

26 April 2018

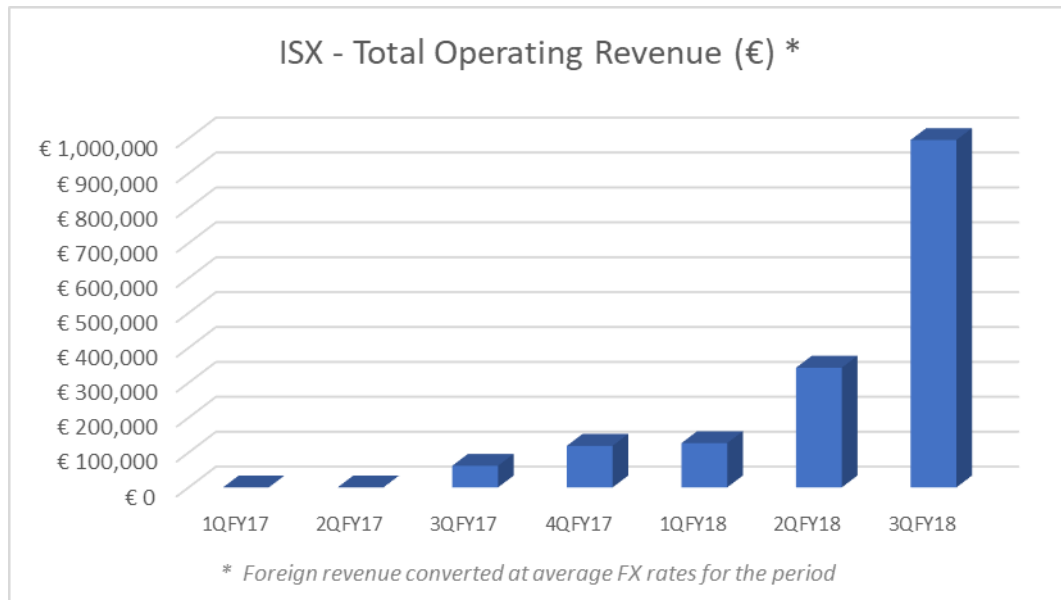
Report to shareholders for the Quarter Ended 31st March 2018

Australian Securities and Frankfurt Stock Exchange cross listed iSignthis Ltd (ASX: ISX / DE: TA8), the global leader in RegTech for identity verification and transactional banking/payments, is pleased to provide the following business update and Appendix 4C for the quarter ended 31st March 2018.

Highlights:

- Unaudited revenue of A\$1.48m for the March quarter, representing a QoQ increase of 267%
 - Total unaudited revenue for the first three quarters of FY18 of A\$2.28m
- Cash Receipts increased to A\$1.571m, representing approximately a 400% increase versus the December quarter (A\$392k)
- The Company continues to increase the value of its contracted GPTV, which is now in excess of AU\$500m
- Company continues research and development and extends IP portfolio with Chinese patent acceptance and filing of patents for new inventions.

Total Operating Revenue (€) *



Summary of achievements this quarter include:

- First four EU settlement merchants were contracted, with estimated GPTV book value in excess of €200m annually (+A\$310m) and the first of those merchants was announced as “live” early in the month of March.

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- Late in the quarter, the Company reported total contracted GTPV book value for the global iSignthis group settlement merchants was in excess of A\$400m, on an annualised basis with a Merchant Services Fee (MSF%) expected to average 100bps across the global GPTV, subject to traffic being processed via our network and primary supply agreements.
- The Paydentity service was deployed to XM.com on a fully commercial basis for Chinese eKYC, which extends the scope of Paydentity™ eKYC from EU+UK to include China.
- iSignthis eMoney (AU) Pty Ltd, a subsidiary of the leading RegTech payment and identity verification provider iSignthis Ltd, became an aggregator for American Express., one of the world's largest major card schemes.
- Extending Intellectual Property Protection, including acceptance of Patent in China for our core technology.

1.0 [BUSINESS UPDATE](#)

The Company is pleased with the continual transaction volume growth quarter on quarter and the generation of revenue of approximately \$1.5m for the quarter ending 31 March 2018. Whilst we are seeing revenues from a relatively low number of integrated customers, it is pleasing to see that strong numbers are now being delivered across each of our industry verticals (Identity verification, processing and card acquiring settlement services).

