

**Otis Energy Limited**

**ACN 075 419 715**

**To be renamed iSignthis Limited**

**iSignthis<sup>®</sup>**

# PROSPECTUS

For the offer of 103,333,333 Shares each at an issue price of \$0.03 to raise approximately \$3,100,000 (before costs).

## **Re-compliance with Chapters 1 and 2**

In addition to the purpose of raising funds under the Offer, this Prospectus is issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the Listing Rules following a change to the nature and scale of the Company's activities.

## **Conditional Offer**

This Offer is conditional upon the Conditions of the Offer outlined in Section 6.2 being satisfied. In the event that the Conditions of the Offer are not satisfied the Company will not proceed with the Offer and the Company will repay all application monies received.

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

## **Lead Manager to the Offer**



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## **1. Important Information**

### **1.1 Important Notice**

This Prospectus is dated 22 December 2014 and was lodged with the ASIC on that date. The ASX, ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No Shares may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

Persons wishing to apply for Shares pursuant to the Offer must do so using the Application Form as provided with a copy of this Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary before deciding whether to invest. The Shares the subject of this Prospectus should be considered speculative. Please refer to Section 12 for details relating to risk factors that could affect the financial performance and assets of the Company.

No person is authorised to give any information or to make any representation in relation to the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having authorised by the Company or the Director in relation to the Offer.

### **1.2 Web Site – Electronic Prospectus**

A copy of this Prospectus can be downloaded from the website of the Company at [www.otisenergy.com](http://www.otisenergy.com). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access this Prospectus from within Australia.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant Application Forms. If you have not, please contact the Company on +61 2 8003 3438 and the Company will send you, at no cost, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at [www.otisenergy.com](http://www.otisenergy.com)

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

### **1.3 Overseas Applicants**

The offer of Shares made pursuant to this Prospectus is not made to persons to whom, or places in which, it would be unlawful to make such an offer of Shares. No action has been taken to register or

qualify the Offer under this Prospectus or otherwise permit the Offer to be made in any jurisdiction outside of Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law in those jurisdictions and therefore persons who come into possession of this Prospectus should seek legal advice on, and observe, any of those restrictions. Failure to comply with these restrictions may violate securities laws.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

#### **1.4 Consolidation**

Unless otherwise stated, all references in this Prospectus are made on the basis that the Consolidation, for which shareholder approval was obtained at the December General Meeting has taken effect.

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## 2. Corporate Directory

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### Directors

Mr. Timothy Joseph Hart (Interim Chairman)  
Mr. Nickolas John Karantzis  
Mr. Scott William Minehane  
Mr. Barnaby Egerton-Warburton

### Company Secretary

Mr. Todd Richards

### Registered Office

50 Ord St  
West Perth, WA, 6005

### Investigating Accountant

RSM Bird Cameron Corporate Pty Ltd  
8 St Georges Terrace  
Perth WA 6000

### Author of Patent Report

FB Rice  
Level 23, 44 Market Street  
Sydney NSW 2000

### Auditors

Hayes Knight Audit Pty Ltd  
Level 12, 31 Queen St  
Melbourne VIC 3000

### Lawyers

GTP Legal  
Level 1, 28 Ord Street  
West Perth WA 6005

### Lead Manager

Cygnit Capital Pty Ltd  
50 Ord Street  
West Perth, WA, 6005

### Share Registry\*

Link Market Services  
Level 12, 680 George St  
Sydney, NSW, 2000

### Website

[www.otisenergy.com](http://www.otisenergy.com)  
[www.isignthis.com](http://www.isignthis.com)

### ASX Code

Current: OTE  
Proposed: ISX

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\* This entity is included for information purposes only and has not been involved in the preparation of this Prospectus.

### 3. Key Information and Indicative Timetable

| Description   | Amount of Offer            |
|---|----------------------------|
| Price per Share under the Offer   | \$0.03                     |
| Shares offered under the Offer  | 103,333,333                |
| Amount to be raised under the Offer (before costs of the Offer)                               | \$3,100,000                |
| Total cash on Completion of the Offer (before costs of the Offer)                             | \$4,288,681                |
| Shares on issue before completion of the Offer  | 159,706,451                |
| Shares to be issued to Vendor   | 298,333,333 <sup>(1)</sup> |
| Total Shares on issue on completion of the Offer  | 561,373,117                |
| Market capitalisation on completion of the Offer based on the price per Share under the Offer | \$16,841,194               |

(1) This number does not include any Shares issued for the Cash Shortfall Amount or Warranty Claim Amount pursuant to the terms of the Acquisition Agreement. Refer Section 13.1 for further information about the Cash Shortfall Amount and Warranty Claim Amount. The Company estimates that the Cash Shortfall Amount will be approximately \$100,000 at Completion. Based on this figure, the Company will issue 3,333,333 additional Shares to the Vendor. However, up to 56,666,667 additional Shares may be issued to the Vendor for the Cash Shortfall Amount (assuming the Company has no existing cash at Completion). Subject to Shareholder approval, up to 159,666,667 additional Shares may be issued to the Vendor for a Warranty Claim Amount (this assumes the maximum aggregate amount that the Vendor can recover from the Company pursuant to the terms of the Acquisition Agreement). The maximum combined number of Shares that may be issued pursuant to the Warranty Claim Amount and the Cash Shortfall Amount is 216,333,334 Shares. The Company does not expect to be anywhere near this position but has included this disclosure as it is the maximum number of Shares that may be issued to the Vendor.

**Note:** The figures shown above assume that the Consolidation has occurred. Exact figures will be subject to the rounding effects of the Consolidation. Please refer to Section 6.7 for further details relating to the proposed capital structure of the Company.

| <b>Indicative timetable</b>                                 |                  |
|---|------------------|
| General Meeting of the Company                              | 22 December 2014 |
| Lodgement of this Prospectus with ASIC                      | 22 December 2014 |
| Opening Date for the Offer                                  | 22 December 2014 |
| Closing Date for the Offer                                  | 10 January 2015  |
| Completion of Acquisition and issue of Shares to Vendor     | 22 January 2015  |
| Issue of Shares under the Offer                             | 22 January 2015  |
| Dispatch of holding statements                              | 27 January 2015  |
| Expected date for Shares to be reinstated to trading on ASX | 2 February 2015  |

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

## 4. Investment Overview

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety. The Shares offered pursuant to this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares.

| Topic                                   | Summary   | More information |
|---|---|------------------|
| <b>Introduction</b>                     |   |                  |
| Who is the issuer of the Prospectus?    | Otis Energy Limited ACN 075 419 715 ( <b>Company</b> ) (to be renamed "iSignthis Limited").   | Section 7.7      |
| Who is the Company and what does it do? | The Company is a public company that has been listed on the ASX since 1998. The Company's principal activities previously involved oil and gas exploration and development. In light of difficult market conditions for junior resource and energy companies, the Company has been evaluating high quality and value adding investment opportunities outside the commodities industry.  | Section 7.7      |
| What is the Company's strategy?         | <p>The Company is proposing to acquire 100% of the issued capital in iSignthis BV and ISX IP Ltd (<b>iSignthis</b>). iSignthis is an online identification and payment authentication provider.</p> <p>Following completion of the Acquisition and reinstatement to quotation on the Official List of ASX, the Company's primary focus will be to develop the business of iSignthis in line with its business model.</p> <p>The Company may also undertake further acquisitions that complement iSignthis' business. The Company will also explore further strategic business opportunities that may arise as a result of its identity services and technology. Some of these opportunities may include operation of payment processing facilities, which may require the company to apply for and hold financial or prudential licenses in jurisdictions where it intends to operate. The confluence of payment and identity services may present the company with further opportunities that may be of strategic interest, or bring about further and new business models to complement those described in this Prospectus.</p> | Section 7.1      |



| Topic  | Summary   | More information   |
|--|---|--------------------|
| <p>What are the Company's key assets?</p>    | <p>The Company currently owns the Comanche oil and gas project and the Avalanche gas project located in the United States.</p> <p>As part of the process of transitioning to focus on the iSignthis business the Company has gone through a process to determine how to best realise value for the existing oil and gas assets of the Company and limit the exposure of the Company to the potential of liability from the prior operation of these assets.</p> <p>Following such process the Company was presented a proposal by an entity related to one of the former directors of the Company, Mr Winton Willesee, to purchase all of the Company's US subsidiaries (excluding the cash at bank of those subsidiaries which will be returned to the Company) for consideration of \$41,400 and by virtue of the transaction being a share sale transaction, assume all the liabilities and legacy risks inherent within those entities, on an as is where is basis.</p> <p>The Company has accepted the offer which was subject only to Shareholders approving the Acquisition on the 22<sup>nd</sup> December 2014.</p> <p>Via the Acquisition, the Company intends to acquire iSignthis and its assets, which include patents, and applications for patents, relating to the business of iSignthis.</p> | <p>Section 7.7</p> |
| <p>What is the Offer?</p>                    | <p>The Company is offering to the public 103,333,333 Shares at an issue price of \$0.03 each to raise \$3,100,000 before expenses.</p> <p>The Offer is not underwritten.</p>  | <p>Section 6.1</p> |
| <p>What are the conditions of the Offer?</p> | <p>The Offer is conditional upon the following events occurring:</p> <ul style="list-style-type: none"> <li>• the Company raising the amount of the Offer (being \$3,100,000);</li> <li>• completion of the Acquisition; and</li> <li>• ASX approving the Company's re-compliance with the admission requirements under Chapters 1 and 2 of the Listing Rules.</li> </ul> <p>If any of the Conditions of the Offer are not</p>  | <p>Section 6.2</p> |

| Topic                                      | Summary   | More information |
|--|---|------------------|
|  | satisfied then the Company will not proceed with the Offer and the Company will repay all Application Monies received.  |                  |
| Why is the Offer being conducted?          | <p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> <li>• meet the requirement that the Company re-complies with the ASX's admission requirements in accordance with Chapters 1 and 2 of the Listing Rules following a change to the nature and scale of the Company's activities;</li> <li>• provide equity capital to fully commercialise the iSignthis product into global markets with immediate focus on European, Asia Pacific (including the US) and Australian markets;</li> <li>• provide additional funds to enable iSignthis to pursue growth opportunities (both organically and through acquisitions);</li> <li>• provide iSignthis with access to equity capital markets for future funding needs; and</li> <li>• enhance the public and financial profile of iSignthis and the Company.</li> </ul> | Section 6.5      |
| <b>Acquisition</b>                         |   |                  |
| What is the Acquisition?                   | The Acquisition is the Company's proposed acquisition of 100% of the issued capital of iSignthis pursuant to the Acquisition Agreement.   | Sections 13.1    |
| What are the key terms of the Acquisition? | <p>The key terms of the Acquisition are as follows:</p> <ul style="list-style-type: none"> <li>• the Company will issue 298,333,333 Shares (although the Company may issue up to 56,666,667 additional Shares to the Vendor for the Cash Shortfall Amount if the Company has less than \$1,700,000 cash at bank at Completion (less certain costs relating to the Offer and Acquisition) and up to 159,666,667 additional Shares for a Warranty Claim Amount (assuming the maximum aggregate amount that can be issued to the Vendor for a Warranty Claim Amount). Refer to Section 13.1 for further details) and 336,666,667 Performance Shares (<b>Consideration Shares</b>) to the Vendor for</li> </ul>   | Sections 13.1    |

| Topic | Summary  | More information |
|-------|--|------------------|
|       | <p>100% of the issued capital of iSignthis;</p> <ul style="list-style-type: none"> <li>• the Performance Shares will be issued the Vendor as follows: <ul style="list-style-type: none"> <li>○ 112,222,222 Class A Performance Shares, which convert into Shares on a one for one basis on achievement, within three full financial years of Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$5,000,000 (<b>Milestone A</b>). For the avoidance of doubt, a half year revenue of \$2,500,000 will satisfy Milestone A;</li> <li>○ 112,222,222 Class B Performance Shares, which convert into Shares on a one for one basis on achievement, within three full financial years from Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$7,500,000 (<b>Milestone B</b>). For the avoidance of doubt, a half year revenue of \$3,750,000 will satisfy Milestone B; and</li> <li>○ 112,222,223 Class C Performance Shares, which convert into Shares on a one for one basis on achievement, within three full financial years of Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$10,000,000 (<b>Milestone C</b>). For the avoidance of doubt, a half year revenue of \$5,000,000 will satisfy Milestone C.</li> </ul> </li> <li>• the Company agreed to loan up to \$300,000 to iSignthis under the Acquisition Agreement and has loaned the full \$300,000 to date; and</li> </ul> |                  |

| Topic   | Summary   | More information   |
|---|---|--------------------|
|   | <ul style="list-style-type: none"> <li>iSignthis was entitled to appoint three directors to the Board (being Mr. Nickolas John Karantzis, Mr. Scott William Minehane and Mr Timothy Joseph Hart).</li> </ul>  |                    |
| <p>What approvals were sought at the December General Meeting?</p>                          | <p>At the December General Meeting, the Company sought Shareholder approval to:</p> <ul style="list-style-type: none"> <li>undertake the Consolidation of the issued capital of the Company on a 1 for 10 basis;</li> <li>change the nature and scale of the activities of the Company;</li> <li>issue the Consideration Shares to the Vendor;</li> <li>create the Performance Shares as a new class of Shares;</li> <li>issue the Shares pursuant to the Offer under this Prospectus;</li> <li>allow Barnaby Egerton-Warburton, a Director, to apply for Shares under the Offer;</li> <li>change of the Company's name to "iSignthis Limited";</li> <li>appoint Mr. Nickolas John Karantzis and Mr. Scott William Minehane to the Board.</li> </ul>  | <p>Section 6.4</p> |
| <p>Why is the Company required to re-comply with Chapters 1 and 2 of the Listing Rules?</p> | <p>The Company received in-principle advice from the ASX that the Acquisition will constitute a change in the nature and scale of the Company's activities under Listing Rule 11.1.</p> <p>The ASX has also confirmed under Listing Rule 11.1.3 that the Company is required to re-comply with Chapters 1 and 2 of the Listing Rules, being the admission requirements of the ASX, in addition to seeking Shareholder approval of the change in nature and scale of the Company's activities as a result of the Acquisition.</p> <p>The Offer is therefore conditional on the Company receiving approval from the ASX that it has re-complied with the admission requirements of Chapters 1 and 2 of the Listing Rules. If this condition is not met, the Offer will not proceed, no Shares will be issued pursuant to this Prospectus and the Company will repay all</p> | <p>Section 6.4</p> |

| Topic                              | Summary  | More information |
|------------------------------------|--|------------------|
|                                    | Application Monies received (without interest).  |                  |
| Who is iSignthis?                  | iSignthis is an unlisted company based in Melbourne, Australia which has developed patented technology to provide a simple, fast and secure online process for authenticating a customer's identity to assist clients with satisfying their legal requirements.  | Section 7.1      |
| What is iSignthis' business model? | <p>Following completion of the Offer, the Company will focus on growing iSignthis' business and fully commercialising the iSignthis Platform by prioritising funds towards sales and marketing. The Company's initial focus will be to generate sales in the European, Asia Pacific (including the US) and Australian markets.</p> <p>iSignthis' revenue model will consist of charging customers a set fee per transaction for authentication services. The fee will vary depending on the type of authentication required (either customer identity or verification of a financial transaction) and the volume of transactions being processed. iSignthis' current customers include European Payment Service Providers, eMerchantPay and Adelante. Contracts with these clients are expected to commence early in the new year. However investors should note that iSignthis is a start up company with no sales revenue to date generated by the business at this stage and the roll out of the iSignthis product is intended to be significantly increased over the coming months as marketing and sales initiatives are undertaken.</p> <p>In addition, the Company will consider opportunities for growth through acquisitions of competitors and complementary businesses. The Company will also explore further strategic business opportunities that may arise as a result of its identity services and technology. Some of these opportunities may include operation of payment processing facilities, which may require the company to apply for and hold financial or prudential licenses in jurisdictions where it intends to operate. The confluence of payment and identity services may present the company with further opportunities that may be of strategic interest, or bring about further and new business</p> | Section 7.4      |

| Topic  | Summary  | More information     |
|--|--|----------------------|
|  | <p>models to complement those described in this Prospectus.</p> <p>As at 30 September 2014 \$1,259,000 had been spent on the development and commercialisation of iSignthis' product.</p> <p>Investors should note, given iSignthis' limited operating history, the ability to achieve its objectives is high risk.</p>  |                      |
| <b>Key risks</b>   |  |                      |
| <p>Prospective investors should be aware that subscribing for Shares in the Company involves a number of risks and uncertainties. The risk factors set out in Section 12 and other general risks applicable to all investments in listed securities, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. This Section summarises only some of the risks which apply to an investment in the Company and investors should refer to Section 12 or a more detailed summary of the risks.</p> |  |                      |
| <p>Reinstatement to the official list of ASX</p>   | <p>The Company's securities were suspended from the time of the December General Meeting. It is anticipated that the Company's securities will remain suspended until completion of the Acquisition, Offer and Consolidation, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from quotation.</p>  | <p>Section 12(a)</p> |
| <p>Limited trading history</p>   | <p>iSignthis is essentially a start-up company with limited trading history. iSignthis has focused initial efforts on the research and development of its software applications and securing its intellectual property. iSignthis has been successful in obtaining Patents in a number of jurisdictions and with that protection in place iSignthis is now in the commercialisation phase of the business cycle. This phase carries the normal risks of a start up business. Given the limited trading history of iSignthis, no assurance can be given that iSignthis will achieve commercial viability through the implementation of its business plan.</p> <p>The information surrounding the business model of iSignthis as set out in Section 7.4 represents</p> | <p>Section 12(c)</p> |

| Topic   | Summary  | More information     |
|---|--|----------------------|
|   | <p>iSignthis' current plans and strategies for commercialisation of the iSignthis product given its limited history to date. iSignthis' ability to achieve its objectives depends on the ability of the Directors and management to implement the proposed business plan and to respond in a timely and appropriate manner to any unforeseen circumstances.</p>  |                      |
| <p>Government metadata tracking</p>                             | <p>Government agencies may seek to access sensitive information that is generated by the iSignthis systems. Laws and regulations relating to government access and restrictions are evolving, and compliance with such laws and regulations could limit adoption of services by users and create burdens on the business. Moreover, regulatory investigations into iSignthis' compliance with privacy-related laws and regulations could increase iSignthis' costs and divert management attention.</p>  | <p>Section 12(o)</p> |
| <p>Patent rights</p>  | <p>iSignthis has the right to be transferred granted and pending patent applications covering major markets which present commercialisation opportunities. There is no guarantee that the filed but not as yet examined patent applications will be granted or that iSignthis will receive enforceable patent rights.</p> <p>There is a risk that iSignthis will not be entitled to practice the invention claimed in the patents, and that the working of its patented invention may be prevented by another patent or patent application which has an earlier priority date to iSignthis' applications.</p> <p>Even with granted patent protection for its products, its iSignthis' patents could be partially or wholly invalidated following challenges by third parties. The grant of a patent does not guarantee validity of that patent since it may be revoked on the grounds of invalidity at any time during its life. If none of the claims of a granted patent are valid, the patent is unenforceable.</p> | <p>Section 12(p)</p> |
| <p>Infringement of third party intellectual property rights</p> | <p>If a third party accuses iSignthis of infringing its intellectual property rights or commences litigation against iSignthis for the infringement of patent or other intellectual property rights,</p>   | <p>Section 12(q)</p> |

| Topic                                   | Summary   | More information |
|---|---|------------------|
|   | <p>iSignthis may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that iSignthis incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.</p> <p>In addition, parties making claims against iSignthis may be able to obtain injunctive or other equitable relief that could prevent iSignthis from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against iSignthis, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, or at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent iSignthis from commercialising available products and could cause it to incur substantial expenditure.</p> |                  |
| Concentration of Contracts              | <p>Currently iSignthis' only agreements for the provision of services are the Adelante Service Agreement and the EMP Service Agreements. Given the limited number of these contracts iSignthis is highly reliant on their continued operation. A loss or material breach of these contracts may significantly impact the operations or financial performance of the Company.</p>  | Section 12(d)    |
| Market adoption and sales and marketing | <p>The use of proceeds post completion will focus efforts on sales, marketing and trade exhibitions. Business operations of iSignthis are currently integrating existing contracts to become revenue generating. Although iSignthis has been relatively successful to date in securing new business and to an extent has confirmed the commerciality of the services developed, there are no guarantees of further success in obtaining new business. The success of the commercialisation of iSignthis will be in its target market accepting its products for routine use. Take up of the products will involve education of market participants and marketing to raise the profile of iSignthis and its products.</p>  | Section 12(e)    |
| Competition and new                     | iSignthis is confident that its product provides a  | Section 12(f)    |



| Topic                     | Summary  | More information |
|---------------------------|--|------------------|
| technologies              | <p>unique market proposition in providing real time authentication services which is a significant differentiator to historical database checks. The iSignthis product is also able to extend its market by offering a cross border service.</p> <p>Notwithstanding this, the industry in which iSignthis operates is competitive and includes companies with significantly greater financial, technical, human, research and development, and marketing resources than iSignthis. Numerous entities around the world may compete with iSignthis' efforts to commercialise products that may compete with iSignthis' products. iSignthis' competitors may develop products: in advance of iSignthis; that are more effective than those developed by iSignthis; or have greater market acceptance. As a consequence, iSignthis' current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.</p>   |                  |
| Reliance on key personnel | <p>iSignthis currently employs or engages as consultants a number of key management and personnel, and iSignthis' future depends on retaining and attracting suitable qualified personnel. In particular Mr. Nickolas John Karantzis is the inventor and main founder of the business. His background in IP law, security and software development are a significant advantage and the reason for the successful granting of patents and move to commercialisation of the service. In the short term he will be responsible for business development initiatives and will also be the main driver of new products and development. There is no guarantee that iSignthis will be able to attract and retain suitable qualified personnel, and a failure to do so could materially adversely affect the business, operating results and financial prospects.</p> <p>While it is proposed that the Company will enter into executive services agreements with Mr Nickolas John Karantzis and Mr Todd Richards on the material terms and conditions set out in Section 8.6(a), the full terms and conditions of these agreements are in the process of being negotiated and formal agreements have not yet</p> | Section 12(g)    |

