

27 April 2015

## **ISIGNTHIS QUARTERLY COMMENTARY**

iSignthis Ltd (ASX : ISX), the online identity verification provider, has released its March Quarterly Appendix 4C today. The Company finished the quarter with \$3.072m in cash following the completion of its Prospectus capital raising and re-listing on 16 March 2015.

Commenting on iSignthis' first full month as an ASX listed company, Managing Director and CEO Mr. N J (John) Karantzis said:

*"The Company has taken significant steps since re-listing in mid March 2015. Importantly we received certification to Payment Card Industry (PCI) Standards which allows us to interconnect globally with bank and card schemes. Upon achieving this, we were able to deploy our certified service to the cloud and complete customer integrations, which then allows us to commence processing transactions in the very near future.*

*iSignthis is the first company to specifically offer identity proofing of persons in conjunction with payment services. Identity proofing is legally very complex, with subtle differences between jurisdictions.*

*We are pleased that our technology forms the basis for customer due diligence and identity proofing requirements of the jurisdictions in which we intend to operate. Independent legal advice and discussions with regulators has confirmed our position.*

*With the establishment of capability to deliver, our focus is now on business development, particularly in Europe which we believe affords us the greatest opportunities. In the last two months we have established and trained a new and dedicated sales and business development team who are actively pursuing and building a pipeline of impressive potential customers.*

*With our ASX transition complete, our immediate focus is on announcing new contracts, generating revenue from existing customers and promotion of our global identity services."*

## **Business Development**

Following completion of the Company's IPO and ASX listing, iSignthis focus has now moved to business development, and pressing it's first mover advantage as a dynamic provider of e-KYC, and generally in the online identity verification industry:

The Company's business development activity for the quarter included:

- Integration of existing contracts with eMerchantPay and Adelante has continued in the March quarter. Certification and deployment of our cloud based software and services has been completed and testing is underway prior to full launch and processing of transactions
- Implementation of a new dedicated sales team based in London, Amsterdam, Perth (covering APAC) and Melbourne.
- The Managing Director, in conjunction with the European sales team, have been aggressively marketing the iSignthis service in Europe. A strong pipeline of opportunities exist with positive discussions with AML obligated entities such as payment service providers, sports gamblers, e-Wallets, bitcoin traders and telecommunications providers. Our market presence and awareness has been significantly increased due to speaking and presentation opportunities at Finovate London, European Payment Council conferences and the EPSM forum (European Association of Payment Service Providers).

## **Compliance/Regulatory**

As iSignthis is providing a new form of compliance in the AML industry and challenging traditional methods of identifying customers, it is important that we receive legal clearance. We have not encountered any barriers to date in the service we are offering and we therefore continue to push forward with opportunities on offer. This process needed to be revalidated post PCI certification, in order to demonstrate the capabilities of our technology, and its compliance with PCI requirements, privacy law and data protection requirements.

- PCI audit completed and accreditation received. This allows iSignthis to connect directly with the credit card schemes and full infrastructure of the payment card network and industry. Continued monitoring, audit and compliance of the PCI industry present significant barriers for new entrants.
- Independent legal advice confirming validity of our process and services in Australia, France, Belgium, Italy, UK and others.
- Acceptance as a full voting member of the EPSM (European Association of Payment Service Providers, <http://www.epsm.eu>) allowing iSignthis to be involved in decision making within the industry and to be aware of changes to regulations affecting our business. This compliments our membership in the Open Identity Exchange (<http://openidentityexchange.org>)

## Patents

During the quarter, iSignthis continued to reinforce its existing intellectual property protection. As part of this effort, additional patents were granted (or gazetted for grant) in Singapore and New Zealand. Additional new patents have also been filed in the US. iSignthis now holds Patents for our software and services in 15 countries with applications continuing to be made for our products and services in order to protect our Intellectual Property.

## Corporate

The Company successfully completed its ASX listing on 16 March 2015 following the completion of an oversubscribed IPO which raised \$3.1m. iSignthis begins the next quarter with a strong balance sheet to continue to capitalise on the massive market opportunity that exists for our authentication services.

## Glossary

**AML** = Anti Money Laundering, usually refers to a regulatory regime that banks, brokers, exchanges, credit providers etc. need to comply with. AML requires KYC.

**CTF** = Counter Terrorism Funding

**Dynamic Data** = data related to an e-Payment transaction, that is current and used as an input at the time of KYC check. Dynamic data is only applicable and accessible via the person to whom it relates, and can only be compiled with the KYC target person's active involvement.