The ongoing focus is to continue to build on these numbers in order to reach a break-even position as quickly as possible. The business development division is looking at completing contracts to new customers whilst at the same time the merchant support team is finalising integration of services to contracted clients. New business, new integrations and growth of existing customers are all factors in the quarter on quarter transaction and revenue growth.

2.0 [MERCHANT UPDATE](#)

The ISXPay **contracted** book value continues to grow, with contracted value now in excess of AUD\$500m GPTV per annum. The GPTV processed by the Company did not experience the growth expected by the Company, due to a number of unforeseeable events.

These events included litigation between two of our merchants and ASIC, which has resulted in processing for those two merchants declining. The GPTV attributable to these merchants has been discounted from the above 'contracted' GPTV. The Company is also resolving an upstream technical issue with one of our key suppliers, which our supplier is working on resolving as soon as possible.

This short-term supply side technical issue affects the processing of payments to some of our merchants in the EEA area. This technical issue prevents the Company from processing the volumes of some of its contracted merchants at maximum capacity, as well as crystallising the full potential gross profit from each contracted merchant. The Company is thus diverting its traffic in the short term from these merchants to higher cost suppliers until it resolves the issue, which are expected to take 8-10 weeks. Revenues will continue to increase, albeit at a slightly slower pace and at a lower gross profit margin than had hoped for by management during this period. The ability to divert traffic to other suppliers, even at a higher cost, is an essential design feature of the resilient ISX network, to ensure that we can offer maximum processing uptime to our merchants in the event of upstream supply issues

3.0 [WHAT DO WE DO?](#)

We offer **transactional banking services** (aka payments) by enabling supply side payment solutions to our contracted **merchants** in order to give their customers greater choices of payment methods, whilst contemporaneously verifying the customer's identity to increase the merchant's global reach and simultaneously meet compliance requirements.

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Supply Partners



Services/Solutions

1. Card Acquiring EEA/EU/AUS
2. eMoney Services
3. Intercompany remittance
4. Custodial Account Services
5. Identity as a Service (KYC)
6. Payment Gateway
7. Integration / Set Up

Charge Basis

1. MSF% of GPTV
2. MSF% of GPTV
3. MSF% of GPTV
4. MSF% of GPTV
5. Flat Fee x Units
6. Flat Fee x Units
7. One off Fee

Merchant Sectors (Contracted)

- Financial Services
- CFD / FX / Binary Brokers
- Gaming/Gambling
- Credit Providers
- Crypto / Digital Currency
- High Value Retail
- Money Service Business
- Utilities



Merchant Contracting Cycle

The stages of delivering processing services to a Merchant are;

- identify prospects & marketing activity (ongoing), by ISX
- sales activity (1-6months), by ISX
- Reach formal agreement (2-4 weeks), joint ISX and Merchant
- Finalise due diligence (2-3 weeks), by ISX
- Provisioning (1 week), by ISX
- Onboarding and Integration (2-8 weeks), by Merchant
- Comfort Testing & Loading (2-8 weeks), by Merchant
- Processing (ongoing), by ISX
- Upsell new services, by ISX

4.0 CORPORATE

4.1 CASH POSITION

At the end of the Quarter, the consolidated group cash balance as reported in the Appendix 4C was \$7.1million (excluding cash deposits held as security and Customer Segregated Funds). The cash usage for the quarter being within our projected usage for business growth, development, marketing and service deployment.

The cash position is continuing to improve with the gap between outflows and inflows decreasing as revenues grow and the additional funds gained by the placement completed to institutional investors in the December quarter.

4.2 INTELLECTUAL PROPERTY UPDATE

The Company continues research and development of new services, and actively files for patent protection in order to protect its position in the market.

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We are pleased to advise that the Chinese patent application 201180014816.4 “Methods and systems for verifying transactions” has been accepted and will proceed to formal grant of Letters Patent.

We are also pleased to advise that the USPTO have determined that the US patent application 15/536219 “Assurance of identity information” has met the formal requirements and is accepted for examination.

The Company also advises that the USPTO has determined that for both the US patent application 15/536219 “Assurance of identity information” and US Patent Application 15/575 767 “Secure Payment” have met the formal requirements and are both now accepted for examination. These patents have been filed in a number of other jurisdictions contemporaneously.

The Company has also extended its trademark scope and registration with the USPTO for Payidentity™ and iSignthis® in the USA.

