



**Otis Energy Limited**

A.C.N. 075 419 715  
Registered Office;  
Suite 25, 145 Stirling Hwy  
Nedlands, Perth WA 6009

ASX Release

4<sup>th</sup> September 2014

**OTIS TO ACQUIRE INNOVATIVE ONLINE IDENTIFICATION AND  
PAYMENT VERIFICATION PROVIDER - ISIGNTHIS**

Otis Energy Limited (ASX: OTE) ("Otis" or the "Company") is pleased to announce that it has executed a binding term sheet to acquire 100% of online identification and payment authentication provider, iSignthis BV ("iSignthis").

iSignthis is an Australian based company which has been granted USA, European, South African and Australian patents that significantly enhance online payment security, internet identity, e-mandates and e-contract validation services, to safeguard eCommerce operators, and assist Anti Money Laundering ("AML") and Counter Terrorism Funding ("CTF") obligated entities meet their compliance requirements. The company has patents pending in several other key jurisdictions, including China, Hong Kong, South Korea, Canada, Brazil and India.

To undertake this transaction, Otis has entered into a binding term sheet to acquire 100% of the issued capital of iSignthis, and all associated intellectual property, software, patents and trademarks.

**Acquisition Highlights**

- **World first, global, highly scalable and fully remote combined evidence of identity and transaction authentication system to assist clients with meeting Know Your Customer ("KYC") and AML requirements and payment authentication.**
- **Patent protected technology that addresses the growing need for online identity coupled with advanced payment authentication to fight fraud**
- **'Over the Top' service operator designed to leverage existing payment networks and customer due diligence performed by banks and debit/credit card account issuers from +30 card schemes in over 190 countries and ~3bn pre-existing customer accounts**
- **Applicable to all KYC obligated entities, including payment service providers, banks, loan providers, stock brokers, eMerchants, eCasino, eGaming, eWagering, insurers, currency exchanges and regulated crypto-currency exchanges.**
- **Facilitates compliance by EU based payment service providers with European Central Bank's incoming SecuRE Pay mandate - All internet payments in the EU28, Norway, Switzerland, Iceland, Monaco and Lichtenstien will be subject to 'Strong Customer Authentication' ("SCA") from February 2015**
- **Existing contracts with two European payment service providers, including eMerchantPay which currently operates in over 40 countries**
- **Incoming executive team and board of directors with significant experience in managing private and listed technology and telecommunications companies**
- **Otis to undertake a consolidation of securities (on a basis of 66.67:1, equivalent to \$0.003 per share) and a capital raising to raise \$2.4M (post consolidation). Otis has executed a mandate for Cygnet Capital Pty Ltd to fully underwrite the capital raising. All remaining US oil and gas assets to be sold prior to completion of the acquisition of iSignthis**



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### **iSignthis Overview**

iSignthis is a Melbourne, Australia based company, which dynamically creates evidence of identity via regulated payment instrument authentication. The automated, online identification of persons remote to the transaction is made possible via a patented electronic verification method, and is available to more than 3 billion customer accounts across more than 190 countries.

iSignthis provides online identity authentication by dynamically verifying ownership of financial instruments (incl bank accounts, credit and debit cards), in turn leveraging the mandatory face-to-face customer due diligence processes completed by regulated financial entities at the account opening stage.

iSignthis offers its authentication technology as a cloud based compliance solution for payment service providers, including payment gateways, financial institutions, card issuers and acquirers. Our service also assists Anti Money Laundering, Counter Terrorism Funding, Patriot Act or Bank Secrecy Act obligated or regulated entities to identify their customers. Payment authentication can also be used to mitigate the growing issue of payment fraud in cross border eCommerce, and for airline and travel operators.

The iSignthis payment authentication service assists payment service providers to meet the European Central Bank's 'Strong Customer Authentication' SecuRE-Pay requirements, which are soon to be mandatory for all internet payments in the EU28 and Single Euro Payment Area (SEPA).

Since receiving confirmation of the grant of patents in late 2013, iSignthis has executed several contracts for the provision of Evidence of Identity ("EOI") and SCA services in Europe. Existing clients include European based payment processing service providers eMerchantPay and Adelante which collectively process payments in more than 40 countries. iSignthis has also executed agreements with the operator of the Singapore Government's National Authentication Framework, Assurity Pte Ltd.

Subject to shareholder approval, Otis will complete the acquisition in conjunction with a consolidation of securities, on a basis of 66.67 to 1 (equivalent of \$0.003 per share), and a capital raising to raise approximately \$2.4 million by way of a pro-rata priority offer to existing shareholders. The capital raising will be completed pursuant to a prospectus with an anticipated record date in early November 2014. Otis has executed a mandate with Cygnet Capital Pty Ltd to fully underwrite the capital raising.

