

1Q20 Appendix 4C and Business Activity Report

Melbourne, 29th April: iSignthis Ltd (ASX: ISX | DE: TA8) is pleased to announce its 4th consecutive positive quarterly operating cash flow contained in the Appendix 4C and our quarterly business activity report.

Financial Analysis 1Q20

- 1Q20 is the Company's 4th quarter of positive operating cash flows, +\$1.78m for the quarter.
- Cash balance at end of quarter was \$17.5m in consolidated Group Cash, broadly flat from \$17.7m as at 31 December 2019.
- 1Q20 receipts from customers were down 33% from 4Q19 to \$10.5m due to the impacts from COVID-19, combined with seasonality in some merchants' volumes and other issues mentioned below.
- Client funds held are now over \$100m, up from \$96m as at 31 December to \$101m as at 31 March 2020.
- The Company made a \$4.2m investment in NSX Limited during the quarter for a 12.96% stake, per our announcement dated 20/2/2020.
- In the Quarter the Company completed the acquisition of UAB Baltic Banking Service for a total cost of €75k cash and 1,394,533 ordinary ISX shares.
- Administration and corporate costs were up circa \$430k in the quarter, due mainly to the ASX related legal proceedings.
- Cash flows in the quarter also include a \$3.2m cash contribution from the joint venture partner, as previously announced.

Business Activities 1Q20

- Probanx executed a A\$4.5m agreement to develop a Delivery versus Payment (DvP) Platform for the NSXA, to be delivered over 24 months (excluding any COVID Delays).
- Probanx mobilised key personnel to meet its obligations under the ClearPay JV agreement.
- Integrated UAB Baltic Banking Service team under "Probanx" banner.
- UAB Baltic Banking Service's SEPA Core and SEPA Instant services now integrated with Probanx COREPlus system. Available as a service by ISXPay under our Bank Institution Code (BIC) of ISEMCY22XXX.
- SEPA Instant also now available as a SaaS module to Probanx COREPlus third party financial institution customers.
- Injunctive relief was sought against the Australian Securities Exchange (ASX), with the Federal Court hearing the matter on the 16th April 2020. Judgment is scheduled for 30th April 2020.
- Enquiries for Probanx CORE banking and network products increased, with several (individually non-material) agreements executed with EU regulated entities.
- Flykk® app approved by Apple Inc, with release to worldwide app store expected during May/June 2020. Refer to www.flykk.it for details.

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- Focus on enhancing AML compliance, including:
 - Partnership agreement executed with Lexis Nexis, allowing the incorporation of Lexis Nexis data into our systems for resale to third parties consuming our Paydentity service or Probanx solutions.
 - Paydentity™ cascade extended to include BankID from Norway and Sweden, with Finland under integration, to complement the previously integrated 3rd party instant electronic verification sources, further expanding our 'instant' KYC(C) capability. The Company's patented Payment Instrument Verification (PIV) processes continue to be utilised where instant electronic verification methods are not available, reducing KYC(C) from a manual process that takes days, to a process that is online and takes minutes. PIV relies upon verification of bank accounts and regulated cards.
- Integration completed to two key gaming platforms, extending our platform integrations beyond the exchange and trading platforms integrated during 2018.
- Due to the COVID-19 lock down requirements of Federal and State governments in Australia, and Governments of Cyprus, Lithuania, the Netherlands, and the United Kingdom, ISX, similar to other companies, implemented work from home and other operational strategies, as part of its Pandemic Policy and Business Continuity Plans, to mitigate the effects on staff and operations of the spread of the virus in the wider community.
- COVID-19 impacted March revenues indirectly, with almost 3 weeks of processing time being lost. The Company failed to process transactions across a number of card schemes as a consequence of either the scheme itself being technically or commercially un-responsive, arrangements with the schemes being subject to further commercial or due diligence requirements, or the Company itself changing its systems without taking into consideration the impact on the scheme. By way of example, our PCI DSS certification, despite having been successfully audited and submitted to the relevant scheme on time, was not updated by one of the card schemes, leading to suspension of some processing services.
- Processing to merchants across the Visa network was also suspended for parts of March pending response to Visa re queries on ASX "*investigation*", concerns re "*derogatory media*" and the focus on high risk merchants. The Company is providing Visa with information regarding the ASX "*investigation*" and other matters. Visa has notified that their response times on this matter have been impacted by COVID-19.
- Other COVID-19 impacted matters include :
 - Our Tier 1 Australian processing rollout being delayed and will not meet the May 2020 anticipated timetable, due to unavailability of test slots from the major card schemes. This is as yet to be rescheduled but is anticipated to be later in the year.
 - SWIFT rollout has also been deferred, until such time as test slots will become available. The Company does not at this stage have visibility on expected dates.
 - ASIC has advised that as a direct consequence of COVID-19, consideration of our application under Corporations Regulation 7.2.16 is taking longer than anticipated to assess.

Authorised on behalf of ISX by the CFO & Company Secretary, Elizabeth Warrell and Managing Director, NJ Karantzis

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Appendix 4C

Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

ISIGNTHIS LTD

ABN

93 075 419 715

Quarter ended ("current quarter")

31 MARCH 2020 – 1Q20

Consolidated statement of cash flows	Current quarter 1Q20 - \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,500	10,500
1.2 Payments for		
(a) research and development	(190)	(190)
(b) product manufacturing and operating costs	(5,506)	(5,506)
(c) advertising and marketing	(80)	(80)
(d) leased assets	(79)	(79)
(e) staff costs	(1,626)	(1,626)
(f) administration and corporate costs	(1,344)	(1,344)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	26	26
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	75	75
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,776	1,776
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(492)	(492)
(d) investments	(4,200)	(4,200)
(e) intellectual property & intangibles	(522)	(522)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter 1Q20 - \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property & intangibles	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Cash contribution from Joint Venture partner)	1,888	1,888
	Other (Cash contribution from Joint Venture partner – non-controlling interest)	1,312	1,312
2.6	Net cash from / (used in) investing activities	(2,014)	(2,014)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	361	361
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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 (merchant security received and card scheme membership security)	(1,174)	(1,174)
3.10	Net cash from / (used in) financing activities	(813)	(813)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	17,704	17,704
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,776	1,776

Consolidated statement of cash flows		Current quarter 1Q20 - \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,014)	(2,014)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(813)	(813)
4.5	Effect of movement in exchange rates on cash held	812	812
4.6	Cash and cash equivalents at end of period	17,465	17,465

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 1Q20 - \$A'000	Previous quarter \$A'000
5.1	Bank balances	17,465	17,704
5.2	Call deposits	-	-
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)	17,465	17,704

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
-
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-

7.5 **Unused financing facilities available at quarter end**

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8. Estimated cash available for future operating activities**\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

1,776

8.2 Cash and cash equivalents at quarter end (Item 4.6)

17,465

8.3 Unused finance facilities available at quarter end (Item 7.5)

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8.4 Total available funding (Item 8.2 + Item 8.3)

17,465

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

N/A as cash from operating activities in item 8.1 is positive

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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.

Date:29 April 2020.....

Authorised by:Elizabeth Warrell, Company Secretary & CFO and NJ Karantzis,
 Managing Director.....
 (Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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