| Topic   | Summary  | More information |
|---|--|------------------|
|   | been signed by the parties. There is a risk that the terms and conditions acceptable to each party may vary, or that an agreement is not reached.  |                  |
| Regulatory and legislative change                             | The iSignthis business assists its customers with complying with their Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) obligations in relation to their customers. Future legislative changes concerning Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) legislation, including the European Central Bank's (ECB) and European Banking Authority's (EBA) requirements for payment transactions to be subject to Strong Customer Authentication (SCA), may result in the product offering of iSignthis not being as effective in assisting its customers with their Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) obligations which may have a significant effect on the business operations of iSignthis.                           | Section 12(h)    |
| Sufficiency of funding  | <p>iSignthis' growth through product development and commercialisation activities will require substantial expenditure and may not result in profitability being achieved. There can be no guarantees that iSignthis' cash reserves together with the funds raised by the Offer will be sufficient to successfully achieve all the objectives of iSignthis' overall business strategy.</p> <p>If iSignthis is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer and existing working capital, there can be no assurance that iSignthis will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to iSignthis or at all.</p> | Section 12(r)    |
| <b>Proposed use of funds and other key terms of the Offer</b> |  |                  |
| What is the proposed use of funds raised under the Offer?     | <p>The proposed use of funds raised under the Offer is to:</p> <ul style="list-style-type: none"> <li>• Fund further and new product development;</li> <li>• Meet licensing, patents and regulatory expenses;</li> <li>• Fund sales, marketing and promotion;</li> </ul>   | Section 6.6      |

| Topic   | Summary  | More information       |
|---|--|------------------------|
|   | <ul style="list-style-type: none"> <li>• Pay the costs of the Offer; and</li> <li>• Provide general working capital.</li> </ul>  |                        |
| Will the Company be adequately funded after completion of the Offer?  | The Directors are satisfied that on completion of the Offer the Company will have sufficient working capital to carry out its business objectives as set out in the row above.   | Section 6.6            |
| What rights and liabilities attach to the Shares being offered?       | All Shares issued under the Offer will rank equally in all respects with existing Shares on issue (on a post-Consolidation basis). The rights and liabilities attaching to the Shares are described in Section 14.1.   | Section 14.1           |
| Is the Offer underwritten?  | No, the Offer is not underwritten.   | Section 6.8            |
| Who is the lead manager to the Offer?                                 | The Company has appointed Cygnet Capital Pty Ltd as Lead Manager to the Offer. The Lead Manager will receive 6% of the value of the Shares placed to its clients under the Offer together with a success fee of \$75,000 and an introduction fee of \$75,000 upon completion of the Acquisition and the Shares being reinstated to trading on the ASX.   | Sections 6.15 and 13.2 |
| Will the Shares issued under the Offer be listed?                     | The Company will apply for listing of the Shares on the ASX under the ASX code 'ISX' within seven days of the date of this Prospectus. Completion of the Offer is conditional on ASX approving this application.   | Section 6.4            |
| What are the tax implications of investing in Shares under the Offer? | The tax consequences of any investment in Shares will depend upon your particular circumstances. Prospective investors should obtain their own tax advice before deciding to invest.   | Section 6.21           |
| What is the Company's dividend policy?                                | <p>The Company does not expect to pay dividends in the near future as its focus will primarily be on using cash reserves to grow and develop the iSignthis business.</p> <p>Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general</p> | Section 6.10           |

| Topic   | Summary  | More information |
|---|--|------------------|
|   | business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.   |                  |
| How do I apply for Shares under the Offer?                                | Applications for Shares under the Offer must be made by completing an Application Form and must be accompanied by a cheque in Australian dollars (or a direct transfer to the bank account advised by the Company) for the full amount of the application being \$0.03 per Share. Cheques must be made payable to "Otis Energy Limited – Share Application Account" and should be crossed "Not Negotiable".  | Section 6.11     |
| When will I receive confirmation that my application has been successful? | It is expected that holding statements will be sent to successful Applicants by post on or about 27 January 2015.  | Section 3        |
| How can I find out more about the Prospectus or the Offer?                | Questions relating to the Offer can be directed to the Company on +61 2 8003 3438. Questions relating to applications for Shares can be directed to the Share Registry, on 1300 554 474 (if calling from within Australia) or +61 1300 365 790 (outside Australia) between 8.30am and 5.30pm (AEDT) Monday to Friday.  | Section 6.22     |
| <b>Board and management</b>   |  |                  |
| Who are the Directors of the Company?                                     | <p>The Board of the Company comprises:</p> <ul style="list-style-type: none"> <li>• Mr Timothy Joseph Hart – Non-Executive Director and Interim Chairman</li> <li>• Mr. Nickolas John Karantzis – Managing Director</li> <li>• Mr. Barnaby Egerton-Warburton – Non-Executive Director</li> <li>• Mr. Scott William Minehane – Non-Executive Director</li> </ul> <p>Refer to Section 8.1 for details of the relevant experience and expertise of the Directors.</p> <p>Following completion of the Acquisition and the Offer, the Company will seek an appropriately qualified person to be appointed as independent Chairman of the Company.</p> | Section 8.1      |

| Topic  | Summary  | More information      |
|--|--|-----------------------|
| Who are the key management personnel?              | <p>From completion of the Acquisition, the key management personnel of the Company will include:</p> <ul style="list-style-type: none"> <li>• Mr. Nickolas Karantzis – Managing Director</li> <li>• Mr. Todd Richards – Chief Financial Officer and Company Secretary</li> </ul> <p>Refer to Section 8.5 for details of the relevant experience and expertise of the key management personnel.</p>   | Section 8.5           |
| What are the significant interests of Directors?   | <p>The interests of the Directors are detailed in Section 8.2.</p> <p>The security holdings of Directors are set out in Section 8.3.</p> <p>Section 8.6(c) sets out details of related party transactions with the Company from which the Directors or former Directors may benefit.</p> <p>The Directors, Mr Nickolas John Karantzis, Mr Scott Minehane and Mr Timothy Joseph Hart and the Chief Financial Officer and Company Secretary, Mr. Todd Richards are shareholders of the Vendor. Mr Nickolas John Karantzis is a director of the Vendor. Messrs Karantzis, Minehane and Hart were appointed to the Board on 22 December 2014 following Shareholder approval at the Company’s December General Meeting. The Acquisition was negotiated by the Company and the Vendor on arm’s length terms prior to their appointment. These Directors have been appointed to facilitate completion of the Offer and re-compliance with the Listing Rules.</p> <p>An entity related to one of the former Directors, Mr. Winton Willesee is proposing to purchase the Company’s US subsidiaries which own the Company’s existing oil and gas projects subject to Shareholders approving the Acquisition.</p> | Sections 8.2, and 8.3 |
| <b>Miscellaneous</b>                               |  |                       |
| What material contracts is the Company a party to? | <p>The material contracts of the Company comprise:</p> <ul style="list-style-type: none"> <li>• the Acquisition Agreement;</li> <li>• the Cygnet Mandate;</li> </ul>   | Section 13            |

| Topic  | Summary  | More information         |
|--|--|--------------------------|
|  | <ul style="list-style-type: none"> <li>• the Adelante Agreement; and</li> <li>• the eMerchantpay Licence Agreements.</li> </ul>  |                          |
| <p>What is the financial position of the Company and iSignthis post completion of the Offer and the Acquisition?</p> | <p>The Company is currently listed on ASX and its financial history, including its 2014 Annual Report is available on its website (<a href="http://www.otisenergy.com.au">www.otisenergy.com.au</a>).</p> <p>iSignthis' historical operations have been limited with no revenue since incorporation to 30 September 2014.</p> <p>Further financial information regarding the Company and iSignthis is considered in Section 9 of this Prospectus and the Investigating Accountant's Report in Section 10 of this Prospectus.</p> | <p>Sections 9 and 10</p> |
| <p>Will any Shares be subject to escrow?</p>   | <p>No Shares issued under the Offer will be subject to escrow.</p> <p>Subject to the Company's Shares being reinstated to trading on the ASX, all of the Consideration Shares to be issued to the Vendor will be classified by ASX as restricted securities and will be required to be held in escrow for 24 months from the date of reinstatement.</p>  | <p>Section 6.9</p>       |

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## 5. Letter from the Board

Dear Investor

On behalf of the Directors, we are pleased to present this Prospectus and to offer you the opportunity to invest in Otis Energy Limited, to be renamed iSignthis Limited, with ASX code: ISX (**Company**).

This Prospectus has been issued by the Company for a public offering of 103,333,333 Shares at \$0.03 per share to raise up to \$3,100,000 (**Offer**).

iSignthis offers investors a unique opportunity to invest in an area of ever increasing global significance, digital identity. The growing challenges faced by regulated organisations to conduct the customer due diligence process of “Know Your Client” (**KYC**) to “Anti Money Laundering” (**AML**) / Counter Terrorism Funding (CTF) requirements are time consuming, costly and in many cases a barrier to doing business online.

The ability to be able to verify a person digitally and remotely is a valuable tool, particularly when it is automated and is linked to customers who are prepared to pay for online services. iSignthis can assist banks, online betting companies, insurance groups, airlines and other AML/KYC regulated entities to authenticate the source of funding used by a person, by verifying online transactions made on financial instruments such as regulated credit or debit cards. This may in turn provide a foundation for, or augment, a Customer Identification Program to meet KYC for AML/CTF regulated entities.

As our digital age brings new opportunities for online commerce and services, fraud unfortunately also increases, making solutions like those provided by iSignthis increasingly valuable to both commercial entities and Governments. The iSignthis service can thus be applied across identity and payment authentication applications, either to assist regulated entities with their compliance requirements, or assist in lowering online fraud during day-to-day e-commerce transactions.

This Prospectus includes details of the Offer, the Company, iSignthis, the assets and proposed operations together with a statement of the risks associated with investing in the Company. We recommend that you study the document carefully and seek independent professional advice before investing in the Company.

On behalf of the board of Directors, we recommend this offer to you and look forward to welcoming you as a shareholder of the Company.

Yours sincerely,



Barnaby Egerton-Warburton  
Non Executive Director

Nickolas John Karantzis  
Managing Director

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## 6. Details of the Offer

### 6.1 The Offer

By this Prospectus, the Company offers 103,333,333 Shares at an offer price of \$0.03 per Share to raise funds of \$3,100,000 (before costs).

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. The rights and liabilities attaching to the Shares are further described in Section 14.1 of the Prospectus.

Applications for Shares must be made on the Application Form as provided with a copy of this Prospectus and received by the Company on or before the Closing Date. Persons wishing to apply for Shares should refer to Section 6.11 for further details and instructions.

### 6.2 Conditions of Offer

The Offer is conditional upon the following events occurring:

- (a) the Company raising the full amount under the Offer (being the amount of \$3,100,000) (refer to Section 6.3);
- (b) Completion of the Acquisition; and
- (c) ASX approving the Company's re-compliance with the admission requirements under Chapters 1 and 2 of the Listing Rules and receiving conditional approval for re-quotation of its Shares on the ASX (refer to Section 6.4);

(together the **Conditions of the Offer**)

If the Conditions of the Offer are not achieved then the Company will not proceed with the Offer and will repay all Application Monies received (without interest) in accordance with the Corporations Act.

### 6.3 Minimum Subscription

The minimum level of subscription for the Offer is the amount of the Offer (103,333,333 Shares to raise \$3,100,000) (**Minimum Subscription**). No Shares will be issued until the Minimum Subscription has been received. If the Minimum Subscription is not received within four months after the date of this Prospectus (or such period as varied by ASIC), the Company will not issue any Shares under this Prospectus and will repay all Application Monies received (without interest) in accordance with the Corporations Act.

### 6.4 Re-compliance with Chapters 1 and 2 of the Listing Rules

At the Company's December General Meeting, the Company obtained Shareholder approval for, amongst other things, a change in the nature and scale of the Company's activities as a result of the Acquisition. To give effect to these changes, the ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.



The Company was suspended from trading from the time of the December General Meeting and will not be reinstated until the Company has satisfied the Conditions of the Offer, including re-compliance with Chapters 1 and 2 of the Listing Rules.

There is a risk that the Company may not be able to meet the requirements for re-quotations on the ASX. In the event the Conditions of the Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Offer and will repay all Application Monies received (without interest).

The Company will apply to ASX no later than seven days from the date of this Prospectus for Official Quotation of the Shares issued pursuant to this Prospectus. If the Shares are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full (without interest) in accordance with the Corporations Act.

Neither ASX nor ASIC take responsibility for the contents of this Prospectus. The fact that ASX may grant Official Quotation to the Shares issued pursuant to this Prospectus is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

## 6.5 Purposes of the Offer

The purposes of the Offer is to:

- (a) meet the requirements of the ASX to re-comply with the ASX's admission requirements under Chapters 1 and 2 of the Listing Rules;
- (b) provide capital to develop and commercialise the iSignthis business;
- (c) provide iSignthis with access to equity capital markets for future funding needs; and
- (d) enhance the public profile of iSignthis and the Company;
- (e) meet the costs of the Offer; and
- (f) provide working capital.

## 6.6 Use of Funds

The table below sets out the intended use of funds raised under the Prospectus on the basis of the Company raising the amount of the Offer (\$3,100,000) in the twelve months following completion of the Offer:

| <b>Use of Funds</b>          |                    |
|------------------------------|--------------------|
| Cash at 30 November 2014     | \$1,147,281        |
| Cash from Sale of US assets  | \$41,400           |
| Capital Raised               | \$3,100,000        |
| <b>Total Funds Available</b> | <b>\$4,288,681</b> |

| <b>Use of Funds</b>                            |                    |
|--|--------------------|
| Product Development                            | \$750,000          |
| Licensing, Patents and regulatory expenses     | \$100,000          |
| Sales, marketing and promotion                 | \$1,500,000        |
| Cygnnet Success and Introduction Fees          | \$150,000          |
| Expenses of the Offer                          | \$275,000          |
| Administration Expenditure and Working capital | \$1,513,681        |
| <b>Total</b>                                   | <b>\$4,288,681</b> |

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The Board is satisfied that upon completion of the Offer the Company will have sufficient working capital to meet its stated objectives as set out in the table above.

The use of further debt or equity funding will only be considered by the Board where it is appropriate to accelerate a specific project or capitalise on further opportunities.

## 6.7 Capital Structure

The proposed pro forma capital structure of the Company following completion of the Offer on the basis of the Company raising the amount of the Offer (\$3,100,000) and the Acquisition is as follows:

| <b>Capital Structure</b>   | <b>(1)(6)</b>                |
|--|------------------------------|
| Existing Shares on issue at the date of this Prospectus                            | 159,706,451                  |
| Shares to be issued pursuant to the Offer  | 103,333,333                  |
| Consideration Shares to be issued to the Vendor                                    | 298,333,333 <sup>(2)</sup>   |
| <b>Total Fully Paid Ordinary Shares (Post Offer – Undiluted)</b>                   | <b>561,373,117</b>           |
| Options  | 19,604,996 <sup>(3)(6)</sup> |
| Performance Shares to be issued to the Vendor                                      | 336,666,667 <sup>(4)</sup>   |
| <b>Total Fully Paid Ordinary Shares (Post Offer – Fully Diluted)<sup>(5)</sup></b> | <b>917,644,780</b>           |

### Notes

- 1 The figures shown above assume that the Consolidation has occurred. Exact figures will be subject to the rounding effects of the Consolidation.

- 2 Shares to be issued to the Vendor as part of the Consideration for the Acquisition. This number does not include any Shares issued for the Cash Shortfall Amount or Warranty Claim Amount pursuant to the terms of the Acquisition Agreement. Refer Section 13.1 for further information about the Cash Shortfall Amount and Warranty Claim Amount. The Company estimates that the Cash Shortfall Amount will be approximately \$100,000 at Completion. Based on this figure, the Company will issue 3,333,333 additional Shares to the Vendor. However, up to 56,666,667 additional Shares may be issued to the Vendor for the Cash Shortfall Amount (assuming the Company has no existing cash at Completion). Subject to Shareholder approval, up to 159,666,667 additional Shares may be issued to the Vendor for a Warranty Claim Amount (this assumes the maximum aggregate amount that the Vendor can recover from the Company pursuant to the terms of the Acquisition Agreement). The maximum combined number of Shares that may be issued pursuant to the Warranty Claim Amount and the Cash Shortfall Amount is 216,333,334 Shares. The Company does not expect to be anywhere near this position but has included this disclosure as it is the maximum number of Shares that may be issued to the Vendor.
- 3 18,604,996 listed Options each exercisable at \$0.50 on or before 31 December 2015 and 1,000,000 unlisted Options each exercisable at \$0.05 on or before 1 March 2016.
- 4 112,222,222 Class A Performance Shares, 112,222,222 Class B Performance Shares and 112,222,223 Class C Performance Shares to be issued to the Vendor as part of the Consideration for the Acquisition. Refer to Section 14.2 for full details.
- 5 The Company is proposing to implement an employee incentive scheme post re-compliance with Chapters 1 and 2 of the Listing Rules. It is proposed the number of securities issued pursuant the employee, executive and director incentive plan over a three year period will be no greater than 5% of the issued share capital of the Company. Refer to Section 14.4 for further information.
- 6 The Company is currently proposing following completion of the Offer and the ASX re-compliance, and subject to shareholder approval to be sought post ASX re-compliance, to issue up to 30,000,000 unlisted Options, each exercisable at \$0.04 per option, on or before 2 years from grant, to corporate advisors of the Company for ongoing corporate advisory services.

Refer to Sections 14.1 and 14.2 for the rights and obligations attaching to the Shares and Performance Shares.

## **6.8 No underwriting**

The Offer is not underwritten.

## **6.9 Restricted Securities**

Subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and the Company's Shares being reinstated to trading on the ASX, all of the Consideration Shares to be issued to the Vendor will be classified by ASX as restricted securities and will be required to be held in escrow for 24 months from the date of reinstatement.

## **6.10 Dividend Policy**

The Company does not expect to declare any dividends in the near future as its focus will primarily be on using cash reserves to grow and develop the iSignthis business.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general

business and other factors considered relevant by the Directors. No assurances can be given by the Company in relation to the payment of dividends or that franking credits may attach to any dividends.

## **6.11 Applications**

Applications for Shares under this Prospectus may only be made using the Application Form as provided with a copy of this Prospectus. The Application Form must be completed in accordance with the instructions set out on the back of the form.

Applications for Shares must be for a minimum of 66,666 Shares (\$1,999.98) and thereafter in multiples of 6,666 Shares (\$199.98). Cheques must be made payable to "**Otis Energy Limited – Share Offer Account**" and should be crossed "**Not Negotiable**".

Completed Application Forms and accompanying cheques (or payment to the bank account advised by the Company) must be received by the Company before 5.00pm (AEDT) on the Closing Date at either of the following addresses:

### **Mailed to:**

Otis Energy Limited  
c/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

### **Delivered to:**

Otis Energy Limited  
c/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

Applicants are urged to lodge their Application Forms as soon as possible as the Offer may close early without notice.

An original, completed and lodged Application Form for Shares together with a cheque for the Application Monies or a payment to the bank account advised by the Company, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe, amend or complete the Application Form is final. However an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque or direct transfer for the Application Monies.

## **6.12 Application Monies to be held on Trust**

Until the Shares are issued under this Prospectus, the Application Monies for Shares will be held by the Company on trust on behalf of Applicants in a separate bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus. If the Shares to be

issued under this Prospectus are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

### **6.13 Allocation of Shares**

The Directors will determine the recipients of the Shares under the Offer in consultation with the Lead Manager. The Directors (in conjunction with the Lead Manager) reserve the right to reject any application or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded by cheque to the Applicant (without interest).

Subject to ASX granting approval for quotation of the Shares, the issue of Shares will occur as soon as practicable after the Offer closes. Holding statements will be dispatched as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares.

Applicants who sell the Shares before they receive their holding statement will do so at their own risk.

### **6.14 Applicants outside Australia**

This Prospectus does not, and is not intended to, constitute an offer in any place in which, or to any person to whom it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register this Prospectus or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

### **6.15 Lead Manager**

Cygnit Capital Pty Ltd has been appointed as lead manager to the Offer. The Lead Manager will receive 6% of the value of the Shares placed to its clients under the Offer. The Lead Manager will also receive a success fee of \$75,000 and an introduction fee of \$75,000 upon completion of the Acquisition and the Shares being reinstated to trading on the ASX. A summary of the mandate for the Lead Manager is set out in Section 13.2.

### **6.16 Commissions on Application Forms**

The Company reserves the right to pay a commission of 6% (exclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian Financial Services Licensee in respect of valid Applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian Financial Services Licensee. Payments will be subject to the

receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services Licensee.

### **6.17 CHES and Issuer Sponsorship**

The Company participates in the Clearing House Electronic Subregister System (**CHES**). All trading on the ASX in existing Shares is, and in new Shares will be, settled through CHES. ASX Settlement Pty Ltd (**ASXS**), a wholly-owned subsidiary of the ASX, operates CHES in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the Share Registry operates an electronic issuer sponsored sub-register and an electronic CHES sub-register. The two sub-registers together make up the Company's principal register of securities.

Under CHES, the Company will not issue certificates to Shareholders. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASXS will send a CHES statement.

The CHES statement will set out the number of Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Link Market Services and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHES statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Securityholding changes. Shareholders may request a statement at any other time, however a charge may be made for additional statements.