### **Transaction Terms and Conditions**

- As consideration for the acquisition of 100% of the issued capital in iSignthis, Otis will issue 44,750,000 Otis shares (on a post consolidation basis) to the shareholders of iSignthis.
- In addition, Otis will also issue up to 50,500,000 performance shares (on a post consolidation basis) based on achievement of the following milestones within three (3) of completing the transaction:
  - (i) 16,800,000 Class A Performance Shares – on achievement of annual revenue of at least \$5,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class A Performance Shares will expire if unconverted within three (3) of completing the transaction;
  - (ii) 16,800,000 Class B Performance Shares – on achievement of annual revenue of at least \$7,500,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class B Performance Shares will expire if unconverted within three (3) of completing the transaction; and



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- (iii) 16,900,000 Class C Performance Shares – on achievement of annual revenue of at least \$10,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class C Performance Shares will expire if unconverted within three (3) of completing the transaction.

Completion of the transaction will be subject to various conditions precedent, including:

- Both Otis and the shareholders of iSignthis being satisfied upon completion of commercial, financial, technical, and legal due diligence within 45 days of executing the term sheet;
- The parties obtaining all necessary regulatory approvals and Otis obtaining all necessary shareholder approvals under the ASX Listing Rules, Corporations Act 2001 (Cth) (Corporations Act) and any other law to allow lawful completion of the acquisition of IST. This will include a re - compliance with Chapters 1 & 2 of the ASX Listing Rules;
- Otis completing a consolidation of its securities on a basis of 66.67:1;
- Completion of a post consolidation capital raising, pursuant to a prospectus, to raise approximately \$2,400,000 by way of a pro-rata priority offer to existing shareholders on the basis of one (1) new share for every two (2) shares held. Subject to mutual agreement between Otis and iSignthis, up to a further \$500,000 may be raised pursuant to an additional general offer. Otis has executed a mandate for Cygnet Capital Pty Ltd to fully underwrite the priority offer;
- The parties completing the necessary IP assignments and licences to complete the iSignthis post acquisition structure as a wholly owned unit of Otis; and
- Key executives entering into twenty four (24) month executive services agreements with Otis.

Other key terms of the transaction include:

- Payment by Otis to iSignthis, of a non refundable Inducement Fee of \$50,000;
- Provision, by Otis to iSignthis, of a drawdown facility of up to \$300,000 to be immediately available upon execution of a binding term sheet; and
- Execution of binding share sale, intellectual property assignment and licence agreements between Otis and the shareholders of iSignthis.

**Board of Directors**

Following the completion of the transaction, Otis will seek a change of Board, with existing Directors, Mr. Harry Hill and Mr. Winton Willesee stepping down from their positions and Mr. Barnaby Egerton-Warburton moving to the role of Non-Executive Director. The outgoing Directors will be replaced on the board by 3 directors to be nominated by iSignthis, and an independent Chairman. The incoming Directors to be nominated by iSignthis will include Mr N. J. (John) Karantzis who will assume the role of Managing Director and Mr. Scott Minehane as Non-Executive Director. iSignthis will also nominate Mr. Todd Richards to be appointed as the Chief Financial Officer and Company Secretary.



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**Key Personnel**

**Mr N. J. (John) Karantzis (Managing Director and Chief Executive Officer)**

John holds qualifications in engineering (University of Western Australia), law and business (University of Melbourne and Melbourne Business School ). John is a founder of iSignthis, and has been leading the sales effort whilst developing the intellectual property to its commercialised state. John has over 20 years experience in a number of sectors, including online media, defence and communications, with a background in secure communications. John’s previous public company experience includes directorships with ASX listed Data & Commerce Ltd (now Pacific Star Network) (ASX:PNW) and Reeltime Media Limited (ASX:RMA).

**Mr. Todd Richards (Chief Financial Officer and Company Secretary)**

Todd is a co-founder of iSignthis, and a Certified Practising Accountant with more than 20 years experience in statutory corporations and international and ASX listed companies. His experience has been gained in a number of industries including manufacturing, logistics, professional sport, IT, online media and telecommunications. Todd’s previous public company experience includes executive and Company Secretary roles with ASX listed Destra Corporation Limited (ASX:DES) and Reeltime Media Limited (ASX:RMA).

**Mr. Scott Minehane (Non Executive Director)**

Scott has international regulatory and strategy experience in the telecommunications sector and has been involved in advising investors, telecommunications operators, Governments and regulators in Australia, Asia, the Pacific and South Africa for over 25 years. Scott is also an independent director of ASX listed Etherstack plc (ASX:ESK) which specialises in wireless technology including waveforms and public mobile radio solutions. Scott has a Bachelor of Economics and a Bachelor of Laws from the University of Queensland and holds a Master of Laws, specialising in Communications and Asian Law from the University of Melbourne.

**Indicative Capital Structure**

Following completion of the acquisition of iSignthis and re-instatement to trading on ASX, the indicative capital structure of the Company is set out below.

