

4th June 2018

Interim Update

Australian Securities and Frankfurt Stock Exchange cross listed iSignthis Ltd (ASX: ISX | FRA_DE: TA8), the global leader in RegTech for identity verification and transactional banking/payments, is pleased to provide the following business update.

PERFORMANCE RIGHTS

The Company has received numerous questions from shareholders and analysts regarding the performance rights and revenues. The Company will not make commentary on this matter prior to the milestone date, noting that the milestone date set under the prospectus in 2014 is the end of June 2018. The performance milestone outcome will be reported post audit. However, unaudited revenue will be reported with the 30 June 2018 Appendix 4C quarterly update, due no later than 31st July 2018. This will provide preliminary guidance as to revenues and likely outcome of performance share issue.

MERCHANT UPDATE

As reported on the 26th April with the 31st March 2018 Appendix 4C quarterly update, the ISXPay **contracted** book value continues to grow, with contracted value now in excess of AUD\$550m GPTV per annum. The GPTV processed by the Company did not experience the growth expected by the Company, due to a number of unforeseeable technical issues, as previously reported.

The Company is pleased to announce that it has resolved the upstream technical issues reported with the 31st March 2018 Appendix 4C. The resolution has entailed the addition of parallel supply networks to reach core banking and card services, thus ensuring that the Company is not dependent on any one network to process traffic. Whilst network crashes, such as what occurred on the entire core Visa UK & EU network last week¹ are unavoidable, the ability to minimise outages in our supply networks to reach the card and banking core networks is critical.

The resolution of the supply side network technical issue, which previously limited our coverage and servicing of some of our contracted merchants, will very shortly no longer affect the processing of payments to (foreseeably) any of our contracted merchants in the EEA area. Several merchants will be enabled or switched to the parallel network from end of this week, albeit at a higher cost base in the short term. The resolution of the technical issue, which also previously prevented the Company from processing the volumes of some of its contracted merchants at maximum throughput capacity, will shortly also allow the Company to crystallise the full potential gross profit from each contracted merchant.

The Company notes that use of these parallel supply network means that it is still diverting some of its traffic in the short term to these higher cost suppliers, until its own lower cost Tier 1 network to Visa, Mastercard and JCB is **completed fully**, which is expected to take a further 12 weeks. The completed Tier 1 connection is necessary to ensure that the Company controls its own supply chain, and can scale services elastically based on demand, whilst managing costs.

The ability for the Company to divert traffic to other suppliers, even once it has its own Tier 1 connections, is an essential design feature of the **resilient** ISX network. This ensures that the Company can offer our merchants maximum processing uptime to our merchants in the event of upstream supply issues on the ISX core network.

The above resolves the separate *coverage* and *throughput* issues, with merchant processing in both Australia and the European union now possible at volume for the foreseeable *contracted* volumes.

¹ <https://www.telegraph.co.uk/business/2018/06/01/payments-across-britain-hit-visa-faces-disruption-europe/>

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**'

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 institutions²

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 an 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.

² <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0110&from=en>

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.

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/breaches³, 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.

³ <http://www.informationisbeautiful.net/visualizations/worlds-biggest-data-breaches-hacks/>