5.0 OUTLOOK

iSignthis continues to focus on delivering multiple services into its existing service customers, integrating new customers and securing additional business development opportunities across an expanding range of core KYC, merchant and banking services.

Management has attempted to provide guidance to the market in recent quarters, however the surging and unpredictable nature of the growth experienced in recent quarters has led to material variation from those guidance estimates.

The Company currently has a strong pipeline of merchants on-boarding, which will in turn impact both operational core services revenue and the contracted book value for settlement services over the coming quarters. In addition, a growing number of requests for other fiduciary and transactional banking services already being provided to existing customers on a small scale, are presenting themselves as larger opportunities.

As such, the company believes that the market will be best informed by management providing timely updates on revenue projections as growth for the June quarter crystallises. We anticipate updating investors in mid to late May.

****ENDS****

Glossary

AML = *Anti Money Laundering, usually refers to a regulatory regime that banks, brokers, exchanges, credit providers etc. need to comply with. AML requires KYC.*

Acquiring bank = *(also called acquirers, processing banks or merchant banks) are financial institutions, members of Visa and MasterCard, that contract with merchants to enable them to accept debit and credit card payments for their products and services. They can also, and mostly do, contract with third parties to provide some of these services.*

Cardholder = authorised user of credit or debit card

Card issuer = *(Monetary) financial institutions that are Principal Members of a Credit Card Association, which issue payment cards on behalf of the Credit Card Associations, and contract with their cardholders for the terms of the repayment of transactions. iSignthis is a Principal Member of Visa Inc (NYSE:V), Mastercard Worldwide (NYSE:MA) and JCB International*

Credit Card Associations = *member-owned association of banks that govern the issuing of Visa, MasterCard, JCB, AMEX, Diners, Discover and China UnionPay cards and the acquiring of transactions from those cards. Both organisations have developed payment systems to facilitate the processing of transactions between member banks.*

CTF or CFT = *Counter Terrorism Funding, or Counter Funding of Terrorism, is often paired with AML as AML/CTF or AML/CFT*

Dynamic Data = *one-time data related to an e-Payment transaction, that is current and used as an input at the time of KYC check. Unlike Historic Data, Dynamic data is only applicable and accessible via the person to whom it relates and can only be compiled with the KYC target person’s active involvement. Refer to ‘Secret’*

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e-KYC = electronic or digital KYC. The process of customer identification remotely via the internet, rather than face-to-face / manual processes.

eMoney = electronic money whether it is held on a payment device in the electronic money holder's possession or stored remotely at a server and managed by the electronic money holder through a specific account for electronic money.

eMoney Regulation = *DIRECTIVE 2009/110/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions¹*

e-Wallet = a means of storing or processing funds via your mobile, laptop, tablet etc. to more than one merchant or other person. An eWallet holds eMoney.

Enhanced Due Diligence (EDD) = for Higher-Risk Customers. Customers that pose higher money laundering or terrorist financing risks present increased exposure to merchants; **due diligence** policies, procedures, and processes should be **enhanced** as a result.

EOI = Evidence of Identity, which forms the basis of **KYC**.

Gross Processed Turnover Value (GPTV) = the value of third party monies processed by the Company for which it charges a MSF

KYC = **Know Your Customer**, a mandatory customer identification process that banks and AML regulated entities must perform prior to offering a consumer service in order to comply with AML law or regulation.

Identification = the means whereby a person is identified by name and other unique attributes, prior to those details being verified by a customer due diligence process.

Merchant = *is a business that has contracted with an acquiring MFI or Payment Facilitator to accept card payments*

Paydentity = the convergence of payments and identity, incorporating payment instrument verification and customer identification, in order to remotely link an electronic payment with a person's identity, usually for the purpose of satisfying Anti Money Laundering (AML) or Anti-Fraud, or both requirements.

