

27 January 2016

**Report to shareholders for the Quarter Ended  
31<sup>st</sup> December 2015**

iSignthis Ltd (iSignthis or the Company) (ASX : ISX) is pleased to provide the following business update and Appendix 4C for the quarter ended 31<sup>st</sup> December 2015.

Highlights include:

- Completed **\$10.45m capital raising** to institutional investors at an issue price of \$0.40 per share to expand sales and marketing activities
- Executed channel partner agreement with payment platform provider **Alpha Payments Cloud** (Asia)
- Executed commercial agreement with **TikForce** (Australia)
- Continued aggressive marketing and promotion of the iSignthis brand and services – attended specialist EU gaming conferences in Berlin & Malta providing sales team further opportunity to build our pipeline
- Product development to enhance service features and develop new services.

## **1.0 BUSINESS UPDATE**

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Significant further endorsement of the ISX technology, strategy and market opportunity was provided by the investment market with completion of the \$10.45m capital raising to institutional shareholders. The company has sufficient working capital to take advantage of its unique product and to accelerate growth in our market.

iSignthis advised the market at the time of completing the capital raising of its intended use of proceeds. The company is pleased to announce that it has taken the following initial steps as part of our growth strategy and the disclosed use of the funds raised;

- The appointment of a Sales Director based in the UK, to compliment our BENELUX/Nordics Sales Director, and Global Sales team.
- The commencement of the recruitment process for a U.S. Sales Lead to be based on the U.S. West Coast.
- The lodgement of the application for an EU wide eMoney License to the Central Bank of Cyprus.
- The incorporation of iSignthis Inc. (Delaware, U.S.)
- The incorporation of iSignthis eMoney Ltd (Cyprus)

Interest in the ISX technology and process has continued to grow, and the iSignthis sales team is moving towards putting proposals to customers, which will prospectively lead to agreements as quickly as possible. We were pleased to complete and announce new agreements in the quarter with channel partner Alpha Payments Cloud and a direct merchant agreement with TikForce.

It should be noted that whilst the Company's 'deal cycle' can be as little as several months, external factors such as regulatory review of our customer's proposed changes to their AML/CTF operations may be required prior to prospective customers executing agreements with the Company, or, before putting the Company's service into operation. In some jurisdictions, outsource and/or contracting arrangements are only possible following approval from the regulator.

The Company sees this as being advantageous to its position in the global market, as it presents a significant barrier to entry for any future entrants, who will also likely be required to prove the efficacy of any proposed new

service. The Company has been working with its lawyers, prospective customers and contracted customers in this regard, and has positioned itself via its certifications, products and compliance practices with a view towards satisfying regulators.

Further, the global regulatory trend is such that AML/CTF obligated entities are required to adopt systems that perform transactional analytics linked to customer identity, and iSignthis is well positioned to be a leader in converging payment and identity for the purpose of meeting these regulations.

The company will continue to actively promote our services and increase brand awareness by way of attendance at specifically targeted trade events. The pipeline of new opportunities is strong and we look forward to advising further once agreements are completed.

### **Contract Status Update**

The Company has continued to work proactively with contracted customers to integrate and deliver our services. The current contracts are on track to go progressively commercially live from January 2016.

We were pleased to complete another significant development milestone with the successful release of our major system update on 8 December 2015 incorporating customer requested new features.

As a result of working with our contracted customers over the last quarter in a 'product review mode' the outcome has been the addition of features into the updated system and upcoming new services to be incorporated into our service. We are excited about the opportunities these new services will unlock in markets adjacent to the identity sector, yet still leverage the core systems and know how of the company.

This software update does require that all existing customers change over to our new API, which process is expected to commence mid January onwards.

The expectation is that integration times for new customers will dramatically decrease with the further enhancements to our system and knowledge being gained by our technical team. However, it is our customers, driven mainly by

their technical resources, that determine when integration will commence and be completed, under an API approach.

## **New Business**

The Sales team continue to engage with prospective customers, and we are now targeting the Gaming, Wagering, Betting, Casino, FX, CFD, Binary Options and Trading sectors. These sectors are over represented in jurisdictions such as Cyprus, Malta, Gibraltar, Netherlands/Nordics and the UK, where the company has placed added emphasis on ensuring its services to meet local regulatory requirements.

With added resources now in place in Europe and further appointments to be made, we expect further momentum in this area, particularly as incoming regulations drive a major review of AML/CTF platforms by our prospective customers.

The planning process of targeted trade shows has been completed for the next 6 months and we look forward to exhibiting at the following events in early 2016:

- iFX Expo (Hong Kong) – 26 to 28 January 2016  
<http://www.ifxexpo.com>
- ICE Totally Gaming Conference (London) – 2 to 4 February 2016  
<http://www.icetotallygaming.com>
- Europe Money 20/20 (Copenhagen) – 4 to 7 April  
<https://www.money2020europe.com>

## 2.0 CORPORATE

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### 2.1 CASH POSITION

At the end of the Quarter, the consolidated group cash balance was \$11.2 million.

### 2.2 SALES TEAM – new senior appointment

iSignthis welcomes the appointment of Chris Henry as Sales Director based in the UK effective from 4<sup>th</sup> January 2016.