### **6.18 Risks**

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 12 of this Prospectus. The Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

### **6.19 Forecast Financial Information**

Given the nature of the iSignthis business and the fact the Company is in an early stage of development, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. In light of uncertainty as to timing and outcome of the Company's growth strategies and the general nature of the industry in which the Company will operate, as well as uncertain macro market and economic conditions in the Company's markets, the Company's performance in any future period cannot be reliably estimated. On this basis and after considering Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and accordingly have not included financial forecasts in this Prospectus.

## **6.20 Privacy Statement**

If you complete an Application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that the Company holds about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Application Form for Shares, the Company may not be able to accept or process your Application.

## **6.21 Taxation**

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offer, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above.

## **6.22 Enquiries**

This is an important document and should be read in its entirety. Investors should consult with their professional advisers before deciding whether to apply for Shares under this Prospectus. Any investment in the Company under this Prospectus should be considered highly speculative.

Questions relating to the Offer can be directed to the Company on +61 2 8003 3438.

Questions relating to the completion of an Application Form can be directed to the Share Registry on 1300 554 474 or +61 1300 365 790 (if calling from outside Australia) between 8.30am and 5.30pm AEDT Monday to Friday.

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## **7. Company and iSignthis Overview**

### **7.1 Overview of iSignthis**

iSignthis is an unlisted company based in Melbourne, Australia. It is the holder of intellectual property rights (in the form of patents) in a number of jurisdictions (refer to Section 7.5) and is moving in to the deployment and commercialisation stage of its business life.

Initially responding to the significant cost of Card Not Present (CNP) credit card fraud and associated bank chargebacks that confront online merchants on a daily basis, the business co-founder, Mr. Nickolas John Karantzis formed a solution to authenticate an online transaction and therefore mitigate fraud. That is, he created a system that dynamically creates evidence of identity via regulated payment instrument authentication. In simple terms, the system provides proof that the holder of a payment instrument (i.e. credit card, bank account and debit cards) performing an online transaction is also the owner of that payment instrument and is authorised to transact in a remote environment, in which environment a merchant is unable to prove authorisation by way of signature or use of a PIN. By extension, the fact that the system verifies ownership of a financial instrument, it therefore creates evidence of identity, as payment instruments may only be issued to persons following identity check by the issuing institution.

Since initial concept, the system has evolved in order to meet a wider commercial application of proof of identity and financial transaction authentication services. The system has two distinct sales drivers; it firstly assists to satisfy various legal compliance issues (i.e. to ascertain proof of identity for obligated entities under Anti Money Laundering legislation), as well as a pure commercial use to maximise profitability of an online business by reducing fraud costs and ensuring that revenue booked to account is genuine.

iSignthis is able to verify identity by leveraging systems and processes already in place within the regulated finance and banking industries. The service relies on the fact that a mandatory face-to-face customer due diligence process has been completed by regulated financial entities at the account opening stage i.e. a customer wishing to open an account at a financial institution (bank) has passed the requisite identification check by providing suitable official documentation.

This automated, online identification of persons remote to the transaction is made possible via a patented electronic verification method, and is able to prove ownership of more than 3 billion customer accounts across more than 180 countries.

As at 30 September 2014 \$1,259,000 had been spent on the development and commercialisation of iSignthis' product.

### **7.2 Key Markets**

iSignthis offers its authentication technology as a cloud based solution for large online merchants, payment service providers, including payment gateways, financial institutions, card issuers and acquirers. It is not restricted by any global borders and can operate across almost all jurisdictions. The market focus to date has been on the European Union (EU) due to the size of its ecommerce market and regulatory drivers, as well as local Australian and Asia Pacific (including the US) markets due to logistical convenience.



The iSignthis 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 e-commerce, and for airline and travel operators.

Apart from the obvious commercial drivers in assisting e-merchants mitigate fraud risk, the iSignthis payment authentication service assists payment service providers (PSPs) to meet the European Central Bank's and European Banking Authority's 'Strong Customer Authentication' SecuRE-Pay requirements, which are mandatory for all internet payments in the EU28 and Single Euro Payment Area (SEPA) effective from 1 August 2015. This regulation requires all card not present internet transactions to be authorised by way of Strong Customer Authentication (SCA). The iSignthis service meets the customer identification and authentication requirements of this regulation, and thus assists PSPs to meet their obligations. PSPs not compliant with SecuRE-Pay by August 2015 will be subject to potential penalties imposed by the ECB and EBA (European Banking Authority).

Whilst the business can only speculate on what this European legislation may mean for the rest of the world, evidence of other countries following a similar path is already taking shape with Canada, Singapore and India announcing similar guidelines for internet payments. Evidence of the EU leading the way in new technologies and legislation in regards to ecommerce can also be seen in the global adoption of pin and chip technology on credit cards known as EuroMasterVisa or EMV Chip.

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 Strong Customer Authentication (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. A summary of the agreements with these clients is set out in Section 13.

### **7.3 What does iSignthis do?**

iSignthis offers two global services of authentication. The services cover two key objectives, Evidence of Identity and Strong Customer Authentication.

#### **Evidence of Identity (EOI)**

A number of businesses or operations fall under the category of being an obligated or regulated entity under Anti Money Laundering (AML) laws. One of their obligations is to fully identify their customers and/or source of funding to a similar standard as financial institutions, which is also referred to as Know Your Customer (KYC). To date, online merchants have been unable to do this in a truly online or automated manner. They are able to have customers submit basic details in an online form (such as name, address and date of birth) but then require a submission of notarised documents (copies of passport, birth certificate, drivers licence) in order to meet the AML requirements. The other option is to ask the customer to present themselves in a face-to-face environment with their required forms of identification. Both methods are timely, expensive, annoying to the customer and takes them offline, delaying their ability to transact. Some limited jurisdictions such as the USA, UK and Australia allow for the use of static database checks to assist with identification of persons, however, such checks can often be inconclusive or require extensive information to be uploaded by the person being checked. These checks may include reference to credit history databases or government databases, such as the electoral roll.

The unique and patented iSignthis process assists with the efficient on boarding of customers. This is done in a matter of minutes, operates totally online and takes away current frustrations and obligations to provide numerous forms of identification. The process authenticates that a customer owns a payment instrument (such as a credit card) and uses that ownership to identify the customer.

The service assists with AML/CTF Directive Compliance plus Chapter 6 of European Central Bank's (ECB) SecuRE Pay.

**Key Points and Advantages:**

- (a) Assists to Identify customers to an AML/CTF standard, consistent with Financial Action Task Force (**FATF**) risk based approach.
- (b) Market includes more than 180 countries.
- (c) Assists automated online onboarding of customers, using routine online payments.
- (d) Proves ownership remotely of more than 3 billion remote payment instrument accounts.
- (e) Includes Politically Exposed Person (**PEP**) & UK, US, Australian and UN Sanctions screening of customers.
- (f) Can be used as a standalone process, or to augment current approaches that involve static database checks.

**Strong Customer Authentication (SCA)**

Strong Customer Authentication (**SCA**) has now been mandated into regulation (known as 'SecuRE Pay') by the European Banking Authority (**EBA**), supported by the European Central Bank (**ECB**) and national central banks. The EBA is mandating compliance to SecuRE Pay by 1 August 2015 for all EU28 based Payment Service Providers (**PSP**)

The iSignthis service has been designed to authenticate online payment transactions. It uses the EOI process above and links the customer and the payment instrument on an issuer agnostic basis to a two factor authentication (**2FA**) system. The 2FA system is then used to rapidly authenticate subsequent mobile and online payments processed on the payment instrument or eWallet. Examples of 2FA include a PIN Code and a one time password sent via SMS to a mobile phone, or, an alternative second factor may be a biometric check such as fingerprint

In simple terms, it provides adequate proof that an online card or account user is also the card or account owner or the person is authorised to access the statement of account.

The SCA assists online merchants to safely accept payment without the present risk of chargebacks and Card Not Present fraud associated with unauthenticated transactions.

iSignthis potentially offers PSPs an acquiring side compliance safety net that assists an acquiring PSP to meet compliance obligations, independent of issuer timetable. iSignthis can enroll cards from other issuers via iSignthis' patented process, and provide an interface to allow card enrolment via home banking.

iSignthis will be ready to be rolled out from Q1 2015, and will offer PSPs an acquiring side compliance safety net that spans ALL issuers and card schemes

iSignthis offer this across all 30+ ECB regulated card schemes, including Visa, Mastercard, JCB, Diners, and American Express, via a single integration and a uniform customer experience. The customer experience is tablet and phone friendly, responsive, and caters to high conversion at the merchant, as it has been designed that way.

**Key Points and Advantages:**

- (a) Authenticates online payments and associated financial or payment instruments
- (b) The process is post cart checkout and transaction, with no sales abandonment or friction impact at cart stage.
- (c) No interruption to the normal payment processing and settlement process
- (d) Payment instrument coverage is global, and for more than 30 + card schemes, including Visa, Mastercard, American Express, JCB and Diners.
- (e) The service is independent of card issuer and scheme
- (f) Uses scalable, cloud based, patented technology
- (g) Compliance safety net for Payment Service Providers to cover “all” scheme cards acquired, without carve outs, or waiting for issuers to comply
- (h) Home banking enrolment interface for issuers card enrolment
- (i) Cost savings versus implementation of a ‘new’ 3D Secure per card scheme.
- (j) Merchant preferred, high conversion rate, as opposed to 50%++ abandonment rate of 3D Secure / Mastercard SecureCode
- (k) Mobile and tablet friendly responsive design

Both services are offered on a business to business (b2b) basis, where iSignthis performs the authentication function as designated agent of its client, being the consumer facing business.

The iSignthis business will contract directly with large online merchants, Payment Service Providers (PSPs), Payment Gateways, payment processors and obligated or regulated entities under Anti Money Laundering (AML) legislation.

**7.4 Business Model and Pricing**

The business model is based on a fee charged for each transaction processed. The type of authentication required (either customer identity or verification of a financial transaction) and the volume of transactions being processed will affect price to some extent but as a general guide the following pricing structure operates:

- (a) Evidence of Identity – up to \$11 per identity transaction

(b) Strong Customer Authentication – up to \$0.28 per transaction plus cost per SMS sent

Business Development is currently focused on the wider local market (Australia and Asia Pacific (including the US)) as well as Europe. The strong business driver in Europe is due to the European Central Bank legislative requirements commencing in August 2015. The legislation requires all online payment transactions to be fully authenticated (Strong Customer Authentication). The iSignthis service assists merchants and PSPs to meet the legislative requirements. The volume of transactions in Europe is approximately 5 billion transactions being processed annually in the European Union, with a compound average growth rate on these transactions of approximately 20% per annum. The EU represents approximately 1/3 of the global market.

iSignthis' current customers include European Payment Service Providers, eMerchantPay and Adelante. See Section 13.3 and 13.4 for summaries of these contracts. These contracts are expected to commence early in the new year. However investors should note that iSignthis is a start up company with no sales revenue to date generated by the business at this stage and the roll out of the iSignthis product is intended to be significantly increased over the coming months as marketing and sales initiatives are undertaken.

iSignthis intends to continue to grow the business by marketing to achieve new contracts with payment service providers (PSPs), payment gateways, payment processors, acquiring banks, issuing banks, entities regulated by anti money laundering regulations and e-merchants who require identity or payment authentication services in order to mitigate online payment risk. The Company will also explore further strategic business opportunities that may arise as a result of its identity services and technology. Some of these opportunities may include operation of payment processing facilities, which may require the company to apply for and hold financial or prudential licenses in jurisdictions where it intends to operate. The confluence of payment and identity services may present the company with further opportunities that may be of strategic interest, or bring about further and new business models to complement those described in this Prospectus.

## 7.5 Patents

The granted and pending patent applications detailed in the table below are currently held in the name of the Vendor, or parties associated with the Vendor, and are in the process of being registered into the name of ISX IP Ltd (one of the companies that comprise iSignthis).

| Official No.   | Country   | Case Status                                |
|----------------|-----------|--|
| 2010100533     | Australia | Certified (used as a priority application) |
| 2011235612     | Australia | Registered                                 |
| 2012261779     | Australia | Pending                                    |
| 112012024646-1 | Brazil    | Pending                                    |
| 2791752        | Canada    | Pending                                    |
| 11761840.5     | Europe    | Pending                                    |
| 13109165.5     | Hong Kong | Pending                                    |

| Official No.    | Country                    | Case Status |
|-----------------|----------------------------|-------------|
| 2363/KOLNP/2012 | India                      | Pending     |
| 601718          | New Zealand                | Pending     |
| PI 2012004099   | Malaysia                   | Pending     |
| 201180014816.4  | People's Republic of China | Pending     |
| 2011120098      | Portugal                   | Registered  |
| 10-2012-7027228 | Republic of Korea          | Pending     |
| 2012/06455      | South Africa               | Accepted    |
| 2014/00709      | South Africa               | Pending     |
| 201206344-2     | Singapore                  | Pending     |
| 1251231-5       | Sweden                     | Pending     |
| 8620810         | US                         | Registered  |
| 14/535105       | US                         | Pending     |

Information relating to these patents and the intellectual property protected by these patents is set out in the Patent Report in Section 11 of this Prospectus.

The Company notes that the Patent Report is an independent report and has been prepared by the Sydney office of FB Rice.

When considering the Patent Report investors should note the following:

- (a) Prior to the date of the Prospectus and the Acquisition Agreement, FB Rice acted as iSignthis' Patent Attorney and managed iSignthis' patent portfolio.
- (b) Neither FB Rice, nor any of its principals or employees that were involved in the preparation and management of the patent portfolio, have any entitlement to any shares in the Company or iSignthis, or have any interest in the promotion of the Company or iSignthis, and do not have any financial interest in the outcome of the Acquisition.
- (c) FB Rice has prepared the Patent Report. FB Rice will be paid a fee by the Company for the preparation of the Patent Report that is not contingent on the outcome of the Prospectus. FB Rice has confirm that the Patent Report has been prepared by Connie Merlino, Partner, who is not associated with the Company or iSignthis and has no financial interest in the outcome of the Acquisition.

Please refer to the Patent Report in Section 11 of this Prospectus for further detail in relation to the above.

## **7.6 Financial Information**

Information relating to the financial information of the Company and iSignthis is set out in Section 9 of this Prospectus and the Investigating Accountant's Report in Section 10 of this Prospectus.

## **7.7 Current Assets of the Company**

The Company is a public company that has been listed on the ASX since 1998. The Company's principal activities previously involved oil and gas exploration and development. In light of difficult market conditions for junior resource and energy companies, the Company has been evaluating high quality and value adding investment opportunities outside the commodities industry

The Company, through wholly owned subsidiaries, currently owns the Comanche oil and gas project and the Avalanche gas project located in the United States.

As part of the process of transitioning to focus on the iSignthis business the Company has gone through a process to determine how to best realise value for the existing oil and gas assets of the Company and limit the exposure of the Company to the potential of liability from the prior operation of these assets.

Following such process the Company was presented a proposal by an entity related to one of the former directors of the Company, Mr Winton Willesee, to purchase all of the Company's US subsidiaries (excluding the cash at bank of those subsidiaries which will be returned to the Company) for consideration of \$41,400 and by virtue of the transaction being a share sale transaction, assume all the liabilities and legacy risks inherent within those entities, on an as is where is basis.

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## **8. Directors, Key Management and Corporate Governance**

### **8.1 Director Profiles**

#### **Mr. Nickolas John Karantzis Managing Director**

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

#### **Mr. Scott William Minehane Non-Executive Director**

Mr. Minehane 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. He is also an independent director of ASX listed Etherstack plc (ASX:ESK) which specialises in wireless technology including waveforms and public mobile radio solutions. Mr. Minehane 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

#### **Mr. Timothy Joseph Hart Non-Executive Director and Interim Chairman**

Mr. Hart is the Managing Director and Chief Executive Officer of Ridley Corporation Limited (ASX:RIC). Mr. Hart was Chief Executive Officer of Sugar Australia and Sugar New Zealand (joint ventures between Wilmar/CSR and Mackay Sugar Limited). Eight years prior to this, Mr. Hart held management positions with SCA Hygiene Australasia, Carter Holt Harvey, ACI Plastics Packaging, Amcor Limited and Pasminco Limited. He has also been Deputy Chairman of the Australian Food & Grocery Council, Chaired the Corporate Affairs Committee and was a Director of the World Sugar Research organisation. Mr. Hart currently Chairs the AFGC Agribusiness Forum and is a Director of not for profits National Association of Women in Operations (NAWO) and Enactus (SIFE). Mr. Hart has an extensive background of senior management, in the agribusiness, food, resources, automotive and packaging industries across Australia, New Zealand, Europe and Asia.

#### **Mr. Barnaby Egerton-Warburton Non-Executive Director**

Mr Egerton-Warburton holds a Bachelor of Economics Degree and is a graduate of the Australian Institute of Company Directors. He has over 20 years of trading, investment banking, international investment and market experience. He has held positions with global investment banks in Hong Kong, New York and Sydney including JPMorgan, Banque Nationale de Paris and Prudential Securities.

## Independent Chairman

Following completion of the Acquisition and the Offer, the Company will seek an appropriately qualified person to be appointed as independent Chairman of the Company.

## 8.2 Directors' Interests

Other than as set out in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offer; or
- (c) the Offer.

and the Company has not paid any amount or provided any benefit, or agreed to do so, to any Director, either to induce that Director to become, or to qualify them as a director of the Company, or otherwise, for services rendered by them in connection with the formation or promotion of the Company or the Offer.

## 8.3 Directors' Security Holdings

Directors are not required under the Company's Constitution to hold any Shares. Set out in the table below are details of the existing relevant interests of the Directors in Shares at the date of this Prospectus and the anticipated relevant interests of the Directors in Shares upon completion of the Offer.

| Director                                   | Existing Shares | Shares upon completion of the Offer | % Interest upon completion of the Offer <sup>(4)</sup> |
|--|-----------------|-------------------------------------|--|
| Mr. Barnaby Egerton-Warburton              | 2,695,556       | 2,695,556                           | 0.48%  |
| Mr. Nickolas John Karantzis <sup>(3)</sup> | 0               | 0 <sup>(1)(2)</sup>                 | 0 <sup>(2)</sup>                                       |
| Mr. Scott William Minehane <sup>(3)</sup>  | 0               | 0                                   | 0  |
| Mr Timothy Joseph Hart <sup>(3)</sup>      | 0               | 0                                   | 0  |

### Notes

- 1 298,333,333 Shares will be held by the Vendor on completion of the Acquisition which is a percentage interest of 53.14%. Mr Nickolas John Karantzis, who holds an interest of over 20% in the issued capital of the Vendor will have a relevant interest in these Shares.
- 2 References to the number of Shares being issued to the Vendor of 298,333,333 does not include any Shares issued to the Vendor (which Mr Karantzis will have a relevant interest in) for the Cash Shortfall Amount or for a Warranty Claim Amount pursuant to the terms of the Acquisition Agreement. Refer Section 13.1 for further information about the Cash Shortfall Amount and the Warranty Claim Amount. The Company estimates that the Cash Shortfall Amount will be approximately \$100,000 at Completion.



Based on this figure, the Company will issue 3,333,333 additional Shares to the Vendor which would increase the percentage interest of the Vendor (and consequently Mr. Karantzis) to 53.42%. However, up to 56,666,667 additional Shares may be issued to the Vendor for the Cash Shortfall Amount (assuming the Company has no existing cash at Completion), which would increase the percentage interest of the Vendor (and consequently Mr. Karantzis) to 57.44%. Subject to Shareholder approval, up to 159,666,667 additional Shares may be issued to the Vendor for a Warranty Claim Amount (this assumes the maximum aggregate amount that the Vendor can recover from the Company pursuant to the terms of the Acquisition Agreement), which would increase the percentage interest of the Vendor (and consequently Mr. Karantzis) to 63.52%. The maximum number of Shares that may be issued pursuant to the Warranty Claim Amount and the Cash Shortfall Amount is 216,333,334 Shares, which would increase the percentage interest of the Vendor (and consequently Mr. Karantzis) to 66.18%. The Company does not expect to be anywhere near this position but has included this disclosure as it is the maximum number of Shares that may be issued to the Vendor (and accordingly Mr. Karantzis may have a relevant interest in). In addition, the Vendor will be issued 336,666,667 Performance Shares on completion of the Acquisition (refer to Section 14.2 for further details). Mr. Karantzis will have a relevant interest in these Performance Shares and any Shares issued on conversion of the Performance Shares. If all of the Performance Shares are converted to Shares prior to the expiry date of the Performance Shares, then the Vendor will hold (and Mr. Karantzis will have a relevant interest in) 635,000,000 Shares which would increase the voting power of the Vendor (and consequently Mr. Karantzis) to 70.71% (assuming no Shares are issued to the Vendor for the Cash Shortfall Amount). Refer to the notes to the second table in Section 14.3 for the potential voting power of the Vendor (and Mr. Karantzis) in different scenarios depending on whether Shares are issued to the Vendor for the Cash Shortfall Amount or the Warranty Claim Amount.

- 3 Mr. Karantzis is a director and shareholder of the Vendor. Mr Hart and Mr Minehane are shareholders of the Vendor.
- 4 Assumes the amount under the Offer is raised.
- 5 The Company is proposing to implement an employee incentive scheme post re-compliance with Chapters 1 and 2 of the Listing Rules. It is proposed the number of securities issued pursuant to the employee incentive plan over a three year period will be no greater than 5% of the issued share capital of the Company. However, no decisions have been made in relation whether directors will be eligible to participate or the number of shares that may be offered to directors pursuant to the plan.

