengthy however offering a 'per user per month' service that comes out of operational rather than capital budgets is expected to significantly reduce government sales cycles.

archTIS has entered the commercial market where decision cycles are far shorter.

(c) **Competition**

The markets in which the Company will operate are particularly competitive, in particular due to the lucrative nature of the contracts and contacts available within the various verticals in which the Company will operate. While the Company will try to manage this risk with a targeted marketing strategy, competition may arise from a number of sources including companies with greater capital resources.

The Company's performance could be adversely affected if existing or new competitors reduce the Company's market share through technology development, marketing and increased product or technology offerings or through price reduction for alternatives.

(d) **Research and development**

The Company's products and its potential products are subject to continued research and development.

There is no guarantee that the Company will be able to achieve its desired outcomes from research and development or beta testing, either to enhance its existing products, adapt them to new and emerging technologies or to complete the development of the new products in the time frame necessary for the introduction into new markets contemplated by the Company. Failure to successfully undertake and complete such research and ongoing development, anticipate market and technology trends and technical problems or estimate research costs or timeframes accurately may adversely affect the Company's results and viability.

Further, even if the Company successfully completes its contemplated research and ongoing development of its products successfully, there is no guarantee that its new products will be adopted into the new markets, or that its enhanced existing products will result in increased sales in its current markets, which may have a negative effect on the Company's revenues. The incorrect pricing of the Company's products and services may negatively impact market applicability and/or client perception of the Company. Further, due to the emerging nature of the concepts and client needs, the market (and potential clients) may not be in a position to understand, evaluate and consume the Company's offerings. This is equally true of the broader market and industry, which may expose the Company to unfair influence through discrediting and inaccurate competitor claims.

(e) **Changes to Federal Government R&D Incentive arrangements**

archTIS has been eligible for R&D tax incentives. If the Company was no longer eligible for R&D tax incentives this would impact on archTIS' anticipated costs for development.

(f) **Technology risk**

Technology markets, by their very nature, are a continually evolving marketplace. To succeed, the Company will need to research, develop, design, manufacture, assemble and bring to market new

enhancements to its existing products as well as new products that are suitable for existing markets and new markets that might not yet exist. The Company cannot guarantee that it will be able to engage in research or develop its existing (and new) products to meet the changing needs of its markets and the new and emerging technologies.

Further, there is a risk that the Company cannot sufficiently develop the specialist skills required to see the solution to fruition in a timely manner. At the same time, products and technologies developed by others may render the Company's products and systems obsolete or non-competitive which could materially adversely affect the business, operating results and financial prospects.

In these circumstances the Company would be required to commit resources to developing or acquiring and then deploying new technologies for use in operations and to ensure competitive positioning of its services.

There is also the risk that the Company will not be able to develop new products in the timeframes expected by the market.

(g) **Production costs risk**

The Company does not envisage significant production cost risk as the component software is all subject to existing licensing arrangements. The Company's products have been architected to facilitate product substitution should a software supplier refuse to further license its commercial off-the-shelf products to the Company.

(h) **Intellectual Property risk**

The Company's success will depend, in part, on the Company's ability to obtain patents, protect its trade secrets and operate without infringing on the proprietary rights of others. The Company relies upon a combination of patents, trade secret protection (i.e., know-how), and confidentiality agreements to protect the intellectual property.

If the Company fails to adequately protect its intellectual property, it may face competition from companies who attempt to create a generic product to compete with the Company's proposed products. The Company may also face competition from companies who develop a substantially similar product to one of the Company's proposed products.

Many companies have encountered significant problems in protecting and enforcing intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents and other intellectual property rights, which could make it difficult for the Company to stop the infringement of its patents or marketing of competing products in violation of its proprietary rights generally. Proceedings to enforce intellectual property rights in foreign jurisdictions could result in substantial cost and divert the Company's efforts and attention from other aspects of its business.

(i) **Scalability**

Scalability is key given archTIS's ambitions to address the market globally. While the Company believes that Kojensi and its service architecture have been built for scalability, there is no guarantee that it will be able to scale up sufficiently to meet future demands and requirements of customers, in its current form.

