

27 July 2016

Report to shareholders for the Quarter Ended 30th June 2016

iSignthis Ltd (iSignthis or the Company) (ASX : ISX) is pleased to provide the following business update and Appendix 4C for the quarter ended 30th June 2016.

Highlights include:

- Commenced transacting with Coinify to deliver AML regulatory compliance for buying bitcoin via cards
- Completed access agreement and integration with Chinese e-payment leader Yeepay
- Announced that iFOREX have agreed to pilot the 4th AML Directive ready iSignthis digital KYC service
- Establishment of operational centre in Cyprus
- Continued aggressive marketing and promotion of the iSignthis brand and services – attended and presented at the foreign exchange trading industry focussed iFX conference in Cyprus as well as presenting to a targeted audience at the London School of Economics event held in Cyprus
- Subsequent to the end of the quarter the Company also signed commercial agreements with FXNet.com, Tradologic and XM.com

1.0 BUSINESS UPDATE

The quarter ending 30 June 2016 has provided further evidence and endorsement of the business strategy in place and we continue to make strong advances in customer deployment, product enhancement and business development.

The commercialisation and delivery of a compliance solution is generally reactive and delivered retrospectively. The iSignthis *payidentity* service provides electronic enhanced due diligence and transaction monitoring for obligated financial institutions that **enables them to immediately meet current and future AML/CFT legislation** (such as Europe's AML 4th Directive which is effective from June 2017).

The legislative impact in a key market has been further enhanced by the new directive on customer due diligence and remote verification of customers issued by CySEC (Cyprus Securities and Exchange Commission) in June 2016. This directive ("Directive DI144-2007-08(A) of 2016 regarding the prevention of money laundering and terrorist financing") raises the bar for registered businesses in Cyprus and requires immediate attention in order for them to ensure compliance.

Cyprus is a key market for iSignthis as a large number of foreign exchange, binary and CFD traders are licensed and operate in this country. These financial institutions are all obligated to identify their customers and monitor transactions as part of their ongoing AML requirements. Operating with a large customer base, massive annual turnover and high volume transaction rates they represent the ideal business development targets for the iSignthis team.

We have been able to take advantage of this opportunity by way of our presentation at the iFX conference held in Cyprus in May 2016 which has now led to the announcement of further customer contracts in July 2016. We continue to actively pursue further agreements enabling the business to build the scale (customers and transactions) required in order to generate material revenues in the coming quarters.

These agreements represent the significant time and effort invested by iSignthis over the past 6-12 months in discussions with key regulators, product development, the building of brand awareness and the direct customer engagement by way of face to face meetings and presenting at specific industry trade shows and events.

The opportunities presented in Cyprus have consolidated our immediate focus on this region and we are looking to close out as many contracts as possible. Whilst other opportunities have not been ignored, post Cyprus the Company will increase sales efforts in Malta, Gibraltar and the Isle of Man as these jurisdictions also have a large number of AML regulated operations but are still largely reliant on manual KYC process.

2.0 CORPORATE

2.1 CASH POSITION

At the end of the Quarter, the consolidated group cash balance was \$8.9 million. The cash usage for the quarter being within our projected usage for business growth, development, marketing and service deployment.

3.0 OUTLOOK

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

The Company's outlook for the coming quarter includes:

- Continuing to add customer and transaction scale. A number of agreements have been announced in July 2016 to provide KYC and transaction monitoring services to FX related business licensed in Cyprus. These agreements add to the total quantity of the transactional pool that will directly generate revenue for iSignthis on a monthly basis. Our business development initiatives will continue to close further agreements adding to the contracted customer base.
- The iSignthis brand recognition is continuing to grow. We have now been able to contract with significant accounts such as XM.com (the number 2 ranked global company in FX trading based on daily dollar

value turnover). This provides further industry acceptance and awareness of our service. We expect the momentum to continue and further agreements to be completed. iSignthis aims to be the industry leader in providing eKYC services.

- Completing current customer integrations. Moving to a progressive 'go live' position with all existing customers, subject to customer timetable.

Glossary

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

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

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

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

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

Enhanced Due Diligence (EDD) for Higher-Risk Customers. Customers that pose higher money laundering or terrorist financing risks present increased exposure to merchants; **due diligence** policies, procedures, and processes should be **enhanced** as a result.

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

KYC = **Know Your Customer**, a mandatory customer identification process that banks and AML regulated entities must perform prior to offering a consumer service in order to comply with AML law or regulation.

Payidentity = the convergence of payments and identity, incorporating payment instrument verification and customer identification, in order to remotely link an electronic payment with a persons identity, usually for the purpose of satisfying Anti Money Laundering (AML) or Anti Fraud, or both requirements.

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

Secret = Information which can only be known by or in the possession of (e.g. one-time passcode or cryptographic key) the authorised users. This information is transmitted by iSignthis securely within standard payment messages, and used as the basis of challenge / response knowledge based authentication **EOI**. The Secret is comprised of **Dynamic Data**.

SCA = Strong Customer Authentication, a means whereby two factor authentication (2FA) is linked to a persons KYC identity and a specific payment instrument (e.g. card or eWallet), and the 2FA is used to authenticate remote payment transactions executed on the payment instrument.

Static Data (aka Historic Data) = data that may have been secret at a historic point in time. E.g. What is or was presumed to be non public data related to a **KYC** target person, including their credit history report, the person's mothers maiden name, the persons full name, their drivers licence number etc. It may predate the **KYC** process by years, months or days, and may be discernable to parties other than who it relates by way of data hacks/breaches¹, social media.

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

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

ISIGNTHIS LTD

ABN

93 075 419 715

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	21	21
1.2 Payments for		
(a) staff costs	(617)	(1,858)
(b) advertising and marketing	(30)	(223)
(c) research and development	(154)	(645)
(d) leased assets	-	-
(e) other working capital	(610)	(1,577)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	55	147
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R&D Refund)	243	243
Net operating cash flows	(1,092)	(3,892)

+ See chapter 19 for defined terms.

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

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,092)	(3,892)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(26)	(60)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (payments for security deposits)	-	-
Net investing cash flows	(26)	(60)
1.14 Total operating and investing cash flows	(1,118)	(3,952)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	11,288
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (Cost of issue of shares)	-	(601)
Net financing cash flows	-	10,687
Net increase (decrease) in cash held	(1,118)	6,735
1.21 Cash at beginning of quarter/year to date	10,107	2,267
1.22 Exchange rate adjustments to item 1.21	(32)	(45)
1.23 Cash at end of quarter	8,957	8,957

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	82
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments to directors and director related entities during the June 2016 quarter.

Non-cash financing and investing activities

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

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

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

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

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

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

+ See chapter 19 for defined terms.

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

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	1,910	1,360
4.2 Deposits at call	7,047	8,747
4.3 Bank overdraft	-	-
4.4 Other	-	-
Total: cash at end of quarter (item 1.23)	8,957	10,107

Acquisitions and disposals of business entities

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

+ See chapter 19 for defined terms.

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 July 2016
(Company secretary)

Print name: Todd Richards

Notes

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