Set out in the table below are details of the anticipated relevant interests of the Directors in other securities of the Company upon completion of the Offer.

| Director                      | Options                  |
|-------------------------------|--------------------------|
| Mr. Barnaby Egerton-Warburton | 2,446,546 <sup>(1)</sup> |
| Mr. Nickolas John Karantzis   | 0 <sup>(2)</sup>         |
| Mr. Scott William Minehane    | 0 <sup>(2)</sup>         |
| Mr. Timothy Joseph Hart       | 0 <sup>(2)</sup>         |

**Notes**

- 1 Listed Options each exercisable at \$0.50 on or before 31 December 2015.
- 2 The Company proposes to put in place an employee incentive plan which the Directors may be entitled to participate in (subject to shareholder approval). It is proposed the number of securities issued

pursuant the employee incentive plan over a three year period will be no greater than 5% of the issued share capital of the Company. However, no decisions have been made in relation whether directors will be eligible to participate or the number of shares that may be offered to directors pursuant to the plan.

## 8.4 Remuneration of Directors

The Constitution provides that the remuneration of Non-Executive Directors will not be more than the aggregate fixed sum determined by a general meeting of Shareholders. The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed \$300,000 per annum.

The remuneration of Executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee. The Board has resolved that the Directors' fees will be \$60,000 per annum for the Chairman and \$40,000 per annum for non-executive Directors (exclusive of statutory superannuation contributions).

The remuneration of the executive Directors and key management will be determined by the Board. A summary of Mr. Nickolas John Karantzis' (the Managing Director of the Company) and Mr. Todd Richards' (the Chief Financial Officer and Company Secretary of the Company) material terms employment agreements are set out in Section 8.6(a).

The annual remuneration payable to each of the Directors is as follows:

| Director                      | Annual Remuneration    |
|-------------------------------|------------------------|
| Mr. Nickolas John Karantzis   | 219,000 <sup>(3)</sup> |
| Mr. Barnaby Egerton-Warburton | 43,800 <sup>(4)</sup>  |
| Mr. Scott William Minehane    | 43,800                 |
| Mr Timothy Joseph Hart        | 65,700                 |

### Notes

- At the date of this Prospectus, the Company does not propose to enter into any additional consulting arrangements or other agreements other than those set out above.
- The numbers in the above table are inclusive of statutory superannuation.
- The executive services agreement for Mr Karantzis employment as Managing Director has not yet been executed. It is proposed this agreement will be executed following the date of this Prospectus and on the terms and condition set out in Section 8.6.
- Mr Egerton-Warburton was previously the Managing Director of the Company. Mr Egerton-Warburton became a non-executive Director on 22 December 2014. Prior to his appointment as non-executive Director, Mr Egerton-Warburton was paid \$120,000 per annum (plus statutory superannuation). Remuneration received by Mr Egerton-Warburton for the financial years ending 30 June 2013 and 30 June 2014 was \$235,000 and \$209,362 respectively.

For details of the Directors' interests in securities in the Company refer to Section 8.3 above.

## **8.5 Senior Management and Consultant Profiles**

In addition to the executive capacity of Mr. Nickolas John Karantzis, who will be Managing Director and Chief Executive Officer of the Company upon completion of the Acquisition, the following person will comprise the key management personnel of the Company upon completion of the Acquisition.

### **Mr. Todd Richards**

#### **Chief Financial Officer and Company Secretary**

Mr. Richards is a co-founder of the iSignthis business, 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).

## **8.6 Key Terms of proposed agreements with Directors, Senior Management or Related Parties**

### **(a) Material Terms of proposed Executive Service Agreements**

#### **Mr. Nickolas John Karantzis**

##### **Managing Director**

The proposed terms of Mr. Karantzis Executive Services Agreement for the position of Managing Director and Chief Executive Officer will include a term of twenty four (24) months, with a termination period of six (6) months by either party, a director's fee and base salary totalling \$200,000 per annum, plus statutory superannuation entitlements, and domicile portability provisions. The agreement shall recognise one month of accrued annual leave, and participation in the employee incentive plan

#### **Mr. Todd Richards**

##### **Chief Financial Officer and Company Secretary**

The proposed terms of Mr. Richards' Executive Services Agreement for the position of Chief Financial Officer and Company Secretary of the Company will include a term of twenty four (24) months, with a termination period of three (3) months by either party, a base salary of \$180,000 per annum, plus statutory superannuation entitlements, and domicile portability provisions. The agreement provides for participation in the employee incentive plan

While it is proposed that the Company will enter into these agreements on completion of the Acquisition, the full terms and conditions of these agreements are in the process of being negotiated and formal agreements have not yet been signed by the parties.

### **(b) Deeds of indemnity, insurance and access**

The Company is party to a deed of indemnity, insurance and access with Mr Barnaby Egerton-Warburton, a Director and is proposing to enter into similar deeds of indemnity, insurance and access with the other Directors. Under these deeds, the Company indemnifies each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as a director of the Company. The Company

is also required to maintain insurance policies for the benefit of the relevant Director and must also allow the Directors to inspect board papers in certain circumstances.

(c) **Other**

The Company has accepted an offer by an entity related to one of the Company's previous directors, Mr Winton Willesee, to purchase all of the Company's US subsidiaries which own the Company's existing oil and gas projects (excluding the cash at bank of those subsidiaries which will be returned to the Company) for consideration of \$41,400 and by virtue of the transaction being a share sale transaction, assume all the liabilities and legacy risks inherent within those entities, on an as is where is basis. This transaction was subject to Shareholders approving the Acquisition.

Directors, Mr. Nickolas John Karantzis, Mr. Scott Minehane and Mr. Timothy Hart and the Chief Financial Officer and Company Secretary, Mr. Todd Richards are shareholders of the Vendor. Mr Karantzis is also a director of the Vendor. Messrs Karantzis, Minehane and Hart were appointed to the Board on 22 December 2014 following Shareholder approval at the Company's December General Meeting. The Acquisition was negotiated by the Company and the Vendor on arm's length terms prior to their appointment. These Directors have been appointed to facilitate completion of the Offer and re-compliance with the Listing Rules.

## **8.7 Corporate Governance**

This summary identifies the key corporate governance policies and practices adopted by the Company's Board. The Board is committed to ensuring continued investor confidence in the operations of the Company and in maintaining high standards of corporate governance in the performance of their duties.

### **The role of the Board**

The role of the board of Directors is to provide strategic guidance to the Company (and its related bodies corporate), effective oversight of management and to provide a sound base for a culture of good corporate governance within the Company.

The Board will always retain ultimate authority over the management and staff of the Company and its related bodies corporate.

In performing its role, the Board should act, at all times:

- (a) in recognition of its overriding responsibility to act honestly, fairly and in accordance with the law in serving the interests of the Company, its shareholders, as well as its employees, customers and the community;
- (b) in a manner designed to create and continue to build sustainable value for shareholders;
- (c) in accordance with the duties and obligations imposed upon them by the Company's constitution and applicable law; and
- (d) with integrity and objectivity, consistently with the ethical, professional and other standards set out in the Company's corporate governance policies.

## **Responsibilities of the Board**

The responsibilities of the Board include:

- (a) represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance;
- (b) protect and optimise the Company's performance and build sustainable value for Shareholders;
- (c) set, review and ensure compliance with the Company's values and governance framework; and
- (d) ensure that Shareholders are kept informed of the Company's performance and major developments.

## **Composition of the Board**

Under the Company's constitution, the minimum number of Directors is three and the maximum number is ten. The Board at the date of this Prospectus comprises of four Directors, namely Mr. Nickolas John Karantzis, Mr. Scott Minehane, Mr. Timothy Hart and Mr. Barnaby Egerton-Warburton. The Directors consider the size and composition of the Board is appropriate given the current size and status of the Company.

Each Director is bound by all of the Company's charters, policies and codes of conduct. If the Board determines it is appropriate or necessary, they may establish committees to assist in carrying out various responsibilities of the Board. Such committees will be established by a formal charter.

The Board delegates the management of the Company's business and day to day operation to the Managing Director who is authorised, in turn, to delegate such powers conferred on him or her to members of the senior management group.

The Board seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to augment the capabilities of the Board.

## **Independence of Directors**

The Board considers the issue of independence with regard to a set of questions outlined in the Board charter. The issue is considered in light of a materiality threshold relevant to the particular time of the issue.

## **Independent professional advice**

The Directors are entitled to seek independent professional advice at the Company's expense on any matter connected with the discharge of their responsibilities. Such advice may be sought in accordance with the procedures set out in the Board charter.

### **Securities trading policy**

The Company has adopted a formal policy for dealing in the Company's securities by Directors and employees and their related entities (in accordance with Listing Rule 12.9). The securities trading policy regarding allowable dealings is that those persons should:

- (a) not deal in the Company's securities while in possession of price sensitive, non-public information; and
- (b) only trade in the Company's securities after receiving clearance to do so from a designated clearance officer, where clearance may not be provided in defined "black out periods".

The securities trading policy is available on the Company's website at [www.otisenergy.com](http://www.otisenergy.com).

### **Remuneration policy**

The Company has adopted a remuneration policy designed to align individual and team reward and encourage executives to perform to their full capacity.

Remuneration packages may contain any or all of the following:

- (a) annual salary base with provision to recognise the value of the individuals' personal performance and their ability and experience;
- (b) rewards, bonuses, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;
- (c) Share participation – the Company is considering implementing an employee incentive scheme (refer to Section 14.4 for further details); and
- (d) other benefits, such as holiday leave, sickness benefits, superannuation payments and long service benefits.

The Board will determine the appropriate level and structure of remuneration of the executive team and such consideration will occur each year on the recommendation of the Managing Director.

Remuneration of the Managing Director will be reviewed annually by the Board. Determination of Non-Executive Director's fees is with regard to the long term performance of the Company.

### **Continuous disclosure policy**

The Company, as a listed public company, is required to disclose price sensitive information to the market as it becomes known to comply with the continuous disclosure requirements of the Corporations Act and the Listing Rules.

The continuous disclosure policy of the Company ensures that all Shareholders and investors have equal access to the Company's information, to the extent practicable. Price sensitive information will be disclosed by way of an announcement to the ASX and placed on the Company's website.

## Shareholder communication

The Board strives to ensure that Shareholders are provided with full and timely information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

Information is communicated to Shareholders:

- (a) through the release of information to the market via the ASX;
- (b) through the distribution of the annual report and notice of annual general meeting;
- (c) through letters and other forms of communications directly to Shareholders; and
- (d) by posting relevant information on the Company's website.

## Ethical standards and business conduct

The Board recognises the need for Directors and employees to observe appropriate standards of behaviour and business ethics when engaging in corporate activity. Through its code of conduct, the Board intends to maintain a reputation for integrity. The Company's business ethics are founded on openness, honesty, fairness, integrity, mutual respect, ethical conduct and compliance with laws.

The standards set out in the code of conduct are required to be adhered to by officers and employees of the Company. The code of conduct and further details of these standards can be found on the Company's website.

## ASX Corporate Governance Principles and Recommendations

Where possible and having regard to the size and nature of the Company's operations, the Board has adopted the Corporate Governance Principles and Recommendations (3rd Edition) issued by the ASX Corporate Governance Council. Departures from the principles and recommendations are set out in the table below.

| Recommendation     | Nature of departure                                  | Explanation for departure   |
|--------------------|--|---|
| 2.1                | The Company does not have any independent Directors. | The size and scope of the company's activities does not justify the cost of appointing independent directors at this stage of its development.                            |
| 2.4                | The company does not have a nomination committee.    | The role of the nomination committee is assumed by the full Board. The size and scope of the company's activities does not justify the establishment of such a committee. |
| 4.2, 4.3, 4.4, 4.5 | The company does not have an audit committee.        | The role of the audit committee is assumed by the full Board, to be chaired by Mr Minehane. The size and scope of the company's activities does not justify the           |

| Recommendation | Nature of departure  | Explanation for departure  |
|----------------|--|--|
|                |  | establishment of such a committee.   |
| 7.1            | The company does not have a formal risk management policy. | Business risk is continually assessed by the Board by addressing the key items listed in the Corporate Governance Principles and Recommendations.  |
| 8.1, 8.2       | The company does not have a remuneration committee.        | The role of the remuneration committee is assumed by the full Board who apply the Company's Remuneration Policy. The size and scope of the company's activities does not justify the establishment of such a committee. No director participates in any deliberation regarding his own remuneration or related issues. |



## 9. Financial Information

### 9.1 The Company

This section contains a summary of the historical income statements and statement of financial position of the Company for the 2012, 2013 and 2014 years (all audited) that the Directors consider relevant to investors. The financial information presented is in an abbreviated form and does not contain all of the disclosures that are usually contained in statutory accounts prepared in accordance with the Corporations Act.

|                                 | FY 2012        | FY 2013        | FY 2014        |
|---------------------------------|----------------|----------------|----------------|
|                                 | audited actual | audited actual | audited actual |
| Total revenue                   | 374,740        | 836,299        | 599,611        |
| Operating expenses              | (3,373,606)    | (3,803,682)    | (3,159,867)    |
| EBITDA                          | (2,998,866)    | (2,967,383)    | (2,560,256)    |
| Depreciation                    | (1,326)        | (2,532)        | (2,147)        |
| Discontinued operations revenue | 87,112         | -              | -              |
| EBIT                            | (2,913,080)    | (2,969,915)    | (2,562,403)    |
| Interest income (expense)       | -              | -              | -              |
| NPBT                            | (2,913,080)    | (2,969,915)    | (2,562,403)    |
| Tax                             | -              | -              | -              |
| NPAT                            | (2,913,080)    | (2,969,915)    | (2,562,403)    |
| Total assets                    | 6,973,482      | 4,472,045      | 2,099,081      |
| Total liabilities               | (614,760)      | (235,748)      | (177,073)      |
| Net assets                      | 6,358,722      | 4,236,297      | 1,922,008      |

RSM Bird Cameron Corporate Pty Ltd (**RSM Bird Cameron**) has prepared an Investigating Accountants' Report which incorporates the audited financial information for the Company to 30 June 2014. RSM Bird Cameron has also reviewed financial information for the Company to 30 September 2014 and has used this information to prepare a pro-forma statement of financial position following completion of the Offer and the Acquisition. Please refer to Section 10 of the Prospectus for further information.

The audited financial statements (inclusive of significant accounting policies) of the Company for the financial years 2012, 2013 and 2014 are available (free of charge) on request to the Company on +61 2 8003 3438.

### 9.2 iSignthis

The two companies comprising iSignthis, iSignthis BV and ISX IP Ltd were incorporated on 28 May 2014 and 24 September 2014 respectively. Accordingly iSignthis is essentially a start-up company with limited trading history. iSignthis is now in the commercialisation phase of the business cycle and as such carries the normal risks of a start up business. Given the limited trading history iSignthis, no

assurance can be given that iSignthis will achieve commercial viability through the implementation of its business plan.

As at 30 September 2014, \$1,259,000 had been spent on the development and commercialisation of iSignthis' product.

Investors should note, given iSignthis' limited operating history, the ability to achieve its objectives is high risk.

RSM Bird Cameron has prepared an Investigating Accountants' Report which incorporates a review of the historical financial information for iSignthis from incorporation to 30 September 2014. Please refer to Section 10 of the Prospectus for further information.

### **9.3 Pro-forma statement of financial position**

A consolidated pro-forma historical statement of financial position as at 30 September 2014 for the Company is contained in Appendix A of the Investigating Accountant's Report.

The pro-forma historical financial information has been derived from the reviewed historical financial information of the Company as at 30 September 2014, after adjusting for the effects of any subsequent events described in Note 1 in Appendix A and the pro forma adjustments described in Note 1 in Appendix A of the Investigating Accountant's Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro-forma adjustments relate, as described in Note 1 in Appendix A of the Investigating Accountants' Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro-forma historical financial information does not represent the Company's actual or prospective financial position.

Shareholders should read the Investigating Accountant's Report in full before making any investment decision.

## 10. Investigating Accountant's Report



**RSM Bird Cameron Corporate Pty Ltd**  
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Direct: 08 9261 9447  
Email: [andy.gilmour@rsmi.com.au](mailto:andy.gilmour@rsmi.com.au)

AJG/PG/MJ  
16 December 2014

The Directors  
Otis Energy Limited  
Suite 25, 145 Stirling Highway  
Nedlands WA 6009

Dear Directors

### Investigating Accountant's Report

#### Independent Limited Assurance Report ("Report") on Otis Energy Limited's historical and pro forma historical financial information and Financial Services Guide

##### 1. Introduction

We have been engaged by Otis Energy Limited ("OTE" or "Company") to report on the historical financial information and pro forma historical financial information of OTE as at and for the year ended 30 June 2014 and the three months ended 30 September 2014 for inclusion in the prospectus ("Prospectus") of OTE, pursuant to which the Company is offering 103,333,333 OTE shares at an issue price of \$0.03 per share to raise \$3,100,000 ("Capital Raising") dated on or about 22 December 2014.

Expressions and terms defined in the Prospectus have the same meaning in this Report.

##### 2. Background

OTE is an ASX listed company. On 4 September 2014 OTE announced that it had entered into a Binding Term Sheet to acquire 100% of the issued share capital of iSignthis BV and ISX IP Ltd (together "iSignthis") ("Acquisition"). The Acquisition requires approval by a vote of OTE shareholders at a General Meeting to be held on 22 December 2014. In consideration for the Acquisition, OTE will issue to the shareholders of iSignthis up to 298,333,333 ordinary OTE shares and 336,666,667 performance OTE shares ("Takeover Offer") in the following tranches.

- 298,333,333 fully paid ordinary shares at settlement ("Shares");
- 112,222,222 Class A Performance Shares which convert on achievement, within three (3) full financial years of Completion, of revenue over a 6 month reporting period equivalent, on an annualised basis, to annual revenue of at least \$5,000,000 (Milestone A), each Class A Performance Share will convert on a one for one basis into a Share;

RSM Bird Cameron  
Corporate Pty Ltd  
ABN 82 050 508 024  
AFS Licence No 255847

Major Offices in:  
Perth, Sydney,  
Melbourne, Adelaide,  
Canberra and Brisbane

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the Directors of RSM Bird Cameron. RSM Bird Cameron is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

- 112,222,222 Class B Performance Shares which convert on achievement, within three (3) full financial years of Completion, of revenue over a 6 month reporting period equivalent, on an annualised basis, to annual revenue of at least \$7,500,000 (Milestone B), each Class C Performance Share will convert on a one for one basis into a Share; and
- 112,222,223 Class C Performance Shares which convert on achievement, within three (3) full financial years of Completion, of revenue over a 6 month reporting period equivalent, on an annualised basis, to annual revenue of at least \$10,000,000 (Milestone C), each Class C Performance Share will convert on a one for one basis into Share.

### 3. Scope

#### *Historical financial information*

You have requested RSM Bird Cameron Corporate Pty Ltd to review the following historical financial information of OTE ("the responsible party") and iSignthis included in the Prospectus at the Appendix to this Report:

- the Consolidated Statement of Comprehensive Income for the year ended 30 June 2014 of OTE and three months ended 30 September 2014 of both OTE and iSignthis; and
- the Consolidated Statements of Financial Position as at 30 September 2014 of both OTE and iSignthis.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and OTE's and iSignthis adopted accounting policies. The historical financial information has been extracted from:

- the financial report of OTE for the year ended 30 June 2014, which was audited by Hayes Knight Audit, in accordance with the Australian Auditing Standards, and 30 September 2014 reviewed accounts of OTE. Hayes Knight Audit issued an unqualified audit opinion for 30 June 2014 and an unqualified review report for the period ended 30 September 2014; and
- the financial report of iSignthis for the period ended 30 September 2014, which was reviewed by Hayes Knight Audit and an unqualified review report was issued. There are no financial accounts for iSignthis for the year ended 30 June 2014 as operations had not commenced.

The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

#### *Pro forma historical financial information*

You have requested RSM Bird Cameron Corporate Pty Ltd to review the pro forma historical Consolidated Statement of Financial Position as at 30 September 2014 referred to as "the pro forma historical financial information".

The pro forma historical financial information has been derived from the historical financial information of OTE and iSignthis, after adjusting for the effects of pro forma adjustments described in Note 1 of the Appendix of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Note 1 of the Appendix of this Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position or statement of comprehensive income, and/or cash flows.

#### **4. Directors' responsibility**

The Directors of OTE and iSignthis are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

#### **5. Our responsibility**

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making such enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our procedures included:

- a consistency check of the application of the stated basis of preparation, to the historical and pro forma historical financial information;
- a review of OTE's, iSignthis and their auditors work papers, accounting records and other documents; and
- enquiry of directors, management personnel and advisors.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **6. Conclusions**

##### *Historical financial information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in the Appendix to this Report, and comprising:

- the Consolidated Statement of Comprehensive Income for the year ended 30 June 2014 of OTE and the three month period ended 30 September 2014 of both OTE and iSignthis; and
- the Consolidated Statements of Financial Position as at 30 September 2014 of both OTE and iSignthis.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 1 of the Appendix to this Report.

  
 **RSM Bird Cameron Corporate Pty Ltd**

AFS Licence No 255847

*Pro Forma historical financial information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information, as described in the Appendix to this Report, and comprising the Consolidated Statements of Financial Position as at 30 September 2014 of both OTE and iSignthis are not presented fairly in all material respects, in accordance with the stated basis of preparation, as described in Section 3 of this Report.

**7. Restriction on Use**

Without modifying our conclusions, we draw attention to the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

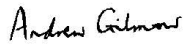
**8. Responsibility**

RSM Bird Cameron Corporate Pty Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included. RSM Bird Cameron Corporate Pty Ltd has not authorised the issue of the Prospectus. Accordingly, RSM Bird Cameron Corporate Pty Ltd makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

**9. Disclosure of Interest**

RSM Bird Cameron Corporate Pty Ltd does not have any interest in the outcome of the Capital Raising or Acquisition other than the preparation of this Report for which normal professional fees will be received.