Chris has delivered KYC, AML/CTF compliance & Anti-Fraud solutions via aggregated data providers for over 10 years, possessing an in-depth sector knowledge and commercial exposure across financial services, foreign exchange/trading, payments, pre-paid card issuers and the e-commerce sectors.

Chris' previous roles have included the successful "from the ground up" build of Onfido Background Checks and [192.Com](http://192.Com)'s KYC solutions, as well as creation and direction of vertical markets such as FX, pre-paid card issue and payment services at GB Group (LSE : GBG) and Strategic Sales Director at C6 Intelligence Group.

The relevant AML industry and product experience that Chris brings to iSignthis enables him to quickly take advantage of our selling proposition and first mover advantage. The considerable size of the UK eCommerce market warrants iSignthis to have a dedicated resource in this part of the world.

### 2.3 CAPITAL STRUCTURE

The Company advised listed option holders (ASX : ISXO) on 26 November 2015 of the expiry of those options not exercised effective 31 December 2015. As a result, the 18.6 million listed options at an exercise price of \$0.50 that remained unexercised at 5.00pm on 31 December 2015 have expired. The Company issued an Appendix 3B on 4 January 2016 to reflect the current position in regards to securities on issue.

## 2.4 RESEARCH REPORTS

iSignthis was pleased to see the publication of two independent research reports on the company. Published by Cannacord Genuity and PAC Partners, the reports are available under 'Company Research' in the Investor section at [isignthis.com](http://isignthis.com)

The reports can be accessed from iSignthis at;

<http://isignthis.com/for-investors/>

## 3.0 OUTLOOK

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iSignthis continues to focus on delivering multiple services into its existing service customers and securing additional business development opportunities.

The Company's outlook for the coming quarter includes:

- Continued focus on business development by building on opportunities created and looking at closing and announcing new agreements with direct customers, strategic channel partners and referrers.
- Completing current customer integrations. Moving to a progressive 'go live' position with all existing customers, subject to customer timetable.

## 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.

**CTF** = Counter Terrorism Funding, often paired with AML as AML/CTF.

**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.

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

**e-Wallet** – a means of storing or processing funds via your mobile, laptop, tablet etc. to more than one merchant or other person.

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

**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.

**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.

**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**.

**SCA** = Strong Customer Authentication, a means whereby two factor authentication (2FA) is linked to a persons 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 mothers maiden name, the persons full name, their drivers licence number etc. It may predate the **KYC** process by years, months or days, and may be discernable to parties other than who it relates by way of data hacks/breaches<sup>1</sup>, social media

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<sup>1</sup> <http://www.informationisbeautiful.net/visualizations/worlds-biggest-data-breaches-hacks/>

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

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

Name of entity

ISIGNTHIS LTD

ABN

93 075 419 715

Quarter ended ("current quarter")

31 December 2015

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(481)	(805)
(b) advertising and marketing	(102)	(110)
(c) research and development	(132)	(166)
(d) leased assets	-	-
(e) other working capital	(433)	(673)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	17
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net operating cash flows</b>	<b>(1,135)</b>	<b>(1,737)</b>

+ See chapter 19 for defined terms.



**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(1,135)</b>	<b>(1,737)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(18)	(26)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (payments for security deposits)	-	-
<b>Net investing cash flows</b>	<b>(18)</b>	<b>(26)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(1,153)</b>	<b>(1,763)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	11,288	11,288
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (Cost of issue of shares)	(601)	(601)
<b>Net financing cash flows</b>	<b>10,687</b>	<b>10,687</b>
<b>Net increase (decrease) in cash held</b>	<b>9,534</b>	<b>8,924</b>
1.21 Cash at beginning of quarter/year to date	1,651	2,267
1.22 Exchange rate adjustments to item 1.21	(4)	(10)
<b>1.23 Cash at end of quarter</b>	<b>11,181</b>	<b>11,181</b>

+ See chapter 19 for defined terms.

## **Payments to directors of the entity and associates of the directors**

## **Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	124
1.25	Aggregate amount of loans to the parties included in item 1.11	-

### 1.26 Explanation necessary for an understanding of the transactions

Payments to directors and director related entities during the December 2015 quarter.

## **Non-cash financing and investing activities**

### 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

The Company has previously disclosed the issue of Vendor Consideration Performance Shares. These are issued in three tranches and will convert to fully paid shares upon revenue milestones being reached.

As at the date of the this report, none of the milestones have been met in relation to the Performance Shares and none of the Performance Shares were issued or cancelled.

### 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

## **Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-
3.2	Credit standby arrangements	-

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	1,434	104
4.2	Deposits at call	9,747	1,547
4.3	Bank overdraft	-	-
4.4	Other	-	-
<b>Total: cash at end of quarter</b> (item 1.23)		<b>11,181</b>	<b>1,651</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entities	
5.2	Place of incorporation or registration	
5.3	Consideration for acquisition or disposal	
5.4	Total net assets	
5.5	Nature of business	

**Compliance statement**

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+ See chapter 19 for defined terms.

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 27 January 2016  
(Company secretary)

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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