(j) **Uncertainty of future profitability**

The success of the Company's operations relies on the ability to attract more commercial users of the relevant technology and its products. An inability to attract new clients and users will affect the Company's earning ability.

While the Company has been successful in attracting clients in the government sector in Australia, this will not necessarily translate into successful utilisation in other verticals and countries. Furthermore, the Company's profitability will be impacted by its ability to successfully execute its commercialisation and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of any future profits are uncertain. Moreover, the level of profitability cannot be predicted.

(k) **Termination provisions in existing contracts or engagements**

Like all companies, archTIS has the risk that key personnel may depart. archTIS seeks to manage this risk through appropriate time-based incentives in key contracts, as well as through knowledge transfer from key individuals. However, the risk of loss of expertise remains, should key staff elect to leave.

5.3 Industry specific

(a) **User experience risk**

The Company's business model is primarily based on securing recurring revenue arising from technology users and customers. Notwithstanding major efforts placed on the user interface and user experience, a poor user experience may not necessarily be anticipated and may affect growth of customer numbers and repeat purchases or ongoing contracts with the Company for use of its services. Factors which may contribute to poor customer experience include:

- (i) ease of setting up and commencing use of the products offered;
- (ii) simplicity and reliability of customer usage; and
- (iii) quality of services provided.

Poor user experiences may result in the loss of customers, adverse publicity, litigation, regulatory enquiries and customers reducing the use of the Company's products. If any of these occur, it may adversely impact the Company's revenues.

Beta testing will provide further data from client experiences and any changes will be included in the final product.

archTIS is addressing this risk through deliberate and strong focus on useability and user experience. Feedback to date from prospective customers is that the user interface exceeds that available for other less secure service offerings.

(b) **Information technology risk**

Technology projects involve risks as regards technologies, vendors and employees, and in the actual development and deployment of the solution. Whilst the Company has employed and engaged subject-matter experts, employs skilled personnel using standard security approaches, there are risks that delivery will fail to meet client expectations or deadlines, that solutions become obsolete, the unforeseen occurs, or platforms are compromised resulting in a negative impact on the Company's reputation and performance.

Where the client is unhappy with the Company's technology choice for the cloud platform, this may have a negative effect on the profitability of the Company. Further, clients may have concerns that the Company's products and services do not satisfy their specific compliance requirements.

(c) **Reliance on third party providers**

Whilst the Company is dependent upon multiple third parties in developing its products, and on its products being able to operate on and with a range of systems, platforms and devices, it is unable to control third party developers of such systems.

Changes to such external platforms, systems or devices may adversely impact on the functionality of the Company's products and could make customers less likely to use the Company's products, which may have a detrimental impact on the Company's financial performance.

Similarly, the Company's products assume customers are able to access the internet and cellular networks. If third party providers were to raise the cost of these networks or restrict the ability of customers to access these networks, and thus to use the Company's products, this would be likely to detrimentally affect the Company's financial performance.

(d) **Third party tools and platforms**

The use of third-party tools and software is common practice in the information technology industry, however the Company is exposed to risks associated with their use.

While archTIS employs sound industry practices to minimise such risks, if the third-party tools used by the Company are subject to cyber-attacks by hackers, its products and software may be affected and the Company may lose customers, which would have a negative effect on the Company's revenues and profit.

(e) **Equipment risk**

With information technology equipment there is always a risk of failure. Given that in many cases such equipment will not be owned by archTIS, such risk may not be able to be managed by archTIS, beyond normal

industry practice in terms of service agreements, and standard backup and recovery protocols.

(f) **Infringement of third party intellectual property rights**

If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of trademarks or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, intellectual property litigation is expensive. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In addition, parties making claims against the Company may be able to obtain injunctive or other equitable relief that could prevent the Company from further using its branding, trademarks or commercialising its products. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defense of any lawsuit or failure to obtain any of these licenses could prevent archTIS from commercialising available products and could cause it to incur substantial expenditure.

archTIS has not had any third-party intellectual property claims to date.

(g) **Brand and reputational risks**

The Company has established branding of its products that has been approved by IP Australia. The Company believes that global branding is critical for the long-term success of its business. Negative commentary or a complaint regardless of accuracy via social media, media in general and or word of mouth may have a damaging impact on the ability of the Company to reach its potential and may not necessarily be based on accurate data or real experience. Further, the Company's existing brand and reputation may not be appropriate to the products and services that the Company is developing. This may impact client engagement and procurement of archTIS products and services.