Yours faithfully



A J GILMOUR  
Director

Appendix A – Historical and pro forma financial information

OTIS ENERGY LIMITED  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2014

|  | OTE<br>Audited<br>30-Jun-14<br>\$ |
|--|-----------------------------------|
| Income   | 599,611                           |
| Depreciation of oil producing assets             | (94,199)                          |
| Employee benefits expense                        | (337,413)                         |
| Depreciation and amortisation expense            | (2,147)                           |
| Impairment expense                               | (2,175,307)                       |
| Loss on revaluation of held for sale investments | (6,282)                           |
| Consultancy and management expenses              | (91,972)                          |
| Share based payments.                            | -                                 |
| Other expenses                                   | <u>(454,694)</u>                  |
| Loss before income tax expense                   | (2,562,403)                       |
| Income tax                                       | -                                 |
| Loss for the period                              | <u><b>(2,562,403)</b></u>         |
| Other comprehensive income                       | <u>(65,308)</u>                   |
| Total comprehensive loss for the period          | <u><b>(2,627,711)</b></u>         |

\*There are no balances at 30 June 2014 for iSignthis as operations had not commenced.

Appendix A – Historical and pro forma financial information

OTIS ENERGY LIMITED  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 SEPTEMBER 2014

|   | OTE<br>Reviewed<br>30-Sep-14<br>\$ | iSignthis<br>Reviewed<br>30-Sep-14<br>\$ | Pro-forma<br>Unaudited<br>30-Sep-14<br>\$ |
|---|------------------------------------|--|---|
| Income  | 54,825                             | 163                                      | 54,988                                    |
| Employee benefits expense                           | (70,095)                           | -  | (70,095)                                  |
| Depreciation and amortisation expense               | (1,326)                            | -  | (1,326)                                   |
| Loss on revaluation of held for sale<br>investments | (37,289)                           | -  | (37,289)                                  |
| Consultancy and management expenses                 | (12,000)                           | -  | (12,000)                                  |
| Other expenses                                      | (162,105)                          | (58,802)                                 | (220,907)                                 |
| Loss before income tax expense                      | <u>(227,990)</u>                   | <u>(58,639)</u>                          | <u>(286,629)</u>                          |
| Income tax  | -                                  | -  | -   |
| Loss for the period                                 | <u>(227,990)</u>                   | <u>(58,639)</u>                          | <u>(286,629)</u>                          |
| Other comprehensive income                          | 23,271                             | -  | 23,271                                    |
| Total comprehensive loss for the period             | <u>(204,719)</u>                   | <u>(58,639)</u>                          | <u>(263,358)</u>                          |



**Appendix A – Historical and pro forma financial information**

**OTIS ENERGY LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2014**

|                                      | Note | Reviewed<br>OTE<br>30-Sep-14<br>\$ | Reviewed<br>iSignthis<br>30-Sep-14<br>\$ | Subsequent<br>events<br>30-Sep-14<br>\$ | Pro forma<br>adjustments<br>30-Sep-14<br>\$ | Pro forma<br>unaudited<br>30-Sep-14<br>\$ |
|--------------------------------------|------|------------------------------------|--|---|---|---|
| <b>CURRENT ASSETS</b>                |      |                                    |  |   |   |   |
| Cash and cash equivalents            | 2    | 1,666,634                          | 68,471                                   | -                                       | 2,570,000                                   | 4,305,105                                 |
| Trade and other receivables          | 3    | 16,137                             | 504                                      | -                                       | -   | 16,641                                    |
| Other assets                         |      | 58,419                             | -  | -                                       | -   | 58,419                                    |
| <b>Total current assets</b>          |      | <b>1,741,190</b>                   | <b>68,975</b>                            | <b>-</b>                                | <b>2,570,000</b>                            | <b>4,380,165</b>                          |
| <b>NON-CURRENT ASSETS</b>            |      |                                    |  |   |   |   |
| Receivable                           | 3    | 100,000                            | -  | 200,000                                 | (300,000)                                   | -   |
| Intellectual property                | 4    | -                                  | 7,895,173                                | -                                       | -   | 7,895,173                                 |
| <b>Total non-current assets</b>      |      | <b>100,000</b>                     | <b>7,895,173</b>                         | <b>200,000</b>                          | <b>(300,000)</b>                            | <b>7,895,173</b>                          |
| <b>Total assets</b>                  |      | <b>1,841,190</b>                   | <b>7,964,148</b>                         | <b>200,000</b>                          | <b>2,270,000</b>                            | <b>12,275,338</b>                         |
| <b>CURRENT LIABILITIES</b>           |      |                                    |  |   |   |   |
| Trade and other payables             | 5    | 99,499                             | 27,613                                   | -                                       | -   | 127,112                                   |
| Employee benefits                    |      | 24,402                             | -  | -                                       | -   | 24,402                                    |
| <b>Total current liabilities</b>     |      | <b>123,901</b>                     | <b>27,613</b>                            | <b>-</b>                                | <b>-</b>                                    | <b>151,514</b>                            |
| <b>NON-CURRENT LIABILITIES</b>       |      |                                    |  |   |   |   |
| Loans and borrowings                 | 6    | -                                  | 100,000                                  | 200,000                                 | (300,000)                                   | -   |
| <b>Total non-current liabilities</b> |      | <b>-</b>                           | <b>100,000</b>                           | <b>200,000</b>                          | <b>(300,000)</b>                            | <b>-</b>                                  |
| <b>Total liabilities</b>             |      | <b>123,901</b>                     | <b>127,613</b>                           | <b>200,000</b>                          | <b>(300,000)</b>                            | <b>151,514</b>                            |
| <b>NET ASSETS</b>                    |      | <b>1,717,289</b>                   | <b>7,836,535</b>                         | <b>-</b>                                | <b>2,570,000</b>                            | <b>12,123,824</b>                         |
| <b>EQUITY</b>                        |      |                                    |  |   |   |   |
| Share capital                        | 8    | 81,227,362                         | 7,895,174                                | -                                       | (73,611,168)                                | 15,511,368                                |
| Reserves                             | 9    | 967,636                            | -  | -                                       | (967,636)                                   | -   |
| Accumulated losses                   | 10   | (80,477,709)                       | (58,639)                                 | -                                       | 77,148,804                                  | (3,387,544)                               |
| <b>Total equity</b>                  |      | <b>1,717,289</b>                   | <b>7,836,535</b>                         | <b>-</b>                                | <b>2,570,000</b>                            | <b>12,123,824</b>                         |

The unaudited consolidated pro forma consolidated statement of financial position represents the reviewed consolidated statement of financial position of the Company as at 30 September 2014 adjusted for the subsequent events and pro-forma transactions outlined in Note 1 of this Appendix. It should be read in conjunction with the notes to the historical and pro forma financial information.

## Appendix A – Historical and pro forma financial information

### OTIS ENERGY LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 JUNE 2014

#### 1. Introduction

The financial information set out in this Appendix consists of the Consolidated Statement of Financial Position as at 30 September 2014 and the Statements of Comprehensive Income for the year ended 30 June 2014 and the three month period ended 30 September 2014 (“the historical financial information”) together with a Pro Forma Consolidated Statement of Financial Position and Pro Forma Consolidated Statements of Comprehensive income reflecting the Directors’ pro forma adjustments (“the Pro Forma Consolidated Financial Information”).

The Pro Forma Consolidated Financial information has been compiled by adjusting the Consolidated Statement of Financial Position and Consolidated Statements of Comprehensive Income of the Company as at 30 September 2014 for the impact of the following subsequent events:

#### Adjustments adopted in compiling the pro forma historical financial information

The pro forma historical consolidated statement of financial position as at 30 September 2014 has been prepared by adjusting the reviewed consolidated statement of financial position of OTE as at 30 September 2014 and the reviewed consolidated statement of financial position of iSignthis as at 30 September 2014, to reflect the financial effects of the following subsequent events which have occurred in the period since 30 September 2014 and the date of this Report:

- Subsequent to 30 September 2014 the OTE made the final two tranche payments to iSignthis Ltd. OTE had previously entered into a funding agreement which would see up to \$300,000 transferred to iSignthis as part of the 100% acquisition of iSignthis and its relevant subsidiaries.

and the following pro forma transactions which are yet to occur, but are proposed to occur following completion of the Acquisition and the Capital Raising.

- The consolidation of OTE’s ordinary shares on a ratio of 10:1;
- The acquisition of 100% of the issued capital of iSignthis through the issue of 298,333,333 post-consolidation ordinary fully paid OTE shares and 336,666,667 Performance Shares;
- The issue of 103,333,333 post-consolidation ordinary OTE shares at \$0.03 each, to raise \$3,100,000 pursuant to the Prospectus;
- Reverse acquisition accounting entries to reflect the Takeover Offer.

The Pro Forma Consolidated Financial Information has been presented in abbreviated form and does not contain all the disclosures usually provided in an Annual Report prepared in accordance with the *Corporations Act 2001*.

## Appendix A – Historical and pro forma financial information

### OTIS ENERGY LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 SEPTEMBER 2014

#### Basis of Preparation

##### (a) Statement of compliance

The historical financial information has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards (AASBs), adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The significant accounting policies that have been adopted in the preparation and presentation of the Pro forma Consolidated Financial Information are:

##### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified at *fair value through profit or loss*, which are measured at fair value.

##### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency.

##### (d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

##### (e) Going concern

The historical and pro forma financial information has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

##### (f) Reverse acquisition accounting

The proposed acquisition of iSignthis (the legal subsidiary) by OTE (the legal parent) is deemed to be a reverse acquisition, since the substance of the transaction is such that the existing shareholders of iSignthis will obtain control of OTE.

AASB 3 *Business Combinations* (AASB 3) sets out the accounting principles to be followed in a reverse acquisition transaction. However, the Directors have concluded that OTE does not meet the definition of a business as prescribed in AASB 3 and, as such, it has been deemed that the Acquisition cannot be accounted for in accordance with the guidance set out in AASB 3.

Therefore, consistent with the accepted practice for transactions similar in nature to the Acquisition, the Company has accounted for the Acquisition in the consolidated financial statements of the legal acquirer (OTE) as a continuation of the financial statements of the legal acquiree (iSignthis), together with a share based payment measured in accordance with AASB 2 *Share Based Payments* (AASB 2), which represents a deemed issue of shares by the legal acquiree (iSignthis), equivalent to the current shareholders interest in OTE post the Acquisition. The excess of the assessed value of the share based payment over the pro forma net assets of OTE as at 30 September 2014 has been expensed to the income statement as a listing fee.

## Appendix A – Historical and pro forma financial information

### OTIS ENERGY LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 SEPTEMBER 2014

Further disclosure on the adopted accounting treatment for the Acquisition is set out at Note 7.

#### **(g) Principals of consolidation**

The historical and pro forma financial information incorporates the assets and liabilities of all subsidiaries of OTE ("company" or "parent entity") and iSignthis as at 30 September 2014.

##### *(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

##### *(ii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

##### *(iii) Loss of control*

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### **(h) Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

##### *(i) Sale of goods*

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### *(ii) Interest income*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using

## Appendix A – Historical and pro forma financial information

### OTIS ENERGY LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 SEPTEMBER 2014

the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset of the net carrying amount of the financial asset.

(iii) *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**(i) Share-based payment transactions**

The Company provides benefits to employees and other parties in the form of share based payments, whereby the employees and parties provide services in exchange for shares and other securities in the Company. The cost of the equity settled share based payment transactions is determined by reference to the fair value of the equity instruments granted assessed in accordance with AASB 2 *Share Based Payments*.

The fair value of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance/ and or service conditions are fulfilled (vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) The grant date fair value;
- (ii) The extent to which the vesting period has expired; and
- (iii) The number of equity instruments that, in the opinion of the Directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for equity instruments that do not ultimately vest, except for equity instruments where vesting is conditional upon a market condition.

**(j) Income tax**

Income tax expense comprises current and deferred tax. Current and deferred tax expenses are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

## Appendix A – Historical and pro forma financial information

### OTIS ENERGY LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 SEPTEMBER 2014

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (i) Tax consolidation

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand-alone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

#### (k) Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

#### (ii) Non-derivative financial liabilities

Fair value is measured at initial recognition and, for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### (iii) Share-based payments

The fair value of equity settled share based payment transactions is determined with reference to recent share issues for cash consideration in arm's length transactions.

## Appendix A – Historical and pro forma financial information

### OTIS ENERGY LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 SEPTEMBER 2014

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instrument (based on historic experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

#### (I) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

##### (i) Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their definite life of 10 years.

##### (ii) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## 2. Cash and cash equivalents

|   | Note | Reviewed<br>30-Sep-14<br>\$ | Unaudited<br>Pro-forma<br>30-Sep-14<br>\$ |
|---|------|-----------------------------|---|
| Cash and cash equivalents                                   |      | 68,471                      | 4,305,105                                 |
| iSignthis cash and cash equivalents as at 30 September 2014 |      |                             | 68,471                                    |

*Adjustments arising in the preparation of the pro forma consolidated statement of financial position are summarised as follows:*

**Appendix A – Historical and pro forma financial information**

**OTIS ENERGY LIMITED  
NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION  
AS AT 30 SEPTEMBER 2014**

|   |                         |
|---|-------------------------|
| OTE cash and cash equivalents as at 30 September 2014                                   | 1,666,634               |
| Cash costs associated with the Takeover Offer   | (255,000)               |
| <br>  |                         |
| Proceeds from the issue of fully paid ordinary shares in OTE pursuant to the Prospectus | 3,100,000               |
| Capital raising costs   | <u>(275,000)</u>        |
|   | 4,236,634               |
| <br>  |                         |
| Pro-forma cash and cash equivalents   | <u><u>4,305,105</u></u> |

This number does not include any amounts relating to the Shortfall pursuant to the terms of the Acquisition Agreement as disclosed in section 13.1 of the Prospectus. Under the Acquisition Agreement referred to in section 13.1 of the Prospectus the parties have agreed to target \$1,700,000 as the Company's cash at Completion (excluding the proceeds from the Offer, reasonable costs related to the Acquisition and any loan amounts provided to iSignthis prior to Completion). In the event the Company's cash at bank at Completion, after the applicable exclusions and add backs, is below \$1,700,000, the Company will issue shares to the Vendor of a value equal to the Cash Shortfall. This is currently estimated by the Directors to be \$100,000, which would result in a reduction in the cash balance of \$100,000 from \$4,305,105 to \$4,205,105.

**3. Trade and other receivables**

|   | <b>Reviewed<br/>30-Sep-14<br/>\$</b> | <b>Unaudited<br/>Pro-forma<br/>30-Sep-14<br/>\$</b> |
|---|--------------------------------------|---|
| Current trade and other receivables   | <u>504</u>                           | <u>16,641</u>                                       |
| iSignthis receivables as at 30 September 2014 (current)   |                                      | 504   |
| OTE receivables at 30 September 2014 (current)  |                                      | 16,137  |
| Pro-forma trade and other receivables (current)   |                                      | <u><u>16,641</u></u>                                |
| <br>  |                                      |   |
| Non-current trade and other receivables   | <u>-</u>                             | <u>-</u>  |
| OTE loan receivables at 30 September 2014 (non-current)   |                                      | 100,000   |
| <i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i> |                                      |   |
| OTE loan provided to iSignthis (non-current)  |                                      | 200,000   |
| Elimination on acquisition (non-current)  |                                      | (300,000)   |
| Pro-forma trade and other receivables (non-current)   |                                      | <u><u>-</u></u>                                     |



**Appendix A – Historical and pro forma financial information**

**OTIS ENERGY LIMITED  
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**4. Intellectual property**

|  | <b>Reviewed<br/>30-Sep-14<br/>\$</b> | <b>Unaudited<br/>Pro-forma<br/>30-Sep-14<br/>\$</b> |
|--|--------------------------------------|---|
| Intellectual property                                | 7,895,173                            | 7,895,173   |
| iSignthis intellectual property at 30 September 2014 |                                      | 7,895,173   |
| Pro-forma intellectual property                      |                                      | <u>7,895,173</u>                                    |

**5. Trade and other payables**

|  | <b>Reviewed<br/>30-Sep-14<br/>\$</b> | <b>Unaudited<br/>Pro-forma<br/>30-Sep-14<br/>\$</b> |
|--|--------------------------------------|---|
| Trade and other payables   | 27,613                               | 127,112   |
| iSignthis payables as at 30 September 2014   |                                      | 27,613  |
| <i>Adjustments arising in the preparation of the pro forma consolidated statement of financial position are summarised as follows:</i> |                                      |   |
| OTE payables as at 30 September 2014   |                                      | 99,499  |
| Pro-forma trade and other payables   |                                      | <u>127,112</u>                                      |

**6. Loans and borrowings**

|   | <b>Reviewed<br/>30-Sep-14<br/>\$</b> | <b>Unaudited<br/>Pro-forma<br/>30-Sep-14<br/>\$</b> |
|---|--------------------------------------|---|
| Interest bearing loans and borrowings               | 100,000                              | -   |
| iSignthis borrowings as at 30 September 2014        |                                      | 100,000   |
| <i>Subsequent events are summarised as follows:</i> |                                      |   |
| Loan on funding agreement with OTE                  |                                      | <u>200,000</u>                                      |
| Elimination on acquisition                          |                                      | (300,000)   |
| Pro-forma interest bearing loans and borrowings     |                                      | <u>-</u>  |

**Appendix A – Historical and pro forma financial information**

**OTIS ENERGY LIMITED  
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**7. Reverse acquisition**

The proposed acquisition of iSignthis (the legal subsidiary) by OTE (the legal parent) is deemed to be a reverse acquisition as the substance of the transaction is such that the existing shareholders of iSignthis will obtain control of OTE. However, OTE is not considered to meet the definition of a business under AASB 3 *Business Combinations* (AASB 3) and, as such, it has been concluded that the Takeover Offer cannot be accounted for in accordance with the guidance set out in AASB 3. Therefore, consistent with the accepted practice for transactions similar in nature to the Takeover Offer, we have accounted for the acquisition in the consolidated financial statements of the legal acquirer (OTE) as a continuation of the financial statements of the legal acquiree (iSignthis), together with a share based payment measured in accordance with AASB 2 *Share Based Payments* (AASB 2), which represents a deemed issue of shares by the legal acquiree (iSignthis), equivalent to current shareholders interest in OTE post the acquisition. The excess of the assessed value of the share based payment over the net assets of OTE has been expensed to the income statement as a listing fee.

OTE (legal parent, accounting acquiree) will issue 298,333,333 ordinary shares and 336,666,667 Performance Shares to iSignthis shareholders who, as a result, will own approximately 65.1%<sup>1</sup> of the combined entity at settlement of the Acquisition prior to the Capital Raising. The remaining 34.9% will be owned by the current shareholders of OTE.

As there is no current market for iSignthis shares, the fair value of 100% of OTE is assessed as \$4,791,194 based on 159,706,451 post-consolidation OTE shares on issue at 3 cents each immediately prior to the acquisition.

Consequently, a listing expense of \$3,073,905 has been expensed to the income statement which represents the excess of the deemed fair value of the share based payment less the pro forma net assets of OTE of \$1,717,289 as at 30 September 2014, immediately prior to settlement of the acquisition, as set out below.

|  | <b>Unaudited<br/>Pro-forma<br/>30-Sep-14<br/>\$</b> |
|--|---|
| Cash and cash equivalents  | 1,666,634   |
| Trade and other receivables  | 116,137   |
| Other assets   | 58,419  |
|  | <u>(123,901)</u>                                    |
| Net assets of OTE acquired on reverse acquisition                            | 1,717,289   |
| Assessed fair value of asset acquired:                                       |   |
| - Post-consolidation OTE shares on issue                                     | 159,706,451   |
| - Post-consolidation OTE value per share under the Prospectus                | <u>\$ 0.030</u>                                     |
| Deemed fair value of share-based payment, assessed in accordance with AASB 2 | 4,791,194   |
|  | <u>3,073,905</u>                                    |

As referred in Note 2 of this report, in the event of a Shortfall, the cash balance disclosed above would be reduced by \$100,000 resulting in a decrease in net assets of OTE acquired on reverse acquisition and an increase of \$100,000 in pro-forma listing expense recognised on reverse acquisition.

<sup>1</sup> Calculations do not reflect the impact of the 336,666,667 Performance Shares (Deferred Consideration)

**Appendix A – Historical and pro forma financial information**

**OTIS ENERGY LIMITED  
NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION  
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**8. Contributed equity**

| <b>(a) Issued and fully paid up capital</b>  | <b>Note</b> | <b>Number of<br/>shares</b> | <b>\$</b>         |
|--|-------------|-----------------------------|-------------------|
| iSignthis issued share capital as at 30 September 2014   |             | 1                           | 7,895,174         |
| <i>Subsequent events are summarised as follows:</i>  |             |                             |                   |
| <i>Adjustments arising in the preparation of the pro forma consolidated statement of financial position are summarised as follows:</i> |             |                             |                   |
| Elimination of the issued share capital of iSignthis on reverse acquisition  |             | (1)                         | -                 |
| Existing post-consolidation OTE shares at Acquisition  |             | 159,706,451                 | -                 |
| Shares issued to iSignthis shareholders on reverse acquisition   |             | 298,333,333                 | 4,791,194         |
| Fully paid ordinary shares issued at \$0.03 pursuant to this Prospectus  |             | 103,333,333                 | 3,100,000         |
| Cash costs associated with the share issue pursuant to this Prospectus   |             | -                           | (275,000)         |
|  |             | <u>561,373,116</u>          | <u>7,616,194</u>  |
| Pro-forma issued share capital   |             | <u>561,373,117</u>          | <u>15,511,368</u> |

This balance does not take into account the issue of Shares to the Vendor in the event of a Cash Shortfall as described in Note 2. In the event of a Cash Shortfall, the Company will issue shares to the Vendor of a value equal to the Cash Shortfall. This is estimated to be an approximate increase in contributed equity of \$100,000 and the issue of 3,333,333 shares which would result in the pro-forma issued capital increasing from 561,373,117 to 564,706,450.