	Shares	Options <sup>1</sup>	Performance Shares <sup>2</sup>
Current Shareholders	1,597,064,508	196,049,962	
<b>Post Share Consolidation<sup>3</sup></b>	<b>23,955,968</b>	<b>2,940,749</b>	
Consideration to acquire iSignthis	44,750,000		50,500,000
Capital Raising <sup>4</sup>	11,977,984		
<b>Post Acquisition Capital Structure</b>	<b>80,683,952</b>	<b>2,940,749</b>	<b>50,500,000</b>

Notes:

1. Existing options include 186,049,962 (ASX: OTEO) (\$0.05, 31 Dec 2015) and 10,000,000 Options (\$0.005, 1 Mar 2016)
2. 50,500,000 Performance Shares to convert a follows:
  - (i) 16,800,000 Class A Performance Shares – on achievement of annual revenue of at least \$5,000,000. Annual revenue will be calculated on annualised basis over a 6 month



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- reporting period. Class A Performance Shares will expire if unconverted within three (3) of completing the transaction;
- (ii) 16,800,000 Class B Performance Shares – on achievement of annual revenue of at least \$7,500,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class B Performance Shares will expire if unconverted within three (3) of completing the transaction; and
  - (iii) 16,900,000 Class C Performance Shares – on achievement of annual revenue of at least \$10,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class C Performance Shares will expire if unconverted within three (3) of completing the transaction.
3. Proposed consolidation of securities to be completed on the basis of 66.67 to 1.
  4. Pro-rata priority offer to current shareholders on a 1 for 2 basis (post consolidation). If the parties agree, Otis may raise up to a further \$500,000 through the issue of an additional 2,500,000 shares pursuant to a general offer.

**Pro Forma Balance Sheet**

OTIS ENERGY LIMITED 30 June 2014 Pro-Forma Balance Sheet (Unaudited)	Consolidated Management Accounts (unaudited)	Pro-forma Management Accounts (unaudited)
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	1,984,796	3,886,657
Trade and other receivables	22,796	22,796
Petroleum Exploration & Evaluation (available for sale)		75,000
Other assets	15,163	15,163
<b>Total current assets</b>	<b>2,022,755</b>	<b>3,999,616</b>
<b>Non current assets</b>		
Property, Plant & Equipment	1,326	1,326
Petroleum Exploration & Evaluation	696,347	
Intangible Assets (Isignthis)		8,950,000
<b>Total non current assets</b>	<b>697,673</b>	<b>8,951,326</b>
<b>Total assets</b>	<b>2,720,428</b>	<b>12,950,942</b>
<b>Current liabilities</b>		
Trade and other payables	157,498	157,498
Employee Benefits	16,154	16,154
<b>Total current liabilities</b>	<b>173,652</b>	<b>173,652</b>
<b>Non current liabilities</b>		
Employee Benefits	3,421	3,421
<b>Total non current liabilities</b>	<b>3,421</b>	<b>3,421</b>
<b>Total liabilities</b>	<b>177,073</b>	<b>177,073</b>
<b>Net assets</b>	<b>2,543,355</b>	<b>12,773,869</b>
<b>Equity</b>		
Issued capital	81,227,362	92,429,223
Reserves	928,100	928,100
Accumulated losses	(79,612,107)	(80,583,454)
<b>Total equity</b>	<b>2,543,355</b>	<b>12,773,869</b>



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The pro-forma balance sheet includes the following pro-forma adjustments;

1. The inclusion of a capital raising of \$2,395,597 less costs of 6%;
2. The inclusion of transaction costs of \$350,000;
3. The reclassification of the Otis oil and gas assets to readily for sale assets and an impairment to reflect that new classification; and
4. The inclusion of the acquisition consideration pursuant to the transaction being the issue of equity with a deemed value of \$8,950,000. The only material assets within iSignthis are intangible assets.

**Notes:**

The information is unaudited and preliminary. It contains estimates of various items as at 30 June 2014 based on the Company's internal management accounts and has been prepared on the basis of the accounting policies normally adopted by the Company. Otis' full audited financial statements for the period ended 30 June 2014 are to be released to ASX by 30 September 2014. The information is presented in an abbreviated form in that it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The information also contains estimates of various items as at 30 June 2014 based on iSignthis' internal management accounts.

**Indicative Timetable**

An indicative timetable for the transaction is set out below. The Company notes that the timetable may be subject to change.

<b>Event</b>	<b>Date</b>
Execution of binding terms sheet for Acquisition of iSignthis	04 Sep 2014
Execution of formal share sale and IP assignment and licence agreements	10 Oct 2014
Dispatch of Notice of Meeting seeking approval for the acquisition of iSignthis	17 Oct 2014
Lodgement of Capital Raising prospectus with ASIC	31 Oct 2014
Shareholder Meeting to approve the acquisition of iSignthis (Company's securities suspended from commencement of trading on this day)	14 Nov 2014
Indicative priority date for Capital Raising	19 Nov 2014
Share Consolidation complete – Issue new holding statements	21 Nov 2014
Closing date of Capital Raising offer	28 Nov 2014
Despatch final holding statements	05 Dec 2014
Complete Acquisition of iSignthis	30 Jan 2015
Re-quotation of shares on ASX / Announce Board	30 Jan 2015



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The acquisition of iSignthis constitutes a change in the nature of Otis' activities pursuant to Chapter 11 of the ASX Listing Rules. The Company is accordingly required to obtain shareholder approval for the change and also to re-comply with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules.

-ENDS-

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For more information contact;  
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