**e-KYC** = electronic KYC. The process of customer identification via the internet, rather than face-to-face.

**e-Wallet** – a means of storing or processing funds via your mobile, laptop, tablet etc.

**KYC** = Know Your Customer, a mandatory customer identification process that banks and regulated entities must perform prior to offering a consumer service.

**PCI** = Payment Card Industry, comprising Visa, Mastercard, American Express, Diners, Discover, China Union Pay. PCI sets the global standards required for security and interconnectivity of banks & processors to merchants via its data security standard (DSS). Level / Tier 1 is the highest standard possible.

**Static Data** = data that may have been relevant or secret at a historic point in time. E.g. a credit history report, a person's mothers maiden name. It may predate the KYC process by years, months or days, and may be discernable to parties other than who it relates. It is often compiled without the KYC target person's knowledge.

# Appendix 4C

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

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

Name of entity

ISIGNTHIS LIMITED  
(Formerly Otis Energy Limited)

ABN

93 075 419 715

Quarter ended ("current quarter")

31 March 2015

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(121)	(121)
(b) advertising and marketing	(24)	(24)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(67)	(790)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	30
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (net cash flows from discontinued operations)	-	(16)
<b>Net operating cash flows</b>	<b>(204)</b>	<b>(921)</b>

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	Current quarter \$A'000	Year to date ( 9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(204)	(921)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	41
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities <sup>1</sup>	(499)	(799)
1.12 Loans repaid by other entities	-	-
1.13 Other (payments for security deposits)	(8)	(8)
<b>Net investing cash flows</b>	(507)	(766)
<b>1.14 Total operating and investing cash flows</b>	(711)	(1,687)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	681	3,100
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (Cost of issue of shares)	(445)	(445)
<b>Net financing cash flows</b>	236	2,655
<b>Net increase (decrease) in cash held</b>	(475)	968
1.21 Cash at beginning of quarter/year to date	3,463	1,985
1.22 Exchange rate adjustments to item 1.21	1	36
Cash acquired on Acquisitions	83	83
<b>1.23 Cash at end of quarter</b>	3,072	3,072

<sup>1</sup> Loans provided to iSignthis companies prior to completion of acquisition.

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

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

		Current quarter \$A'ooo
1.24	Aggregate amount of payments to the parties included in item 1.2	84
1.25	Aggregate amount of loans to the parties included in item 1.11	-

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

Payments to Directors & Key management personnel.

## Non-cash financing and investing activities

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

During the period the Company issued 298,333,333 fully paid ordinary shares at completion of the acquisition of 100% of the issued share capital of iSignthis B.V. and ISX IP Ltd (together known as "iSignthis") pursuant to the Share Sale and Purchase Agreement and the issue of the following Consideration Securities to the iSignthis vendors occurred on 10 March 2015.

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The Company also issued the following Vendor Consideration Performance Shares –

- the Performance Shares will be issued to the Vendor as follows:
  - 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 (Milestone A). For the avoidance of doubt, a half year revenue of \$2,500,000 will satisfy Milestone A;
  - 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 (Milestone B). For the avoidance of doubt, a half year revenue of \$3,750,000 will satisfy Milestone B; and
  - 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 (Milestone C). For the avoidance of doubt, a half year revenue of \$5,000,000 will satisfy Milestone C.
  - As at the date of this report, none of the milestones have been met in relation to the Performance Shares and none of the Performance Shares were issued or cancelled.

The Company and the Vendor agreed to a further issue of shares to the value of \$300,000 (equating to 10,000,000 shares) as settlement for the Cash Shortfall Amount under the terms of the Share Sale and Purchase Agreement.

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

Nil

**Financing facilities available**

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

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

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## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	1,052	3,063
4.2	Deposits at call	2,020	400
4.3	Bank overdraft	-	-
4.4	Other	-	-
<b>Total: cash at end of quarter (item 1.23)</b>		<b>3,072</b>	<b>3,463</b>

## Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entities	iSignthis BV ISX IP Ltd (together referred to as 'iSignthis')	
5.2	Place of incorporation or registration	Netherlands British Virgin Islands	
5.3	Consideration for acquisition or disposal	\$8.95m  Please refer to the Prospectus dated 22 December 2014 and the Supplementary Prospectus dated 29 January 2015 for further details.	
5.4	Total net assets	Please refer to the Prospectus dated 22 December 2014 and the Supplementary Prospectus dated 29 January 2015 for details.	

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5.5	Nature of business	iSignthis Ltd provides a combined, fully automated, global and remote evidence of identity and transaction authentication solution, assisting clients in adhering to global AML/CTF KYC and payment regulations.	
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**Compliance statement**

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



Sign here: ..... Date: 27 April 2015  
(Company secretary)

Print name: Todd Richards

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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