**(b) Performance Shares**

In addition to the 298,333,333 ordinary shares issued to the shareholders of iSignthis at settlement of the Acquisition, the Company will also issue 336,666,667 Deferred Consideration by way of Performance Shares. The Performance Shares will convert to ordinary OTE shares upon the achievement of certain performance milestones as follows:

- iSignthis receives revenue over a 6 month reporting period equivalent, on an annualised basis, of at least \$5,000,000 (Milestone A), each Class A Performance Shares;
- iSignthis receives revenue over a 6 month reporting period equivalent, on an annualised basis, of at least \$7,500,000 (Milestone B), each Class B Performance Shares; and
- iSignthis receives revenue over a 6 month reporting period equivalent, on an annualised basis, of at least \$10,000,000 (Milestone C), each Class C Performance Shares.

**Appendix A – Historical and pro forma financial information**

**OTIS ENERGY LIMITED  
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**9. Reserves**

|  | <b>Reviewed<br/>30-Sep-14<br/>\$</b> | <b>Unaudited<br/>Pro-forma<br/>30-Sep-14<br/>\$</b> |
|--|--------------------------------------|---|
| Share based payment and foreign currency reserve   | -                                    | -   |
| OTE reserves as at 30 September 2014   |                                      | 967,636   |
| iSignthis reserves as at 30 September 2014   |                                      | -   |
| <i>Adjustments arising in the preparation of the pro forma consolidated statement of financial position are summarised as follows:</i> |                                      |   |
| Elimination of the reserve of OTE on reverse acquisition   |                                      | (967,636)   |
| Pro-forma share based payment and foreign currency reserve   |                                      | -   |

**10. Accumulated losses**

|   | <b>Reviewed<br/>30-Sep-14<br/>\$</b> | <b>Unaudited<br/>Pro-forma<br/>30-Sep-14<br/>\$</b> |
|---|--------------------------------------|---|
| Accumulated losses  | (58,639)                             | (3,387,544)   |
| iSignthis accumulated losses at 30 September 2014   |                                      | (58,639)  |
| <i>Subsequent events are summarised as follows:</i>   |                                      |   |
| <i>Adjustments arising in the preparation of the pro forma consolidated statement of financial position are summarised as follows</i> |                                      |   |
| Listing fee recognised on reverse acquisition   |                                      | (3,073,905)   |
| Cash costs associated with the Takeover Offer   |                                      | (255,000)   |
|   |                                      | <u>(3,328,905)</u>                                  |
| Pro-forma accumulated losses  |                                      | <u>(3,387,544)</u>                                  |

**11. Related party disclosure**

## Appendix A – Historical and pro forma financial information

### OTIS ENERGY LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 SEPTEMBER 2014

The Directors of OTE as at the date of this Report are Harry Hill, Barnaby Egerton-Warburton and Winton Willesee. Harry Hill and Winton Willesee are to resign on the completion of the Acquisition and Capital Raising. The proposed Directors are Nickolas John Karantzis, Scott William Minehane, Timothy Hart and Barnaby Egerton-Warburton. Directors' holdings of shares, directors' remuneration and other directors' interests are set out in Sections 8.3 and 8.4 of the Prospectus.

#### 12. Controlled entities

| Consolidated Entities       | Country of Incorporation | Pro-forma Interest held |
|-----------------------------|--------------------------|-------------------------|
| Otis Energy Limited         | Australia                | Parent                  |
| Otis Energy, Inc.           | USA                      | 100%                    |
| Sito Exploration LLC        | USA                      | 100%                    |
| Otis Energy I LLC           | USA                      | 100%                    |
| Otis Energy III LLC         | USA                      | 100%                    |
| Otis Energy (Yemen) Limited | British Virgin Islands   | 100%                    |
| iSignthis BV                | Netherlands              | 100%                    |
| ISX IP iSignthis Ltd        | British Virgin Islands   | 100%                    |

## Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - (a) basic deposit products;
  - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

### General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

1.1. Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

#### **Remuneration or other benefits received by our employees**

All our employees receive a salary.

#### **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

#### **Associations and relationships**

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

1.2. From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

#### **Complaints Resolution**

##### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

1.3. When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

##### *Referral to External Dispute Resolution Scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

1.4. Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: info@fos.org.au

#### **Contact Details**

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

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## 11. Patent Report

# FB RICE



16 December 2014

The Directors  
Otis Energy Limited  
50 Ord Street  
West Perth WA 6005

### **Intellectual Property Report** **Our Ref: 166689**

Dear Directors

#### **Executive Summary**

We provide below our report ("Report") detailing the current status of registered patents and pending patent applications related by priority claim to International patent application PCT/AU2011/000377 ("PCT application") recorded as being owned by iSignthis Ltd ("iSignthis") and being handled by FB Rice for inclusion in a prospectus to be lodged at the Australian Securities & Investments Commission by Otis Energy Limited, on or about 22 December 2014.

The PCT application describes an invention entitled "Methods and systems for verifying transactions". Patents to this invention are registered in Australia, Portugal and the United States of America. Further, pending patent rights to the invention exist in Australia, Brazil, Canada, Europe, Hong Kong, India, Malaysia, New Zealand, People's Republic of China, Republic of Korea, Singapore, South Africa, Sweden and the United States of America. These patents and patent applications are referred to collectively as "iSignthis Patent Rights".

iSignthis Patent Rights are currently recorded by the relevant patent offices as owned by iSignthis. Assignments have been prepared to assign the iSignthis Patent Rights to ISX IP Ltd and are currently being executed and filed with the relevant patent offices.

The Report is correct to the best of our knowledge as at the date of the Report, subject to the limits and qualifications set out further below.

#### **Background**

##### **FB Rice**

FB Rice is a firm of patent and trade mark attorneys specialising in the law and practices relating to intellectual property and, more particularly, patents, trademarks, industrial designs and plant breeders rights. All partners of FB Rice are Fellows of the Institute of Patent and Trade Mark Attorneys of Australia. In addition, all partners of FB Rice are registered New Zealand patent attorneys. The patent attorneys of FB Rice are specialists in the technology areas of electrical and

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mechanical engineering, electronics, chemistry, biotechnology, medical devices, computers, information technology and communication technology. Each of the professional staff members in the patent department of FB Rice hold tertiary qualifications in the technology area in which that person practises. Many professional staff members of FB Rice in the patent department also hold postgraduate qualifications.

## Patents

Patents are an important component of an intellectual property portfolio. To obtain protection in any jurisdiction, it is necessary to file an application for registration of the relevant right in that jurisdiction. Patents are a form of intellectual property that cover inventions and provide a monopoly in exchange for an inventor's full disclosure of his or her invention to the public. Patents are granted for inventions that are new or improved useful products or methods. A patent has a finite term, generally 20 years, and provides the owner with a period in which others may be excluded from commercially exploiting an invention that is covered by the claims of the granted patent. However, the granting of patent rights does not confer a right on the patentee to exploit an invention and this is subject to the existence of any intervening third party rights, such as an earlier patent in the same field which is in force.

## **The invention**

The invention at the centre of the iSignthis Patent Rights aims to improve existing methods of verifying authorisation of a transaction made using a financial instrument.

One example that well exemplifies the invention is as follows. The method starts with a customer seeking to enter a transaction with a merchant, such as purchasing a product online using a credit card. The merchant (or other authorised entity) divides the amount into two smaller amounts and causes the customer's credit card account to be debited by the two separate smaller amounts. The customer checks their credit card account, typically online, to learn the two smaller amounts and provides details of those smaller amounts to the merchant. This verifies to the merchant (or other authorised entity) that the customer did in fact make the transaction.

It is suggested that this method allows for verification of a specific transaction using a financial instrument in a manner that is convenient and simple.

## **iSignthis Patent Rights**

This invention was provisionally protected as a US provisional patent application US 61/320,597 filed with the US Patent and Trade Mark Office ("USPTO") on 2 April 2010, a US provisional patent application 61/349,741 filed with the USPTO on 28 May 2010 and an Australian innovation patent 2010100533 filed with IP Australia on 28 May 2010.

Following the usual course, these two US provisional patent applications and the Australian innovation patent were succeeded by the PCT application. This PCT application claimed priority from the two US provisional patent applications and the Australian innovation patent and was filed on 31 March 2011.

## **Original scope of protection sought**

The scope of protection that is sought is broader than the specific example described above.

The independent claims define the broadest scopes of protection that are sought. Independent claim 1 of the PCT application reads:

A computer-implemented method for verifying authorisation of a transaction, said method comprising the steps of:  
receiving a request to process an electronic transaction for a predetermined amount of money, said request comprising data identifying a particular financial instrument;  
dividing the predetermined amount into a plurality of charges;  
causing said financial instrument to be debited with each of said plurality of charges;  
receiving information relating to said plurality of charges from the originator of said request; and  
verifying said transaction only if said information is correct.

Independent claim 8 represents essentially the same scope as claim 1 when viewed as a computer system. Independent claim 15 represents essentially the same scope as claim 1 when viewed as a software product.

Claim 25 of the PCT application is similar to claim 1, but is directed to the method performed by a different entity, such as a verification agent. In particular, the information relating to the plurality of charges is simply provided to facilitate the debiting of the credit card. The verification agent need not be involved in the actual authorisation processes of the financial transaction. Claim 25 of the PCT application reads:

A computer-implemented method for verifying transactions, said method comprising the steps of:  
receiving a request to verify an electronic transaction for a predetermined amount of money;  
dividing said predetermined amount into a plurality of charges;  
providing said plurality of charges to facilitate debiting of said financial instrument with each of said plurality of charges;  
receiving information relating to said plurality of charges, said information originating from a user of said financial instrument after said plurality of charges has been debited to said financial instrument; and  
verifying said transaction only if said received information is correct.

Independent claim 33 represents essentially the same scope as claim 25 when viewed as a computer system. Independent claim 41 represents essentially the same scope as claim 25 when viewed as a software product.

#### **Narrower scopes of protection**

The dependent claims describe further features of the invention that can be used to narrow the scope of protection if required, such as to ensure validity of the patent right in light of pre-published related ideas. These further features include:

1. where the plurality of charges sum to the predetermined amount of money;
2. the information received includes the number of the plurality of charges and the amount of each of the plurality of charges; and
3. providing for currency exchange by converting each of the plurality of charges into a ratio and comparing calculated ratios to verify a transaction.

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Any changes to the scope of protection achieved or currently sought in the different jurisdictions is set out below.

## National phase applications

Following the usual course, the PCT application has now lapsed but the rights in some jurisdictions were preserved by entering national or regional phase. These national or regional phase applications that have not lapsed are set out in Table 1 below.

National or regional phase applications progress under the jurisprudence and legislation of each country or region. In most jurisdictions, such as Australia, Europe, the United States of America and Japan, examination by the relevant patent office comprises an examination of the art to which the invention pertains as it existed at the priority date of the application. This examination establishes what is referred to as the "state of the art". The patent application is measured against the state of the art and an assessment is made regarding whether the invention described in the application is novel, inventive and useful. The time required to complete the process of examination differs from jurisdiction-to-jurisdiction and the scope of protection may differ depending upon the law of each jurisdiction. In general, it will take several years from the date of application until a patent is actually granted.

With respect to regional applications, like the European application, this involves filing a single application designating any of the countries that are signatories to the Convention covering that region. The single application is subjected to examination, and assuming that the application is allowed, it will proceed to a grant phase. The applicant can then elect to have patents validated in all or some of the originally designated countries, and the individual patents then function as though they were patents granted under standard national procedures.

Table 1 Live iSignthis Patent Rights

| Official Number | Country                    | Case Status | Transfer Status                       |
|-----------------|----------------------------|-------------|---------------------------------------|
| 2010100533      | Australia                  | Certified   | Lodged and pending                    |
| 2011235612      | Australia                  | Registered  | Lodged and pending                    |
| 2012261779      | Australia                  | Pending     | Lodged and pending                    |
| 112012024646-1  | Brazil                     | Pending     | In preparation                        |
| 2791752         | Canada                     | Pending     | Sent to foreign associate for lodging |
| 11761840.5      | Europe                     | Pending     | Sent to foreign associate for lodging |
| 13109165.5      | Hong Kong                  | Pending     | Sent to foreign associate for lodging |
| 2363/KOLNP/2012 | India                      | Pending     | In preparation                        |
| PI2012004099    | Malaysia                   | Pending     | Sent to foreign associate for lodging |
| 601718          | New Zealand                | Pending     | In preparation                        |
| 201180014816.4  | People's Republic of China | Pending     | Sent to foreign associate for lodging |
| 10-2012-7027228 | Republic of Korea          | Pending     | In preparation                        |
| 2011120098      | Portugal                   | Registered  | Sent to foreign associate for lodging |

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|             |              |            |                                       |
|-------------|--------------|------------|---------------------------------------|
| 201206344-2 | Singapore    | Pending    | Sent to foreign associate for lodging |
| 2012/06455  | South Africa | Accepted   | In preparation                        |
| 2014/00709  | South Africa | Pending    | In preparation                        |
| 1251231-5   | Sweden       | Pending    | Sent to foreign associate for lodging |
| 8620810     | US           | Registered | Sent to foreign associate for lodging |
| 14/535105   | US           | Pending    | Sent to foreign associate for lodging |

In relation to each patent and patent application we note below the substantial amendments in patent scope and relevant dates.

### Australia

This invention is protected in Australia by certified innovation patent 2010100533. The scope of monopoly in this Australian innovation patent is substantially the same as claim 25 of the PCT application and also includes the transactions being "individual" and that the "sum of plurality of charges is equal to the predetermined amount of money". The next renewal fee is due on 28 May 2015. Provided all renewal fees are paid in a timely fashion, this Australian innovation patent will expire no later than 28 May 2018.

This invention is also protected in Australia by standard patent 2011235612. The scope of monopoly in this Australian patent is the same as the PCT application. The first renewal fee is due on 31 March 2015. Provided all renewal fees are paid in a timely fashion, this Australian patent will expire no later than 31 March 2031.

Further, this invention is protected in Australia by pending patent application 2012261779. The scope of monopoly pending in this Australian patent application is the same as the PCT application, but will need to be amended in order to achieve acceptance in the future. The first renewal fee is due on 31 March 2015. Provided this Australian patent application passes examination and all renewal fees are paid in a timely fashion, the resulting Australian patent will expire no later than 31 March 2031.

### Brazil

This invention is protected in Brazil by pending patent application 112012024646-1. The scope of monopoly pending in this Brazilian patent application is substantially the same as the PCT application with the independent claims amended to specify that that the invention relates to "single" electronic transactions. We await receipt of a first examination report. The next renewal fee is due on 31 March 2015. Provided this Brazilian patent application passes examination and all renewal fees are paid in a timely fashion, the resulting Brazilian patent will expire on 31 March 2031.

### Canada

This invention is protected in Canada by pending patent application 2791752. The scope of monopoly pending in this Canadian patent application is substantially the same as the PCT application. We await receipt of a first examination report. The next renewal fee is due on 31 March 2015. Provided this Canadian patent application passes examination and all renewal fees are paid in a timely fashion, the resulting Canadian patent will expire on 31 March 2031.

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## Europe

This invention is protected in Europe by pending patent application 11761840.5. The scope of monopoly currently pending in this European patent application is similar to claim 25 of the PCT application. We await receipt of a first examination report. The next renewal fee is due on 31 March 2015. Provided this European patent application passes examination and all renewal fees are paid in a timely fashion, the resulting European patent is then required to be validated in individual European countries to maintain the protection that such a European patent will provide.

## Hong Kong

This invention is protected in Hong Kong by pending patent application 13109165.5. The scope of monopoly pending in this Hong Kong patent application is the same as the European patent application (see above). In order to complete the registration of this Hong Kong patent application, we are required to file a request for grant within six months of the grant of the European patent application. The next renewal fee is due on 31 March 2019. Provided this Hong Kong patent application is registered and all renewal fees are paid in a timely fashion, the resulting Hong Kong patent will expire on 31 March 2031.

## India

This invention is protected in India by pending patent application 2363/KOLNP/2012. The scope of monopoly pending in this Indian patent application is substantially the same as the PCT application but with claims directed to the invention when viewed as software removed. We await receipt of a first examination report. Renewal fees are not due until after grant. Provided this Indian patent application passes examination and all renewal fees are paid in a timely fashion, the resulting Indian patent will expire on 31 March 2031.

## Malaysia

This invention is protected in Malaysia by pending patent application PI2012004099. The scope of monopoly pending in this Malaysian patent application is substantially the same as the PCT application. We are required to file a request for examination by 31 March 2015. Renewal fees are not due until after grant. Provided this Malaysian patent application passes examination and all renewal fees are paid in a timely fashion, the resulting Malaysian patent will expire on 31 March 2031.

## New Zealand

This invention is protected in New Zealand by pending patent application 601718. The scope of monopoly pending in this New Zealand patent application is substantially the same as the PCT application. We are currently responding to an examination report, the final deadline for filing a response is 2 February 2015. Renewal fees are not due until after grant. Provided this New Zealand patent application passes examination and all renewal fees are paid in a timely fashion, the resulting New Zealand patent will expire on 31 March 2031.

## People's Republic of China

This invention is protected in the People's Republic of China by pending patent application 201180014816.4. The scope of monopoly pending in this Chinese patent application is substantially the same as the PCT application. We await receipt of a first examination report. Renewal fees are not due until after grant. Provided this Chinese patent application passes examination and all renewal fees are paid in a timely fashion, the resulting Chinese patent will expire on 31 March 2031.

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## Republic of Korea

This invention is protected in South Korea by pending patent application 10-2012-7027228. The scope of monopoly pending in this South Korean patent application is substantially the same as the PCT application. We are required to file a request for examination by 31 March 2016. Renewal fees are not due until after grant. Provided this South Korean patent application passes examination and all renewal fees are paid in a timely fashion, the resulting South Korean patent will expire on 31 March 2031.

## Portugal

This invention is protected in Portugal by granted patent 2011120098. The scope of monopoly in this Portuguese patent is the same as the PCT application. The next renewal fee is due on 31 March 2015. Provided all renewal fees are paid in a timely fashion, the Portuguese patent will expire on 31 March 2031.

## Singapore

This invention is protected in Singapore by pending patent application 201206344-2. The scope of monopoly pending in this Singaporean patent application is substantially the same as the PCT application. We are required to file a request for examination relying on another corresponding granted patent by 2 April 2015. Renewal fees are not due until after grant. Provided this Singaporean patent application passes examination and all renewal fees are paid in a timely fashion, the resulting Singaporean patent will expire on 31 March 2031.

## South Africa

This invention is protected in South Africa by an accepted patent application 2012/06455. The scope of monopoly in this accepted South African patent application is essentially the same as that achieved on the granted US patent 8620810 (see below). We await the issue of a Certificate of Grant. The next renewal fee is due on 31 March 2015. Provided all renewal fees are paid in a timely fashion, the resulting South African patent will expire on 31 March 2031.

The invention is also protected in South Africa by pending South African patent application 2014/00709. Acceptance of this South African patent application has been postponed until 29 January 2015. This date can be extended and in that time the claims must be amended to achieve grant. Renewal fees are not due until after grant. Provided this South African patent application becomes accepted and all renewal fees are paid in a timely fashion, the resulting South African patent will expire on 31 March 2031.

## United States of America

This invention is protected in the United States of America (US) by a granted patent 8620810. The scope of monopoly achieved in this US patent is similar to the claims of the PCT application and also include in the independent claims that the invention relates to "single" electronic transactions and the information relating to the plurality of charges is one or more of "the amount of each of said plurality of charges; and number of said plurality of charges". The next renewal fee is due on 30 June 2017. Provided all renewal fees are paid in a timely fashion, this US patent will expire on 31 March 2031.

Further, this invention is protected in the US by pending patent application 14/535105. The scope of monopoly pending in this US patent application is the same as the PCT application but will need to be amended before grant can be achieved. Renewal fees are not due until after grant. We await receipt of a first examination report. Provided this US patent application passes examination and all

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renewal fees are paid in a timely fashion, the resulting US patent will expire typically around 31 March 2031.

## Sweden

This invention is protected in Sweden by pending patent application 1251231-5. The scope of monopoly pending in this Swedish patent application is the same as the PCT application. We recently responded to an examination report. We await either allowance or a further examination report. The next renewal fee is due on 31 March 2015. Provided this Swedish patent application passes examination and all renewal fees are paid in a timely fashion, the resulting Swedish patent will expire on 31 March 2031.

## **Ownership**

Typically, a patent for an invention may only be granted to the inventor(s), or to a person who has entitlement to the invention by way of assignment or other means. The PCT application named Nickolas John Karantzis as the inventor.

## **Assignment**

The PCT application was filed in the name of Indian Pacific Media Ltd by Spruson & Ferguson Patent Attorneys of Sydney. Indian Pacific Media Ltd recorded a change of name to iSignthis with the Territory of the British Virgin Islands (BVI) under the BVI Business Companies Act 2004 on 9 July 2012.

Assignments have been prepared to assign the iSignthis Patent Rights to ISX IP Ltd and are currently being executed and filed with the relevant patent offices. The assignment transfer status is as noted above in Table 1.

## **General statements about the status of patents and patent applications**

We believe the information provided here to be accurate but caution that the accuracy of such information is, of necessity, subject to the accuracy of the databases accessed.

## **Patent validity and infringement of third party rights**

Enforcement of patent rights varies from country-to-country. The remedies for unauthorised use (patent infringement) available to the patent owner often include an injunction, which effectively stops further infringement of the patent, damages or account of profits, and costs. In some countries the patent owner can also file criminal complaints against the infringer.

This Report is not a 'Freedom to Operate' opinion and FB Rice makes no assertion that the patents and patent applications are valid or enforceable or that iSignthis has the freedom in any country to exploit the technology referred to in the relevant patent specifications without infringing intellectual property rights of third parties.

Further, it is important to note that there are legal mechanisms by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent obtained for that invention.

FB Rice cannot guarantee that the patents, even if valid, will adequately cover any commercial products commercialised by iSignthis, its licensees or sub-licensees, or that the inventions achieve the stated results or advantages.