Currently, work is underway for specific naming and branding of the cloud and appliance products. This will be done across Australia and relevant geographies.

Claims by third parties of rights to the Company's names and brands could cause the Company to incur costs or be required to pay damages or lose rights to their use. While not anticipated, if this were to occur it could adversely impact the operating results and potential of the Company.

The threat of cyber-attacks on security companies is real, and the impact of a successful cyber-attack on the Company would adversely affect their reputation and brand.

(h) **Future capital requirements**

Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. The Company's capital requirements depend on numerous factors. There is no certainty regarding the ability of the Company to raise sufficient funds to meet its needs into the future. The Company's future capital requirements depend on a number of factors including the Company's ability to generate income from its operations. The Company may need to raise additional capital from equity or debt sources due to unforeseen circumstances. There can be no assurance that the Company will be able to raise such capital on favorable terms or at all. If adequate funds are not available on acceptable terms the Company may not be able to develop its business and this may have an adverse impact on the Company's operations.

(i) **Exchange rate movement**

Once it is servicing overseas customers the Company could be exposed to exchange rate movements. Accordingly, movements in exchange rates may have an impact on the Company's financial position and performance.

(j) **Regulatory risk and compliance**

As with any technology product offering, the Company may be exposed to the regulatory environment of a particular jurisdiction. Any adverse regulation may restrict the ability to operate its products in a particular jurisdiction. Similarly, any change in regulation may restrict the Company's ability to operate its business in the jurisdictions in which it currently operates.

The Company is required to comply with the laws governing privacy, taxation and consumer trade practices in each jurisdiction in which it operates. The Company may be subject to other laws in jurisdictions in which it plans to operate and the applicable laws may change from time to time.

These laws and applicable regulations give rise to risks and compliance costs for the Company. Non-compliance with such regulations, changes in the interpretation of current regulations, loss or failure to secure renewal of an accreditation, or the introduction of new laws or regulations may lead to fines imposed on the Company by the relevant regulatory authority or Governmental body, revocation of permits or licenses, or damage to the Company's reputation and may have a material adverse effect on the Company's costs, business model and competitive environment and therefore could materially adversely affect the Company's future financial performance and position.

(k) **Insurance**

The Company seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in their industry sector. Any increase in the cost of the insurance policies of the Company or the industry in which they operate could adversely affect the Company's business, financial condition and operational results. The Company's insurance coverage may also be inadequate to cover

losses it sustains. Uninsured loss or a loss in excess of the Company's insured limits could adversely affect the Company's business, financial condition and operational results.

(l) **Contractual disputes**

The Company's business model is dependent in part on contractual agreements with third parties that have an interaction with the Company's target market. The Company is aware that there are associated risks when dealing with third parties including but not limited to insolvency, fraud and management failure. Should a third party contract fail, there is the potential for negative financial and brand damage for the Company.

5.4 **General risks**

(a) **Coronavirus (COVID-19)**

The outbreak of the coronavirus disease (**COVID-19**) is impacting global economic markets. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

The COVID-19 pandemic may also give rise to issues, delays or restrictions in relation to land access and the Company's ability to freely move people and equipment to and from exploration projects and may cause delays or cost increases. The effects of COVID -19 on the Company's Share price and global financial markets generally may also affect the Company's ability to raise equity or debt or require the Company to issue capital at a discount, which may in turn cause dilution to Shareholders.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain.

(b) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Specifically, it should be noted that the current evolving conflict between Ukraine and Russia is impacting global macroeconomics and markets generally. The nature and extent of the effect of this conflict on the performance of the Company and the value of the Company's Shares remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by the conflict between Ukraine and Russia and overall impacts on global macroeconomics. Given the situation is continually evolving, the outcomes and consequences are inevitably uncertain.

(c) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and industrial stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(d) **Climate**

There are a number of climate-related factors that may affect the operations and proposed activities of the Company. The climate change risks particularly attributable to the Company include:

- (i) the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its business profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences; and
- (ii) climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates.