Monetary Financial Institution (MFI) = *EU Regulation 2013/33/13 defines MFIs as resident undertakings that belong to any of the following sectors Credit Institution (Bank), Central Bank or eMoney Institution (e-Bank), such as iSignthis eMoney Ltd.*

Merchant Services Fee (MSF) = is the fee, designated in basis points, charged to the merchant for the provision of transactional banking services by the Company

Payment Facilitator = *is an organisation that has contracted with an acquiring bank to provide merchants with card payment processing services on behalf of an acquirer. Payment processors must be registered with Visa and MasterCard and must identify on all of their marketing materials, including their websites, the name of the bank partner.*

Payment Service Provider (PSP) = *an entity licensed or authorised to provide transactional banking services, including card issue, card acquire, credit facilities and bank transfers. The Company's subsidiary iSignthis eMoney Ltd is a European Economic Area Authorised eMoney Monetary Financial Institution (MFI) no 115.1.3.17 and can offer PSP service, including card acquiring and issuing.*

¹ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0110&from=en>

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PCI = Payment Card Industry, comprising Visa, Mastercard, American Express, Diners, Discover, China Union Pay. PCI sets the global standards required for security and interconnectivity of banks & processors to merchants via its data security standard (DSS). Level / Tier 1 is the highest standard possible, to which level the Company is certified.

PSC = A Person of Significant Control is anyone that exerts a significant influence or control over a company. They are identified as a PSC if they meet any of the following criteria: Hold more than 25% of a share in a company or have the right to participate in more than 25% of the surplus assets of a company.

Revenue = i) GPTV x MSF and/or, ii) Flat Fee Charge x Units Consumed, and/or iii) Integration and Ad Hoc Services.

Secret = Information which can only be known by or in the possession of (e.g. one-time passcode or cryptographic key) the authorised users. This information is transmitted by iSignthis securely within standard payment messages and used as the basis of challenge / response knowledge based authentication EOI. The Secret is comprised of **Dynamic Data**. By way of example, the United Kingdom's Joint Money Laundering Steering Group (JMLSG) 2017 Revision at s5.3.89 refers.

Service provider = any third party that provides a service used in the card payment transaction process: point-of-sale terminals, payment gateways, web hosting, SSL certificates, shopping carts etc.

SCA = Strong Customer Authentication, a means whereby two factor authentication (2FA) is linked to a person's KYC identity and a specific payment instrument (e.g. card or eWallet), and the 2FA is used to authenticate remote payment transactions executed on the payment instrument.

Static Data (aka Historic Data) = data that may have been secret at a historic point in time. E.g. What is or was presumed to be non-public data related to a KYC target person, including their credit history report, the person's mother's maiden name, the persons full name, their driver's license number etc. It may predate the KYC process by years, months or days, and may be discernable to party's other than who it relates by way of data hacks/breaches², social media. Static Data is susceptible to data breaches, such as the US and UK 2017 Equifax data breach.

UBO = Ultimate Beneficial Owner, companies are increasingly expected to understand who they are doing business with. This serves to prevent doing business with mala fide parties. Any institutions that fall within the scope of the Anti-Money Laundering and Anti-Terrorist Financing Act must retrieve the identity of the UBO (the ultimate beneficial owner) of their business relations on a mandatory basis.

Verification = the means whereby a person's details, including name, date of birth, address and other unique attributes having been previously identified, are verified via a customer due diligence process.

² <http://www.informationisbeautiful.net/visualizations/worlds-biggest-data-breaches-hacks/>

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

ISIGNTHIS LTD

ABN

93 075 419 715

Quarter ended ("current quarter")

31 MARCH 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,571	2,292
1.2 Payments for		
(a) research and development	(100)	(267)
(b) product manufacturing and operating costs	(157)	(380)
(c) advertising and marketing	(16)	(69)
(d) leased assets	-	-
(e) staff costs	(1,051)	(2,648)
(f) administration and corporate costs	(499)	(1,909)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	15	47
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	579
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(237)	(2,355)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(16)	(50)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	(50)
(e) other non-current assets	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (cash deposits)	(54)	351
2.6 Net cash from / (used in) investing activities	(70)	251
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	6,500
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(167)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (card scheme membership security)	(335)	(603)
3.10 Net cash from / (used in) financing activities	(335)	5,730
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	7,654	3,399
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(237)	(2,355)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(70)	251
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(335)	5,730
4.5 Effect of movement in exchange rates on cash held	99	86
4.6 Cash and cash equivalents at end of quarter	7,111	7,111

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5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	6,698	7,243
5.2 Call deposits	413	411
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,111	7,654

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	95
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments to directors and director related entities during the March 2018 quarter.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Nil

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Nil

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	30
9.2	Product manufacturing and operating costs	120
9.3	Advertising and marketing	20
9.4	Leased assets	-
9.5	Staff costs	1,200
9.6	Administration and corporate costs	400
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	1,770

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 26 April 2018

Print name: Todd Richards

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

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3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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