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### Independence

This is an independent report. When considering this Report, it should be noted that:

- a) FB Rice has represented iSignthis as patent attorneys and managed iSignthis' patent portfolio. These services were charged on FB Rice's standard terms and conditions of engagement, being hourly rates for time spent on the various matters. FB Rice have received AUD\$141,159.90 (AUD\$57,189.63 being FB Rice professional service fees) for the services relating to the iSignthis Patent Rights.
- b) Neither FB Rice, nor any of its principals or employees that were involved in the preparation and management of iSignthis' patent portfolio, have any entitlement to any shares in Otis Energy Limited or iSignthis, or has any interest in the promotion of Otis Energy Limited or iSignthis, and has no financial interest in the outcome of the Acquisition.
- c) FB Rice have prepared this Report. FB Rice will be paid a fee of AUD\$6,600 by Otis Energy Limited for the preparation of this Report and payment is not contingent on the outcome of the prospectus. FB Rice confirms that the Report has been prepared by Connie Merlino, Partner, who is not associated with iSignthis or Otis Energy Limited and has no financial interest in the outcome of the proposed Acquisition.

Yours sincerely  
FB Rice



Connie Merlino  
Partner  
cmerlino@fbrice.com.au



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## 12. Risk Factors

The Shares offered under this Prospectus should be considered speculative because of the nature of the Company's business. There are numerous risk factors involved with the Company's business. This Section identifies the major areas of risk associated with an investment in the Company, but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed.

Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade. Potential investors should read the entire Prospectus and consult their professional advisers before deciding whether to apply for Shares.

### Risks specific to the iSignthis Acquisition

#### (a) Conditional Acquisition

As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements. The Company's Shares were suspended from the time of the December General Meeting. It is anticipated that the Company's Shares will remain suspended until completion of the Acquisition, Offer and Consolidation, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its Shares will consequently remain suspended from quotation.

In the event that the Conditions of the Offer set out in Section 6.2 are not satisfied or the Company does not receive conditional approval for re-quotation on ASX, the Company will not proceed with the Offer and will repay all Application Monies received.

#### (b) Significant Shareholder

Following completion of the Acquisition, iSignthis Ltd will hold approximately 53% of the Shares of the Company, and be the Company's largest shareholder. Mr. Nickolas John Karantzis, a Director, who holds an interest in over 20% in the issued capital of the Vendor, will also be deemed to have the voting power of the Vendor. This percentage may be increased if any of the Milestones are met prior to the expiry date of the Performance Shares or if any Shares are issued in relation to the Cash Shortfall Amount or the Warranty Claim Amount. Consequently, the Vendor may have the ability to influence the election of Directors, the appointment of new management and the potential outcome of all matters submitted to a vote of Shareholders. The interests of iSignthis Ltd may differ from the Company's interests and the interests of other Shareholders.

Upon reinstatement of the Company's Shares to quotation on the ASX, a significant portion of the Shares on issue will be subject to escrow restrictions imposed by the Listing Rules. Investors may consider that there is an increased liquidity risk as a large portion of the issued capital may not be able to be traded freely for a period of up to 24 months. Please see Section 6.14 for further information on escrow arrangements.

(c) **Limited trading history**

iSignthis is essentially a start-up company with limited trading history. iSignthis has focused initial efforts on the research and development of its software applications and securing its intellectual property. iSignthis has been successful in obtaining Patents in a number of jurisdictions and with that protection in place iSignthis is now in the commercialisation phase of the business cycle. This phase carries the normal risks of a start up business. Given the limited trading history of iSignthis, no assurance can be given that iSignthis will achieve commercial viability through the implementation of its business plan.

The information surrounding the business model of iSignthis as set out in Section 7.4 represents iSignthis' current plans and strategies for commercialisation of the iSignthis product given its limited history to date. iSignthis' ability to achieve its objectives depends on the ability of the Directors and management to implement the proposed business plan and to respond in a timely and appropriate manner to any unforeseen circumstances.

(d) **Concentration of Contracts**

Currently iSignthis' only supply agreements are the Adelante Service Agreement and the EMP Service Agreements. Given the limited number of these contracts iSignthis is highly reliant on their continued operation. A loss or material breach of these contracts may significantly impact the operations or financial performance of the Company.

(e) **Market adoption and sales and marketing**

Use of proceeds post completion will focus efforts on sales, marketing and trade exhibitions. Business operations of iSignthis are currently integrating existing contracts to become revenue generating. Although iSignthis has been relatively successful to date in securing new business and to an extent have confirmed the commerciality of the services developed, there are no guarantees of further success in obtaining new business. The success of the commercialisation of iSignthis will be in its target market accepting its products for routine use. Take up of the products will involve education of market participants and marketing to raise the profile of iSignthis and its products.

(f) **Competition and new technologies**

iSignthis is confident that its product provides a unique market proposition in providing real time authentication services which is a significant differentiator to historical database checks. The iSignthis product is also able to extend its market by offering a cross border service. Notwithstanding this, the industry in which iSignthis operates is competitive and includes companies with significantly greater financial, technical, human, research and development, and marketing resources than iSignthis. Numerous entities around the world may compete with iSignthis' efforts to commercialise products that may compete with iSignthis' products. iSignthis' competitors may develop products in advance of iSignthis; that are more effective than those developed by iSignthis, or have greater market acceptance. As a consequence, iSignthis' current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.

(g) **Reliance on key personnel**

iSignthis currently employs or engages as consultants a number of key management and personnel, and iSignthis' future depends on retaining and attracting suitable qualified personnel. In particular Mr. Nickolas John Karantzis is the inventor and main founder of the business. His background in IP law, security and software development are a significant advantage and the reason for the successful granting of patents and move to commercialisation of the iSignthis service. In the short term he will be responsible for business development initiatives and will also be the main driver of new products and development. There is no guarantee that iSignthis will be able to attract and retain suitably qualified personnel, and a failure to do so could materially adversely affect the business, operating results and financial prospects of the Company.

While it is proposed that the Company will enter into executive services agreements with Mr Nickolas John Karantzis and Mr Todd Richards on the terms and conditions set out in Section 8.6(a), the full terms and conditions of these agreements are in the process of being negotiated and formal agreements have not yet been signed by the parties. There is a risk that the terms and conditions acceptable to each party may vary, or that an agreement is not reached.

(h) **Regulatory and legislative change**

The iSignthis business assists its customers with complying with their Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) obligations in relation to their customers. Future legislative changes concerning Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) legislation, including the European Central Bank's (ECB) requirements for payment transactions to be subject to Strong Customer Authentication (SCA), may result in the product offering of iSignthis not being as effective in assisting its customers with their Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) obligations which may have a significant effect on the business operations of iSignthis.

(i) **Faults with products/services**

The product of iSignthis may have errors or defects that are identified after customers start using it which could harm reputation and business. Internet-based services frequently contain undetected errors when first introduced or when new versions or enhancements are released. Such an occurrence could result in loss of revenue or customers.

(j) **Technology Risk**

iSignthis has developed its own software in house in relation to its products. Such software may be subject to external factors, such as deprecation of operating systems, libraries, components, third party interfaces, drivers, patches, or other related issues. Further the software will require updating and maintenance, these external factors may also effect the ability of iSignthis to effectively upgrade and maintain its software. Should iSignthis have such issues it may effect the ability of iSignthis to successfully provide its product.

(k) **Dependency on service providers**

iSignthis currently proposes to operate a significant amount of its operations through a series of contractual relationships with third party service providers and intends to

continue to operate in this manner. All of such arrangements carry a risk that the third parties do not adequately or fully comply with their respective contractual rights and obligations. Such failure can lead to termination and/or significant damage to iSignthis' product. In particular iSignthis currently stores customers' information within third-party datacenter hosting facilities located in the cloud. As part of iSignthis' current disaster recovery arrangements, the production environment and all customers' data is currently replicated in near real time in a facility to be co-located with Amazon Web Services and/or IBM Softlayer Cloud and/or Microsoft Azure. These facilities may be vulnerable to damage or interruption from floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Such disruption, particularly prolonged ones, in these services may have a material adverse impact on the reputation of iSignthis and its business operations.

**(l) Dependency on the internet and/or Cloud based services**

Expanding sale of the iSignthis products and other future developed products depends on the continued acceptance of the internet and/or cloud as a communications and commerce platform for individuals and enterprises. The internet and/or cloud could become less viable as a business tool due to delays in development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of service. If for any reason the internet and/or cloud does not remain a widespread communications medium and commercial platform, the demand for the product of iSignthis would be significantly reduced, which would harm the business.

**(m) Customer Service and reputational risk**

The reputation of iSignthis and its products is important in attracting and retaining existing business and obtaining new business and key employees. Reputational damage could arise due to a number of circumstances, including errors or defects, inadequate services or unsatisfactory client outcomes. Negative publicity could adversely impact the reputation of iSignthis which may potentially result in a fall in the number of customers seeking the products and services of iSignthis.

**(n) Hackers**

iSignthis relies on the availability of its website to provide services to customers. Hackers could render the website unavailable. Whilst iSignthis takes reasonable precautions, such as ensuring that services will be audited to and comply with the Payment Card Industry Data Security Standards (PCI DSS), iSignthis may be a target for hackers. Actual or perceived security vulnerabilities in iSignthis' services or any breaches of its security controls and unauthorized access to a customer's data could harm the business and operating results.

**(o) Government metadata tracking**

Government agencies may seek to access sensitive information that is generated by the iSignthis systems. Laws and regulations relating to government access and restrictions are evolving, and compliance with such laws and regulations could limit adoption of services by users and create burdens on the business. Moreover, regulatory investigations into iSignthis' compliance with privacy-related laws and regulations could increase our costs and divert management attention.

(p) **Patent rights**

iSignthis relies heavily for its success on its ability to obtain and maintain patent protection for its technology. iSignthis has the right to be transferred granted and pending patent applications (**Intellectual Property Rights**) covering major markets which present commercialisation opportunities. The prospect of attaining patent protection for products and the technology such as those proposed is highly uncertain and involves complex and continually evolving factual and legal questions. These include:

- (i) legislative and judicial changes, or changes in the examination guidelines of governmental patent offices, which may negatively affect iSignthis' ability to obtain patents for its products and technologies. In addition, the scope of patent applications can be significantly reduced during prosecution of the patent applications, with the result that the scope of protection in the issued patent being significantly less than the scope of protection sought by iSignthis. As a result, iSignthis' patent application may not proceed to issued patents and, if issued, may not be of commercial benefit to iSignthis, or may not afford iSignthis adequate protection from competing products; and
- (ii) since most patent applications remain secret for eighteen months from the time of filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, iSignthis cannot be certain that it is the first to make the inventions covered by the pending patent applications or that its patent applications for such inventions was the first to be filed.

Even if iSignthis succeeds in obtaining patent protection for its products, its patents could be partially or wholly invalidated following challenges by third parties.

The Intellectual Property Rights are currently held in the name of the Vendor, or parties associated with the Vendor, and are in the process of being transferred to ISX IP Ltd (one of the companies that comprise iSignthis). There may be delays or issues with completing the transfer of the Intellectual Property Rights to ISX IP Ltd. Under the terms of the Acquisition Agreement, to the extent that ISX IP Ltd is not the registered holder of the Intellectual Property Rights at completion of the Acquisition, then such Intellectual Property Rights will be exercised by the Vendor at the direction of, and in the name of, ISX IP Ltd and will be held on trust by the Vendor for ISX IP Ltd.

(q) **Infringement of third party intellectual property rights**

If a third party accuses iSignthis of infringing its intellectual property rights or if a third party commences litigation against iSignthis for the infringement of patent or other intellectual property rights, iSignthis may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation is expensive. Costs that iSignthis incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In addition, parties making claims against iSignthis may be able to obtain injunctive or other equitable relief that could prevent iSignthis from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against iSignthis, it may be required to pay damages and obtain one or more licenses from the

prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent iSignthis from commercialising available products and could cause it to incur substantial expenditure.

(r) **Sufficiency of funding**

iSignthis' growth through product development and commercialisation activities will require substantial expenditure and may not result in profitability being achieved. There can be no guarantees that iSignthis' cash reserves together with the funds raised by the Offer will be sufficient to successfully achieve all the objectives of iSignthis' overall business strategy.

If iSignthis is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer and existing working capital, there can be no assurance that iSignthis will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to iSignthis or at all.

Any additional equity financing may be dilutive to iSignthis' existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit iSignthis' operations and business strategy. iSignthis' failure to raise capital if and when needed could delay or suspend iSignthis' business strategy and could have a material adverse effect on iSignthis' activities.

(s) **Foreign exchange risks**

iSignthis is a global business and has significantly greater opportunity to generate revenue in Europe and outside of Australia in general. This point is confirmed by existing contracts in place originating in Europe. The Australian ecommerce market is small when compared with Europe and the United States. This coupled with compliance and legislation factors in Europe will mean that the majority of iSignthis' revenue will be billed in Euros and other currencies. Contracts currently in place will be billed in Euros and GBP and conversion to AUD for reporting purposes will be affected by currency fluctuations which may adversely impact on financial performance and position.

(t) **Litigation**

iSignthis is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow and share price of iSignthis.

At the date of this Prospectus, the Company has received notice from a group of previous Option holders relating to a proposed priority offer of options that was announced by the Company on 29 May 2013 (**Proposed Option Placement**). As subsequently announced on 16 April 2014, due to regulatory reasons and market conditions at the time the Company decided not to proceed with the Proposed Option Placement. The notice alleges that the previous Option holders relied on representations relating to the Proposed Option

Placement, and have suffered loss as a result of the Proposed Option Placement not proceeding. The Company will continue to monitor this situation.

## **General Risks**

### **(u) Economic Risk**

Changes in the general economic climate in which the Company will operate following completion of the Acquisition may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption and the rate of growth of gross domestic product in Australia and other jurisdictions in which the Company may have operations.

### **(v) Investment Risk**

The Shares to be issued pursuant to this Prospectus should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or the market value of the Shares. The prices at which an investor may be able to trade the Shares may be above or below the price paid for the Shares. While the Directors commend the Offer, prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

### **(w) Share market**

Share market conditions may affect the value of the Company's securities regardless of the Company's operating performance. Share market conditions are affected by many factors including, but not limited to, the following:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital;
- (vi) terrorism or other hostilities; and
- (vii) other factors beyond the control of the Company.

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## 13. Material Contracts

### 13.1 Acquisition Agreement

The Company has entered into the Acquisition Agreement with the Vendor to acquire the Intellectual Property Rights by the acquisition of iSignthis on the following terms:

- (a) The consideration is:
- (i) 298,333,333 Shares (on a post consolidation basis);
  - (ii) 112,222,222 Class A Performance Shares (on a post consolidation basis);
  - (iii) 112,222,222 Class B Performance Shares (on a post consolidation basis); and
  - (iv) 112,222,223 Class C Performance Shares (on a post consolidation basis),
- (together the Consideration Shares).

The terms and conditions of the Class A Performance Shares, Class B Performance Shares and Class C Performance Shares are set out in Section 14.2

- (b) Under the Acquisition Agreement the parties have agreed to target \$1,700,000 as the Company's cash at Completion (excluding the proceeds from the Offer and adding back costs agreed with the Vendor that relate to the Offer, reasonable costs related to the Acquisition and any loan amounts provided to iSignthis prior to Completion).

If the Company's cash at bank at Completion, after the applicable exclusions and add backs, is below \$1,700,000 (the amount of the shortfall being the Cash Shortfall Amount), the Company and the Vendor shall negotiate in good faith to resolve the cash shortfall. If the Company and the Vendor fail to agree a resolution with respect to such cash shortfall, the Company shall issue additional Shares to the Vendor of a value equal to the Cash Shortfall Amount (using a deemed issue price of \$0.03 per Share).

- (c) The Acquisition Agreement includes standard commercial warranties that are usual for a transaction of this type including warranties from the Vendor in respect of the business operations, the Intellectual Property Rights and the financial position of iSignthis and warranties from the Company in respect of its business operations.

The indemnity and warranty provisions pursuant to the Acquisition Agreement provide that, in the event the Vendor makes a claim against the Company for breach of the warranties made pursuant to the Acquisition Agreement, the Company may pay the liability amount in cash or issue additional Shares to the Vendor for a value equal to the liability amount (**Warranty Claim Amount**).

Subject to Shareholder approval, up to 159,666,667 additional Shares may be issued to the Vendor for a Warranty Claim Amount (this assumes the maximum aggregate amount that the Vendor can recover from the Company pursuant to the terms of the Acquisition Agreement).



Issue of Shares to the Vendor under the Warranty Claim Amount will be subject to Shareholder approval, which the Company will seek from Shareholders as soon as reasonably practical following the request of the Vendor that such approval be obtained.

- (d) The Acquisition is conditional upon, and subject to, a number of conditions. These conditions have either been satisfied or substantially satisfied, with the exception of the following conditions which remain outstanding at the date of this Prospectus:
  - (i) completion of the Offer; and
  - (ii) the Company obtaining all necessary regulatory approvals required in relation to the Acquisition including receiving confirmation from ASX that the Company will be re-admitted to trading on terms reasonably acceptable to the Company and the Vendor.
- (e) The Parties have agreed that until such time as the Intellectual Property Rights are registered in the name of ISX IP Ltd (one of the companies comprising iSignthis), the Intellectual Property Rights will be held on trust by the Vendor for the benefit of ISX IP Ltd in accordance with the Share Sale Agreement.
- (f) The Vendor has acknowledged that some or all of the Consideration Shares to be issued to the Vendor may be escrowed in accordance with the requirements of ASX.

### 13.2 Cygnet Mandate

The Company has entered into an agreement with Cygnet Capital Pty Ltd (**Cygnet**) by which Cygnet have been appointed as Lead Manager to the Offer under this Prospectus.

Cygnet in its role as Lead Manager will manage the capital raising by the Offer on a best endeavours basis.

The fees payable to Cygnet upon successful completion of the Offer is a 1% management fee and a 5% capital raising fee (including GST) of all funds raised under the Offer. Cygnet may pass on any part of the fees to Australian financial services licensees or authorised representatives. Additionally, Cygnet will receive a success fee of \$75,000 (including GST) and an introduction fee of \$75,000 (including GST) upon successful completion of the Acquisition and the Company being re-admitted on to the ASX.

Cygnet is further mandated to provide ongoing corporate advisory services for 12 months after the ASX listing for the sum of \$7,500 per month plus GST.

### 13.3 Adelante Agreement

iSignthis BV has entered into the 'Agreement for Provision of Strong Customer Authentication (SCA) Services', dated 29 November 2014, with Adelante Software Ltd (**Adelante**) (**Adelante**) (**Adelante Service Agreement**). The material terms and conditions of the Adelante Service Agreement are set out below.

(a) **Services**

IST will provide Adelante Strong Customer Authentication (**SCA**) services to enable Adelante to authenticate that the originator of a transaction on a payment instrument has access to the statement of account underlying the payment instrument, and to confirm ownership of such account. SCA is a procedure to verify the validity of a payment instrument based on verifying two or more elements that are independent, in that breach of one element does not comprise the reliability of the others and is designed in such a way as to protect the confidentiality of the payment data.

IST may appoint third party service providers to provide any part of the SCA services during the term.

Adelante shall pay IST for the SCA services on agreed rates including an initial set up and integration fee, and ongoing charges for each authentication request.

(b) **Term**

The Adelante Service Agreement has an initial 3 year term, which is proposed to commence in February 2015. The term shall automatically renew for further three year terms until terminated in accordance with the termination provisions of the agreement.

(c) **Indemnity**

IST indemnifies Adelante against all claims and liabilities arising as a result of the performance of the SCA and EOI services infringing intellectual property rights of third parties, or any loss suffered by Adelante as a result of any fraudulent, wilful, unlawful or negligent act or omission by IST, its clients or representatives.

Adelante indemnifies IST against all claims and liabilities arising as a result of a claim that the use by IST of Adelante's intellectual property rights infringes the intellectual property rights of third parties, or any loss suffered by IST as a result of any fraudulent, wilful, unlawful or negligent act or omission by Adelante or its representatives.

(d) **Assignment**

With the exception of an assignment to a related body corporate, no rights or obligations under the Adelante Service Agreement can be assigned without the prior written consent of the other parties to the agreement.

(e) **Termination**

The Adelante Service Agreement may be terminated immediately, by either party:

- (i) where a breach of any of the terms relating to confidentiality, privacy or intellectual property rights in the agreement as occurred by the other party;
- (ii) if the other party has committed a breach of the agreement and has failed to remedy such breach within 30 days after receipt of notice from the non-breaching party;

- (iii) if the other party undergoes a change in control, except where change in control is as a result of a public offering or listing on a stock exchange; or
- (iv) in the case of an insolvency event.

The Adelante Service Agreement may also be terminated without cause by either party giving 12 months' notice in writing to the other party.

- (f) The Adelante Service Agreement includes terms and conditions related to provision of the services under the agreement, and confidentiality and warranty provisions, that are usual for an agreement of its nature.

#### **13.4 eMerchantpay Licence Agreements**

iSignthis BV has entered into the 'Agreement for Provision of Strong Customer Authentication (SCA) Services' and the 'Agreement for Provision of Evidence of Identity (EOI) Services', both dated 29 May 2014, with eMerchantPay Limited and its subsidiary company, INSonline Limited (together, **EMP**) (**EMP Service Agreements**).

The material terms and conditions of the EMP Service Agreements are set out below.

##### **(a) Services**

IST will provide EMP Strong Customer Authentication (**SCA**) services to enable EMP to authenticate that the originator of a transaction on a payment instrument has access to the statement of account underlying the payment instrument, and to confirm ownership of such account. SCA is a procedure to verify the validity of a payment instrument based on verifying two or more elements that are independent, in that breach of one element does not compromise the reliability of the others and is designed in such a way as to protect the confidentiality of the payment data.

