

Response to Ownership Matters Pty Ltd Report

Melbourne, 17th September 2019, iSignthis Ltd ("the Company" or "ISX") became aware last week of a report authored by James Samson, CFA & Dean Paatsch on the 10 September 2019, and circulated by Ownership Matters Pty Ltd, ABN 95 152 996 739 AFSL 423168 ("Ownership Matters") to a number of shareholders of the Company and other parties, as reported in various articles in last week's *Australian Financial Review* and the *Sydney Morning Herald*.

The Company was not invited to comment by Ownership Matters during the drafting of the report on ISX, and to date is yet to receive a copy of the report from Ownership Matters and relies upon copies forwarded by shareholders.

The report appears to rely upon a number of inferences and draws conclusions (which are unverified) that, in the Company's opinion, are inconsistent with public disclosures made by the Company on the ASX platform.

Whilst the report raises "Questions for ISX regarding ownership and related party transactions", Ownership Matters elected to publish the report without seeking answers to these questions from the Company.

The questions appear to be phrased so as to infer disclosure concerns however, the core matters have already been addressed by the Company's public disclosures to the ASX or are verifiable by information in the public domain, per the details in the table below.

For the reasons set out below, the Company considers that Ownership Matters Report contained numerous statements which were false, materially misleading and/or misleading or deceptive.

Statement(s) in Ownership Matters Report	ISX's Response
<p>Page 1</p> <p><i>"The 2014 performance rights had revenue targets to be met by the end of June 2018. These were met by a margin of \$1,347 (excluding R&D grants and interest income).."</i></p> <p>Page 3</p> <p><i>"The target was for revenue for the period to be \$5mn and ISX achieved revenue of \$5,001,347 (excluding interest income and R&D tax concession)."</i></p>	<p>The report asserts that the targets for achieving the performance rights were only exceeded by a margin of \$1,347.</p> <p>As explained below, that assertion was incorrect.</p> <p>The Ownership Matters' calculation overlooked the three separate targets set out in the Prospectus dated 22 December 2014.</p> <p>The conditions for the conversion of the performance rights were set out in section 14.2 of the Prospectus. Each of the three targets was independent and based on ISX achieving revenue of a different specified amount over a 6 month reporting period, on an annualised basis. Furthermore, each independent</p>

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	<p>target only triggered a third of the total performance rights.</p> <p>The audited revenue over the 6-month period from 1 January 2018 to 30 June 2018 was \$5,512,057. Accordingly:</p> <ul style="list-style-type: none"> • Milestone A, which required ISX to achieve revenue over a 6 month period of \$2,500,000, was exceeded by \$3,012,057 not \$1,347 as stated in the report; • Milestone B, which required ISX to achieve revenue over a 6 month period of \$3,750,000, was exceeded by \$1,762,057 not \$1,347 as stated in the report; and • Milestone C, which required ISX to achieve revenue over a 6 month period of \$5,000,000, was exceeded by \$512,057. <p>Note that even if interest and government grants were excluded from the audited revenue figure, only Milestone C would have been achieved by a margin of \$1,347. Milestone A would have been achieved by a margin of \$2,501,347 and Milestone B would have been achieved by a margin of \$1,251,347.</p>
<p>Page 1</p> <p><i>"After the revenue hurdle was met ISX changed balance date from June 30 to December 31"</i></p> <p>Page 3</p> <p><i>"Subsequent to the June 2018 period ISX changed its balancing date to 31 December."</i></p>	<p>The statement made on page 1 followed the paragraph about the performance rights and the words <i>"with revenue falling 78% after the hurdle was tested."</i></p> <p>The statement made on page 3 followed an analysis of the performance rights.</p> <p>There was no factual basis for that suggestion.</p> <p>The reporting date was changed from 30 June to 31 December in order to:</p> <ul style="list-style-type: none"> • streamline ISX's audit and reporting requirements as a licensed monetary financial institution in the European Economic Area; and • harmonise auditing periods between the Australian jurisdiction and the European jurisdiction. <p>On 24 April 2018 ISX advised the ASX that ASIC had granted its application to change its financial year from the Australian reporting standard of 1 July to 30 June to the European position of reporting on a calendar year</p>

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	<p>basis and that plans were in place to transition ISX's reporting during 2018.</p> <p>The change in reporting period did not alter the 30 June 2018 reporting year. Furthermore, two audited reports were issued during 2018. The first was for the financial year ending 30 June 2018. The second was for the financial year ending 31 December 2018. This is clearly disclosed in the Company's half year and annual reports.</p> <p>Even if the Company had not made any change to the reporting dates (being effective 31 December 2018), it would have in any case produced exactly the same reports as at the December 2017 half year and the 30 June 2018 full year, as required by section 292 of the <i>Corporations Act 2001</i> (Cth).</p>
<p>Page 1</p> <p><i>"Ownership of ISX shares by directors is opaque..."</i></p>	<p>The statement followed the paragraphs about the performance rights and changing of the reporting date.</p> <p>There was no factual basis for that suggestion.</p> <p>Full disclosure of the directors' direct and indirect interests has been made to the ASX pursuant to the company's continuous disclosure obligations.</p> <p>In particular, the direct and indirect interests of Mr Karantzis and all other directors of the company have been fully disclosed in Appendix 3Y notices on an ongoing basis, the most recent being filed with the ASX on 2 September 2019.</p>
<p>Page 4</p> <p><i>"Limited Disclosure as to What drove the material revenue increase in the six months to June 2018"</i></p>	<p>The statement followed the paragraphs about the performance rights, changing of the reporting date and ownership interests of the directors.</p> <p>In the twelve months prior to 30 June 2018, ISX made 22 announcements to the ASX platform which were relevant to revenue. In particular, these were made on:</p> <ul style="list-style-type: none"> • 4 June 2018 (twice); • 20 March 2018; • 7 March 2018; • 26 February 2018; • 5 February 2018; • 19 January 2018; • 3 January 2018; • 15 December 2017;