(e) **Litigation**

The Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow and share price of the Company.

As at the date of this Prospectus, the Company is not aware of any pending litigation.

5.5 Speculative investment

The risk factors described above, and other risks factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the Company's Securities.

Prospective investors should consider that an investment in the Company is highly speculative.

There is no guarantee that the Shares and Options offered under this Prospectus will provide a return on capital, payment of dividends or increases in the market value of those Securities.

The Directors recommend you read this Prospectus in its entirety and consider all factors, taking into account your objectives, financial situation and needs.

6. ADDITIONAL INFORMATION

6.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

6.2 Joint Lead Manager Mandate

The Company has signed a mandate letter to engage the Joint Lead Managers to act as lead manager to the Placement pursuant to which the Placement Options Offer is being made (**Joint Lead Manager Mandate**), the material terms and conditions of which are summarised below:

Services	<p>The Joint Lead Managers have agreed to provide services to the Company including:</p> <ul style="list-style-type: none">(a) acting as bookrunners and joint lead managers of the Placement;(b) joint lead manage the Placement;(c) advise on structuring of the Placement; and(d) assist with the communications strategy of the Placement.
Fees	<p>In consideration for its services, the Company agreed to pay the following fees to the Joint Lead Managers:</p> <ul style="list-style-type: none">(a) a management fee of 2% of the total amount raised under the Placement (plus GST);(b) a selling fee of 4% of the total amount raised under the Placement (plus GST); and(c) the issue of 1,000,000 Options for every \$1 million raised in the Placement on the same terms and conditions as the Options (the Lead Manager Options).
Expenses	<p>The Company has agreed to reimburse the Joint Lead Managers for all reasonable out-of-pocket expenses associated with the Placement, to be approved in advance for any individual expense greater than \$5,000.</p>

The Joint Lead Manager Mandate otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties and confidentiality provisions).

6.3 Continuous disclosure obligations

As set out in the Important Notes Section of this Prospectus, the Company is a disclosing entity for the purposes of section 713 of the Corporations Act. Accordingly, information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
2 December 2022	Proposed issue of securities – AR9
2 December 2022	Proposed issue of securities – AR9
2 December 2022	\$3.5M Strategic Financial Package for Kojensi US Expansion
30 November 2022	Trading Halt
30 November 2022	Pause in Trading
17 November 2022	archTIS Announces Reduction in Overall Cost Structure
2 November 2022	AR9 Awarded Work Order in KPMG OneDefence Program
27 October 2022	Investor Presentation – Quarterly Results
27 October 2022	Quarterly Activities/Appendix 4C Cash Flow Report
25 October 2022	Quarterly Results Investor Update Webinar
11 October 2022	Cleansing Notice
11 October 2022	Application for quotation of securities - AR9
7 October 2022	Amended Constitution

Date	Description of Announcement
2 December 2022	Proposed issue of securities – AR9
5 October 2022	Results of Meeting
28 September 2022	archTIS Signs OEM Agreement to Provide NC Encrypt
27 September 2022	Change of Director's Interest Notice
27 September 2022	Notification of cessation of securities - AR9
20 September 2022	archTIS Launches New Module - NC Encrypt
8 September 2022	Notification of cessation of securities - AR9
7 September 2022	Further Expansion of NC Protect Within Aus Dept of Defence
5 September 2022	Notice of Annual General Meeting
5 September 2022	archTIS Awarded Contract up to \$430k from Aus Dept of Health
25 August 2022	Investor Presentation - FY22 Annual Results
25 August 2022	Appendix 4G - Corporate Governance Statement

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.archtis.com.

6.4 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

	(\$)	Date
Highest	\$0.175	19 September 2022
Lowest	\$0.100	2 December 2022
Last	\$0.100	2 December 2022

The last trading price of Shares on ASX prior to the Prospectus being lodged of \$0.105 per Share is not a reliable indicator as to the potential trading price of the Shares after closure of the Offers.

6.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (i) the Offers.