IST will provide EMP Evidence of Identity (**EOI**) services to enable the provision of identity by way of electronic confirmation that includes a means of authenticating the end user's ownership of a payment instrument.

IST may appoint third party service providers to provide any part of the SCA and EOI services during the term.

EMP shall pay IST for the SCA and EOI services on agreed rates including an initial set up and integration fee, and ongoing charges for each authentication request.

##### **(b) Term**

The EMP Service Agreements have an initial 3 year term, which is proposed to commence in February 2015 once the iSignthis services go live. The term shall automatically renew for further three year terms until terminated in accordance with the termination provisions of the agreement.

### **13.5 Indemnity**

IST indemnifies EMP against all claims and liabilities arising as a result of the performance of the SCA and EOI services infringing intellectual property rights of third parties, or any loss suffered by EMP as a result of any fraudulent, wilful, unlawful or negligent act or omission by IST, its clients or representatives.

EMP indemnifies IST against all claims and liabilities arising as a result of a claim that the use by IST of EMP's intellectual property rights infringes the intellectual property rights of third parties, or any loss suffered by IST as a result of any fraudulent, wilful, unlawful or negligent act or omission by EMP or its representatives.

**(a) Assignment**

With the exception of an assignment to a related body corporate, no rights or obligations under the EMP Service Agreements can be assigned without the prior written consent of the other parties to the agreement.

**(b) Termination**

The EMP Service Agreements may be terminated immediately, by either party:

- (i) where a breach of any of the terms relating to confidentiality, privacy or intellectual property rights in the agreement as occurred by the other party;
- (ii) if the other party has committed a breach of the agreement and has failed to remedy such breach within 30 days after receipt of notice from the non-breaching party;
- (iii) if the other party undergoes a change in control, except where change in control is as a result of a public offering or listing on a stock exchange; or
- (iv) in the case of an insolvency event.

The EMP Service Agreements may also be terminated without cause by either party giving 12 months' notice in writing to the other party.

- (c)** The EMP Service Agreements includes terms and conditions related to provision of the services under the agreement, and confidentiality and warranty provisions, that are usual for an agreement of its nature.

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## **14. Additional Information**

### **14.1 Rights Attaching to Shares**

The following is a broad summary of the more significant rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. Full details of the rights attaching to Shares are set out in the Company's Constitution a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

#### **(a) General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

#### **(b) Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### **(c) Dividend rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividends, the Directors may declare a dividend in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may from time to time pay to shareholders any interim dividend that they may determine. Subject to the rights of any preference shareholders and to the rights of the holders of any shares credited or raised under any special arrangement as to the dividend, the dividend as declared shall be payable on all shares according to the amount paid up, or credited as paid up, on the shares, and otherwise in accordance with Part 2H.5 of the Corporations Act. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

## 14.2 Rights Attaching to Performance Shares

### Class A Performance Shares

#### 1. Conversion of Class A Performance Shares

- (a) **(Conversion on achievement of Milestone A)** On achievement, within three (3) full financial years from Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$5,000,000 (**Milestone A**), each Class A Performance Share will convert on a one for one basis into a Share.

For the avoidance of doubt, a half year revenue of \$2,500,000 will satisfy Milestone A.

- (b) **(Expiry)** Milestone A must be achieved on or before 5.00 pm on the date which is 14 days after the release of the audited financial reports for the third full financial year after Completion being financial year 2017/2018 (**Expiry Date**).

(c) **(Conversion on change of control)** If there is a Change of Control Event in relation to the Company prior to the conversion of the Class A Performance Shares, then:

- (i) Milestone A will be deemed to have been achieved; and
- (ii) each Class A Performance Share will automatically and immediately convert into Shares,

however, if the number of Shares to be issued as a result of the conversion of Class A Performance Shares, together with the number of Shares to be issued as a result of the conversion of the Class B Performance Shares and Class C Performance Shares, due to a Change in Control Event is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Class A Performance Shares, Class B Performance Shares and Class C Performance Shares to be converted will be prorated so that the aggregate number of Shares issued upon conversion of the Class A Performance Shares, Class B Performance Shares and the Class C Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

(d) **(No conversion)** To the extent that Class A Performance Shares have not converted into Shares on or before the Expiry Date, then all such unconverted Class A Performance Shares held by each holder (**Class A Holder**) will automatically consolidate into one Class A Performance Share and will then convert into one Share.

(e) **(Conversion procedure)** The Company will issue a Class A Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Class A Performance Share.

(f) **(Ranking of shares)** Each Share into which the Class A Performance Shares will convert will upon issue:

- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
- (ii) be issued credited as fully paid;
- (iii) be duly authorised and issued by all necessary corporate action; and
- (iv) be allotted and issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.

## 2. **Rights attaching to Class A Performance Shares**

(a) **(Share capital)** Each Class A Performance Share is a share in the capital of the Company.

(b) **(General meetings)** Each Class A Performance Share confers on a Class A Holder the right to receive notices of general meetings and financial reports and accounts

of the Company that are circulated to shareholders. A Class A Holder has the right to attend general meetings of shareholders of the Company.

- (c) **(No Voting rights)** A Class A Performance Share does not entitle a Class A Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Class A Performance Share does not entitle a Class A Holder to any dividends.
- (e) **(Rights on winding up)** Each Class A Performance Share entitles a Class A Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Class A Performance Share.
- (f) **(Not transferable)** A Class A Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Class A Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX Limited for official quotation of the Shares issued upon the conversion of each Class A Performance Share within the time period required by the Listing Rules.
- (i) **(Participation in entitlements and bonus issues)** A Class A Performance Share does not entitle a Class A Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (j) **(No other rights)** A Class A Performance Share does not give a Class A Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

### **Class B Performance Shares**

#### **3. Conversion of Class B Performance Shares**

- (a) **(Conversion on achievement of Milestone B)** On achievement, within three (3) full financial years from Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$7,500,000 (**Milestone B**), each Class B Performance Share will convert on a one for one basis into a Share.

For the avoidance of doubt, a half year revenue of \$3,750,000 will satisfy Milestone B.

- (b) **(Expiry)** Milestone B must be achieved on or before 5.00 pm on the date which is 14 days after the release of the audited financial reports for the third full financial year after Completion being financial year 2017/2018 (**Expiry Date**).



(c) **(Conversion on change of control)** If there is a Change of Control Event in relation to the Company prior to the conversion of the Class B Performance Shares, then:

- (i) the Milestone B will be deemed to have been achieved; and
- (ii) each Class B Performance Share will automatically and immediately convert into Shares,

however, if the number of Shares to be issued as a result of the conversion of Class B Performance Shares, together with the number of Shares to be issued as a result of the conversion of the Class A Performance Shares and Class C Performance Shares, due to a Change in Control Event is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Class A Performance Shares, Class B Performance Shares and Class C Performance Shares to be converted will be pro-rated so that the aggregate number of Shares issued upon conversion of the Class A Performance Shares, Class B Performance Shares and the Class C Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

(d) **(No conversion)** To the extent that Class B Performance Shares have not converted into Shares, on or before the Expiry Date, then all such unconverted Class B Performance Shares held by each holder (**Class B Holder**) will automatically consolidate into one Class B Performance Share and will then convert into one Share.

(e) **(Conversion procedure)** The Company will issue a Class B Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Class B Performance Share.

(f) **(Ranking of shares)** Each Share into which the Class B Performance Shares will convert will upon issue:

- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
- (ii) be issued credited as fully paid;
- (iii) be duly authorised and issued by all necessary corporate action; and
- (iv) be allotted and issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.

#### 4. **Rights attaching to Class B Performance Shares**

(a) **(Share capital)** Each Class B Performance Share is a share in the capital of the Company.

(b) **(General meetings)** Each Class B Performance Share confers on a Class B Holder the right to receive notices of general meetings and financial reports and accounts

of the Company that are circulated to shareholders. A Class B Holder has the right to attend general meetings of shareholders of the Company.

- (c) **(No Voting rights)** A Class B Performance Share does not entitle a Class B Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Class B Performance Share does not entitle a Class B Holder to any dividends.
- (e) **(Rights on winding up)** Each Class B Performance Share entitles a Class B Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Class B Performance Share.
- (f) **(Not transferable)** A Class B Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Class B Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX Limited for official quotation of the Shares issued upon the conversion of each Class B Performance Share within the time period required by the Listing Rules.
- (i) **(Participation in entitlements and bonus issues)** A Class B Performance Share does not entitle a Class B Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (j) **(No other rights)** A Class B Performance Share does not give a Class B Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

### **Class C Performance Shares**

#### **5. Conversion of Class C Performance Shares**

- (a) **(Conversion on achievement of Milestone C)** On achievement, within three (3) full financial years from Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$10,000,000 (**Milestone C**), each Class C Performance Share will convert on a one for one basis into a Share.

For the avoidance of doubt, a half year revenue of \$5,000,000 will satisfy Milestone C.

- (b) **(Expiry)** Milestone C must be achieved on or before 5.00 pm on the date which is 14 days after the release of the audited financial reports for the third full financial year after Completion being financial year 2017/2018 (**Expiry Date**).

(c) **(Conversion on change of control)** If there is a Change of Control Event in relation to the Company prior to the conversion of the Class C Performance Shares, then:

- (i) the Milestone B will be deemed to have been achieved; and
- (ii) each Class C Performance Share will automatically and immediately convert into Shares,

however, if the number of Shares to be issued as a result of the conversion of Class C Performance Shares, together with the number of Shares to be issued as a result of the conversion of the Class A Performance Shares and Class B Performance Shares, due to a Change in Control Event is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Class A Performance Shares, Class B Performance Shares and Class C Performance Shares to be converted will be pro-rated so that the aggregate number of Shares issued upon conversion of the Class A Performance Shares, Class B Performance Shares and Class C Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

(d) **(No conversion)** To the extent that Class C Performance Shares have not converted into Shares, on or before the Expiry Date, then all such unconverted Class C Performance Shares held by each holder (**Class C Holder**) will automatically consolidate into one Class C Performance Share and will then convert into one Share.

(e) **(Conversion procedure)** The Company will issue a Class C Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Class C Performance Share.

(f) **(Ranking of shares)** Each Share into which the Class C Performance Shares will convert will upon issue:

- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
- (ii) be issued credited as fully paid;
- (iii) be duly authorised and issued by all necessary corporate action; and
- (iv) be allotted and issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.

## 6. Rights attaching to Class C Performance Shares

(a) **(Share capital)** Each Class C Performance Share is a share in the capital of the Company.

(b) **(General meetings)** Each Class C Performance Share confers on a Class C Holder the right to receive notices of general meetings and financial reports and accounts

of the Company that are circulated to shareholders. A Class C Holder has the right to attend general meetings of shareholders of the Company.

- (c) **(No Voting rights)** A Class C Performance Share does not entitle a Class C Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Class C Performance Share does not entitle a Class C Holder to any dividends.
- (e) **(Rights on winding up)** Each Class C Performance Share entitles a Class C Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Class C Performance Share.
- (f) **(Not transferable)** A Class C Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Class C Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX Limited for official quotation of the Shares issued upon the conversion of each Class C Performance Share within the time period required by the Listing Rules.
- (i) **(Participation in entitlements and bonus issues)** A Class C Performance Share does not entitle a Class C Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (j) **(No other rights)** A Class C Performance Share does not give a Class C Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

### 14.3 Substantial Shareholders

At the date of this Prospectus, the following Shareholders holding a voting power in 5% or more of the Shares on issue.

| Shareholder                       | Number of Shares Held | % of Total Shares Held |
|-----------------------------------|-----------------------|------------------------|
| Mycatmax Pty Ltd                  | 16,442,488            | 9.98%                  |
| Ms Merle Smith & Ms Kathryn Smith | 80,000,000            | 5.01%                  |

On completion of the Offer (assuming no new investors become substantial holders) the only substantial shareholder will be the Vendor, iSignthis BVI. In addition, Mr. Nickolas John Karantzis, a Director, holds an interest of over 20% in the issued capital of the Vendor and so will be deemed to have the voting power set out below and will also be a substantial shareholder

The following table outlines the voting power of the Vendor and Mr Karantzis under various scenarios depending on whether the Performance Shares have converted into Shares.

| Event causing the Share issue  | Number of Shares issued to Vendor | % of Share capital held by Vendor on issue of the Shares |
|--|-----------------------------------|--|
| Prior to Completion of the Acquisition   | Nil                               | 0%   |
| On Completion of the Acquisition and Offer   | 298,333,333 <sup>(1)</sup>        | 53.14% <sup>(1)</sup>                                    |
| On achievement of the Milestones prior to the expiry date of the Performance Shares (assuming no further capital raisings) | 635,000,000 <sup>(2)</sup>        | 70.71% <sup>(3)</sup>                                    |

#### Notes

- 1 This number does not include any Shares issued for the Cash Shortfall Amount or the Warranty Claim Amount pursuant to the terms of the Acquisition Agreement. Refer Section 13.1 for further information about the Cash Shortfall Amount and the Warranty Claim Amount. The Company estimates that the Cash Shortfall Amount will be approximately \$100,000 at Completion. Based on this figure, the Company will issue 3,333,333 additional Shares to the Vendor which would increase the voting power of the Vendor (and consequently Mr. Karantzis) to 53.42%. However, up to 56,666,667 additional Shares may be issued to the Vendor for the Cash Shortfall Amount (assuming the Company has no existing cash at Completion), which would increase the voting power of the Vendor to 57.44%. Subject to Shareholder approval, up to 159,666,667 additional Shares may be issued to the Vendor for a Warranty Claim Amount (this assumes the maximum aggregate amount that the Vendor can recover from the Company pursuant to the terms of the Acquisition Agreement), which would increase the voting power of the Vendor to 63.52%. The maximum combined number of Shares that may be issued pursuant to the Warranty Claim Amount and the Cash Shortfall Amount is 216,333,334 Shares, which would increase the voting power of the Vendor to 66.18%. The Company does not expect to be anywhere near this position but has included this disclosure as it is the maximum number of Shares that may be issued to the Vendor. In addition, the Vendor will be issued 336,666,667 Performance Shares on completion of the Acquisition (refer to Section 14.2 for further details). Mr. Karantzis will have a relevant interest in these Performance Shares and any Shares issued on conversion of the Performance Shares.
- 2 Assumes all of the Performance Shares issued to the Vendor are converted to Shares prior to the expiry date of the Performance Shares.
- 3 This number does not include any Shares issued for the Cash Shortfall Amount or the Warranty Claim Amount pursuant to the terms of the Acquisition Agreement. Refer Section 13.1 for further information about the Cash Shortfall Amount and the Warranty Claim Amount. The Company estimates that the Cash Shortfall Amount will be approximately \$100,000 at Completion. Based on this figure, the Company will issue 3,333,333 additional Shares to the Vendor which would increase the voting power of the Vendor (and consequently Mr. Karantzis) to 70.82%. However, up to 56,666,667 additional Shares may be issued to the Vendor for the Cash Shortfall Amount (assuming the Company has no existing cash at Completion) which would increase the voting power of the Vendor to 72.45%. Subject to Shareholder approval, up to 159,666,667 additional Shares may be

issued to the Vendor for a Warranty Claim Amount (this assumes the maximum aggregate amount that the Vendor can recover from the Company pursuant to the terms of the Acquisition Agreement), which would increase the voting power of the Vendor to 75.13%. The maximum combined number of Shares that may be issued pursuant to the Warranty Claim Amount and the Cash Shortfall Amount is 216,333,334 Shares, which would increase the voting power of the Vendor to 76.40%. The Company does not expect to be anywhere near this position but has included this disclosure as it is the maximum number of Shares that may be issued to the Vendor.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

#### **14.4 Employee Incentive Scheme**

The Company is proposing to implement an employee and director incentive scheme post re-compliance with Chapters 1 and 2 of the Listing Rules to appropriately reward and incentivise employees and align their interests with the interests of Shareholders. No decision has been made about the type of scheme to be implemented. It is proposed the number of securities issued pursuant the employee incentive plan over a three year period will be no greater than 5% of the issued share capital of the Company. No decisions have been made in relation whether directors will be eligible to participate or the number of shares that may be offered to directors pursuant to the plan.

#### **14.5 Fees and Benefits**

Other than as set out below or elsewhere in this Prospectus, no promoter or person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or had within two years before lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer under this Prospectus; or
- (c) the Offer under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered in connection with the formation or promotion of the Company or the Offer of Shares under this Prospectus.

Cygnnet Capital Pty Ltd has acted as lead manager of the Offer. In respect of this work, Cygnnet Capital Pty Ltd will be paid such amounts as detailed in Section 13.2. During the 24 months preceding lodgement of this Prospectus at the ASIC, Cygnnet Capital Pty Ltd has received \$119,900 (inclusive of GST) in fees from the Company.

GTP Legal has acted as the solicitors to the Company in relation to the Offer and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay GTP Legal approximately \$30,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, GTP Legal has received \$40,000 in fees from the Company.

RSM Bird Cameron has acted as investigating accountant and has prepared the Investigating Accountant's Report which has been included in Section 10 of this Prospectus. The Company estimates it will pay RSM Bird Cameron a total of \$10,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, RSM Bird Cameron received \$83,675.90 in fees from the Company.

FB Rice has acted as patent attorney to the Company and has prepared the Patent Report which has been included in Section 11 of this Prospectus. The Company estimates it will pay a total of \$6,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, FB Rice has received \$0 in fees from the Company.

Link Market Services has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

## **14.6 Consents**

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, other than those referred to in this section;
- (b) has not authorised or caused the issue of this Prospectus or the making of the Offer; and
- (c) makes no representations regarding, and to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any statements in, or omissions from any part of this Prospectus other than a reference to its name and a statement and/or any report (if any) included in this Prospectus with the consent of that party as specified in this section.

Cygnnet Capital Pty Ltd has given its written consent to being named as the Lead Manager to the Offer in this Prospectus. Cygnnet Capital Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

RSM Bird Cameron has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 10 in the form and context in which the report is included. RSM Bird Cameron has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Hayes Knight has given its written consent to being named as the auditor to the Company in this Prospectus. Hayes Knight has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

FB Rice has given its written consent to being named as the author of the patent report in this Prospectus and to the inclusion of the Patent Report in Section 11 in the form and context in which the report is included. FB Rice has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

GTP Legal has given its written consent to being named as the lawyers to the Company in this Prospectus. GTP Legal has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Link Market Services has given its written consent to being named the Company's Share Registry in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

#### **14.7 Litigation**

Other than as set out in Section 12(t) above, to the knowledge of the Directors, as at the date of this Prospectus, neither iSignthis nor the Company is involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

#### **14.8 Taxation**

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

#### **14.9 Expenses of the Offer**

The estimated expenses of the Offer are as follows:

| <b>Item of Expenditure</b>  | <b>\$</b>        |
|-----------------------------|------------------|
| ASIC fees                   | 2,290            |
| Legal fees                  | 30,000           |
| Investigating Accountant    | 10,000           |
| Patent Report               | 6,600            |
| Lead Manager Fee            | 186,000          |
| ASX fees                    | 26,906           |
| Printing and Other Expenses | 13,204           |
| <b>Total</b>                | <b>\$275,000</b> |



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## **15. Directors' Authorisation**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Mr. Nickolas John Karantzis

**Managing Director**

For and on behalf of Otis Energy Limited (to be renamed iSignthis Limited)

22 December 2014

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## 16. Glossary

Where the following terms are used in this Prospectus they have the following meanings:

**2FA** means two factor authentication.

**A\$ or \$** means an Australian dollar.

**Acquisition** means the acquisition by the Company of the entire issued capital of iSignthis from the Vendor.

**Acquisition Agreement** means the share sale agreement (as varied) in respect of the Acquisition a summary of which is in Section 13.1.

**AEDT** means Australian Eastern Daylight Time, being the time in Sydney, New South Wales.

**Applicant** means a person who submits an Application Form.

**Application** means a valid application for shares pursuant to an Application Form.

**Application Form** means the application form as provided with a copy of this Prospectus relating to the Offer.

**Application Monies** means application monies for Shares received and banked by the Company.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange operated by ASX Limited (as the context requires).

**Board** means the board of Directors as constituted from time to time.

**Business Day** means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

**Cash Shortfall Amount** has the meaning given in Section 13.1.

**Closing Date** means the date on which the Offer closes as set out in the indicative timetable in Section 3.

**Completion** means the completion of the Acquisition.

**Conditions of the Offer** means the conditions of the Offer outlined in Section 6.2.

**Consolidation** means a consolidation of the Company's issued share capital on the basis that every 10 Shares be consolidated into one Share and Options on issue be adjusted in accordance with the Listing Rules.

**Company** means Otis Energy Limited ACN 075 419 715, to be renamed iSignthis Limited.

**Consideration Shares** has the meaning given in Section 13.1(a).

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Cygnnet** means Cygnnet Capital Pty Limited ACN 103 488 606.

**December General Meeting** means the general meeting of Shareholders held on 22 December 2014.

**Directors** mean the directors of the Company specified in Section 8.1.

**Investigating Accountant's Report** means the investigating accountants report in Section 10 of this Prospectus.

**iSignthis** means iSignthis BV and ISX IP Ltd.

**Lead Manager** means Cygnnet Capital Pty Ltd

**Listing Rules** means the official listing rules of ASX.

**Offer** means the offer of Shares pursuant to this Prospectus as outlined in Section 6.1.

**Official List** means the official list of ASX.

**Official Quotation** means official quotation of the Company's Shares by ASX in accordance with the Listing Rules.

**Option** means an option to subscribe for a Share.

**Patent Report** means the patent report in Section 11 of this Prospectus.

**Performance Shares** means the performance shares to be issued on the terms and conditions set out in Section 14.2.

**Prospectus** means this prospectus.

**RSM Bird Cameron** means RSM Bird Cameron Corporate Pty Ltd ACN 050 508 024.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Link Market Services Limited ABN 54 083 214 537.

**Shareholder** means a holder of Shares.

**Vendor** means iSignthis Limited.

**Warranty Claim Amount** has the meaning in Section 13.1.