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	<ul style="list-style-type: none"> • 24 November 2017; • 8 November 2017; • 2 November 2017; • 26 October 2017; • 25 October 2017; • 18 October 2017; • 16 October 2017; • 11 October 2017; • 4 September 2017; • 22 August 2017; • 18 August 2017; • 22 June 2017; and • 10 May 2017.
<p>Page 13</p> <p><i>"Why were patents filed in 2017 then sold to BXWIP Pty Ltd and then on sold to ISX?"</i></p>	<p>The statement followed the paragraphs about the performance rights, changing of the reporting date, ownership interests of the directors and disclosure about revenue.</p> <p>There was no factual basis for that suggestion.</p> <p>No patents filed in 2017 (or at any time) were on sold to BXWIP Pty Ltd and then sold to ISX.</p> <p>US Patents 8805738, 7765153, 7588181, 8131617, 6032863, which existed from approximately 1998 to 2009, were purchased by the company. The transfer of ownership can be verified through a public domain search of the US Patents & Trademark Office, and example of which can be found at https://assignment.uspto.gov/patent/index.html#/patent/search/resultAbstract?id=8805738&type=patNum</p> <p>In note 21 of its 2017 Annual Report, ISX said:</p> <p><i>During the financial year the consolidated entity purchased Intellectual Property (Patents) from a third party in the amount of USD\$91,000 (AUD\$124,063). The purchase was completed whereby an entity (incorporated specifically for this transaction for commercial purposes) associated with Mr Barnaby Egerton-Warburton (BXWIP Holding Co Pty Ltd) purchased the Intellectual Property which was then immediately reassigned to the consolidated entity. It is noted that the purchase consideration above was paid directly to a solicitor and as such no cash transaction occurred between the consolidated entity and BXWIP Holding</i></p>

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	<p><i>Co Pty Ltd and thus no benefit was provided to Mr Barnaby Egerton-Warburton.</i></p> <p>On 18 January 2019 the status of the Company's patent portfolio was updated in the document entitled "Intellectual Property Update". Further, its significant patent portfolio has at all times been verifiable from public searches available at various patent offices.</p>

The Company has written to Ownership Matters seeking clarification, and is considering its various options, and will update the market as appropriate.

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About iSignthis Ltd

Australian Securities and Frankfurt Stock Exchange listed iSignthis Ltd (ASX: ISX | FRA: TA8) delivers remote identity verification and payment authentication coupled with emoney, transactional banking, IBAN issue and payment processing capability. iSignthis provides an end-to-end on-boarding service for merchants, with a unified payment and identity service via our Paydentity™ and ISXPay® solutions.

By converging payments and identity, iSignthis delivers regulatory compliance to an enhanced customer due diligence standard, offering global reach to any of the world's 4.2Bn 'bank verified' card or account holders, that can be remotely on-boarded to meet the Customer Due Diligence requirements of AML regulated merchants in as little as 3 to 5 minutes. Paydentity™ has now onboarded and verified more than 1.65m persons to an AML KYC standard.

- **iSignthis Paydentity™** service is the trusted back office solution for regulated entities, allowing merchants to stay ahead of the regulatory curve, and focus on growing their core business. iSignthis' subsidiary, iSignthis eMoney Ltd, trades as ISXPay®, and is an EEA authorised eMoney Monetary Financial Institution, offering card acquiring in the EEA, and Australia.
- **ISXPay®** is a principal member of Visa Inc, Mastercard Inc, Diners, Discover, (China) Union Pay International and JCB International, an American Express aggregator, and provides merchants with access to payments via alternative methods including SEPA, Poli Payments, Sofort, Trustly, WeChat, AliPay and others.
- **UAB Baltic Banking Service, ("BBS")** a wholly owned subsidiary of iSignthis Ltd, provides API based access to SEPA Core, SEPA Instant and SEPA business schemes ("CoreConnect"), for neobanks, banks, credit unions and emoney institutions, and provides a bridge to the Central Bank of Lithuania's CENTROLink service. suite, with BBS contracted to deliver these services to a number of regulated entities.
- **Probanx Information Systems Ltd (Probanx®)**, a wholly owned subsidiary of iSignthis Ltd, is an international banking software company which has been serving the banking industry since the year 2000 by developing comprehensive banking software solutions to financial institutions around the globe. Probanx offers web-based banking solutions using the latest technology and international standard business rules. Our customers are located on five continents and supported from our technical centres in Europe and Australia. iSignthis' Probanx delivers core banking software, including a fully comprehensive and versatile banking solution for retail, corporate and private banks, emoney and payment institutions, offering capabilities that up until now were affordable only by large commercial banks.

Read more about the company at our website www.isignthis.com, <https://www.bbsservice.lt/en/> and www.probanx.com

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