Security holdings

The relevant interest of each of the Directors in the Securities of the Company as at the date of this Prospectus is set out in the table below:

Director	Shares	Options	Performance Rights
Dr Miles Jakeman AM	1,634,545	1,360,000 ¹	-
Daniel Lai	9,595,991	7,246 ²	106,592
Leanne Graham	773,474	756,612 ³	-

Notes:

1. Comprising 360,000 unlisted options exercisable at \$0.20 on or before 13 February 2023 and 1,000,000 unlisted options exercisable at \$0.316 on or before 24 November 2025.
2. Listed options exercisable at \$0.35 on or before 23 December 2023.
3. Comprising 6,612 listed options exercisable at \$0.35 on or before 23 December 2023 and 750,000 unlisted options exercisable at \$0.316 on or before 24 November 2025.

The Directors reserve the right to participate in the SPP Offer.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive Directors.

Director	Remuneration for the year ended 30 June 2022 (Actual)	Remuneration for the year ending 30 June 2023 (Proposed)
Dr Miles Jakeman AM	\$119,810	\$82,875 ^{1,4}
Daniel Lai	\$392,611	\$631,500 ^{2,4}
Leanne Graham	\$81,369	\$54,756 ^{3,4}

Notes:

1. Comprising Director's fees of \$75,000 and superannuation contribution of \$7,875.
2. Comprising Director's salary and fees of \$300,000, short-term incentive of \$120,000, share-based payments of \$180,000 and superannuation contribution of \$31,500.
3. Comprising Director's fees of \$54,756.
4. The Director's salary and fees have been calculated on the basis that all incentives are achieved and paid out over the course of the financial year.
5. The FY22 remuneration for Miles Jakeman and Leanne Graham includes a pro rata portion of options issued to them during November 2021. A further pro rata allocation will be recognised during FY23 on the same basis.

6.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or

(f) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

(g) the formation or promotion of the Company; or

(h) the Offers.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay Steinepreis Paganin \$10,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$167,633 (excluding GST and disbursements) for legal services provided to the Company.

PAC Partners Securities Pty Ltd (**PAC Partners**) will be paid fees for the issue of Shares under the Placement to which the Placement Options Offer is related. PAC Partners are not receiving any fees under the SPP Offer of the Placement Options Offer.

Viriathus Capital LLC will be paid fees for the issue of Shares under the Placement to which the Placement Options Offer is related. Viriathus Capital LLC are not receiving any fees under the SPP Offer of the Placement Options Offer.

6.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the securities), the Directors, the persons named in the Prospectus with their consent as proposed directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and
- (c) has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus.

RSM Australia Partners has given its written consent to being named as auditor to the Company in this Prospectus and the inclusion of the 30 June 2022 audited balance sheet of the Company in Section 3.4.

PAC Partners Securities Pty Ltd has given its written consent to being named as joint lead manager to the Placement in this Prospectus.

Viriathus Capital LLC has given its written consent to being named as joint lead manager to the Placement in this Prospectus.

6.8 Expenses of the offers

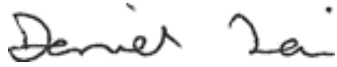
In the event that all Entitlements are accepted, the total expenses of the Offers are estimated to be approximately \$28,206.00 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	3,206
ASX fees	5,000
Legal fees	15,000
Miscellaneous	5,000
Total	28,206

7. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Daniel Lai
Managing Director and Chief Executive Officer
For and on behalf of archTIS Limited

8. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

AEDT means Australian Eastern Daylight Time as observed in Canberra, Australian Capital Territory.

Application Form means either an SPP Application Form or application form provided to eligible participants in the Placement Options Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Company means archTIS Limited (ACN 123 098 671).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholder has the meaning given in Section 2.7.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the SPP Offer.

Joint Lead Managers means PAC Partners Securities Pty Ltd and Viriathus Capital LLC.

Offers means the SPP Offer and Placement Options Offer.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share including the Options offered under this Prospectus, the terms of which are set out in Section 4.1.

Optionholder means a holder of an Option.

Placement means the placement announced by the Company to ASX on 2 December 2022 as referred to in Section 2.1.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at Section 1.

Section means a section of this Prospectus.

Securities means Shares and/or Options and/or Performance Rights as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Automatic Registry Services.

Shareholder means a holder of a Share.

SPP Application Form means the application form pursuant to which Eligible Shareholders may participate in the SPP Offer.