

Market Announcement

18 June 2020

iSignthis Ltd (ASX: ISX)

Correction of Statements in ISX Letter to Shareholders

This announcement is published by ASX Limited ('ASX'), a licensed market operator, in the performance of its obligations under the Corporations Act 2001 (Cth) and its powers, functions and obligations under the ASX listing rules. It is intended to ensure that the ASX market operates in a fair, orderly and transparent way.

In a letter apparently sent by ISX to its shareholders on 17 June 2020, ISX made the following statement:

'Escrow by 'Founding' Shareholders

The ASX has also now recently rejected shareholders offer of escrow of the 336m shares distributed to certain founding shareholders of the Company, and now seeks information that is not related to the offer of escrow, as a condition precedent to accepting the escrow.

We do not consider this as an act of good faith, noting that the original escrow discussion encompassed one year from 2nd October 2019. The shareholders affected, comprising directors and some early stage investors, are offering one year from re-quotation of the shares, or what will be close to two years from suspension, assuming ISX securities are re-quoted in the next 3 months. The ASX clearly has no intention to see this last hurdle resolved, despite the affected shareholders extending a very generous offer of escrow.'

ASX considers this statement (as well as other statements in the letter) to be misleading.

In accordance with Listing Rule 18.7A and in the interest of an informed market, ASX releases a copy of ASX's letter to ISX dated 11 June 2020 regarding the escrow offer. This is the last communication ASX has had with ISX regarding the escrow offer.

As will be clear from that letter, ASX has not 'rejected' the escrow offer. Further, the information which ISX states in its letter to shareholders that ASX 'now seeks' was in fact originally requested by ASX on 20 December 2019.

It has been made clear to ISX throughout that ASX requires the provision of this information before ASX will engage with ISX on the escrow proposal.

ASX considers that the information that it has sought from ISX since 20 December 2019 is relevant and reasonable and within the power of ISX and its directors to provide. Despite this, ISX and its directors have refused to provide the information to ASX.

ISX's refusal to provide this information to ASX will act as a further impediment to the reinstatement of ISX's shares to quotation on ASX.

Issued by ASX



11 June 2020

The Directors
iSignthis Ltd
456 Victoria Parade
East Melbourne VIC 3002

By email

Dear Directors

iSignthis Ltd ('ISX') escrow offer

ASX Limited ('ASX') refers to:

- A. The letter from ASX's Mr Daniel Moran to Mr Anthony Seyfort of HWL Ebsworth dated 20 December 2019 setting out the basis on which ASX might be prepared to consider ISX's escrow offer, including a request that:

'In order that ASX can properly consider this proposal, please also provide the following additional information:

- *Details of the current holders of the ... Milestone Shares that are proposed to be escrowed, including how and when those holders acquired their shares and for what consideration*
- *Details of the ... Milestone Shares which you say have been sold, including: details of the persons who were issued these shares, how and when and for what consideration they were issued these shares, how and when and for what consideration they sold these shares, and, if they sold these shares through an off market transaction, to whom they were sold*
- *A copy of ISX's share register evidencing the information referred to in the previous two bullet points.'*

- B. The email from Mr John Karantzis of ISX to Mr Moran on 1 May 2020, which included the following statements:

'In order to allow time to resolve any further concerns about this matter, the milestone performance shares held by current directors, officers, Select All Enterprise Ltd and Red 5 Solutions Ltd (but excluding our employees who represent circa 14%) will be voluntarily placed in escrow for 12 months from the securities of ISX being re-quoted by the ASX, noting that there has been an effective escrow during the already lengthy period of suspension.

The standard form of escrow will be utilised, with suitable changes, to be forwarded by our legal counsel Monday or Tuesday.'

- C. The email from Mr Karantzis to the writer on 2 May 2020, which attached a spreadsheet in relation to the allocation of the performance shares and included the following statements:

'We therefore propose that the milestone performance shares to be escrowed are those of which the Company is still able to secure a voluntary escrow, being for a total of 335,666,667 (or 99.7%) of the original issue, as per the lower table (excluding [REDACTED] and [REDACTED]).

Trust that this satisfies the ASX queries on the matter.'

- D. The chain of email correspondence regarding the escrow offer between Mr Karantzis and the writer on 5 May 2020 which concluded with an email from the writer to Mr Karantzis at 11:16pm ('5 May Email'), which advised that the response provided by Mr Karantzis in his email at 10:15pm was not satisfactory

and that ASX would not engage further with ISX on the escrow offer until ISX supplied the information ASX had requested, and also re-iterated ASX's information requirements.

- E. Mr Seyfort's email to Mr Moran on 18 May 2020 attaching a draft of the proposed escrow deed ('Draft Escrow Deed').
- F. The email from Mr Moran to Mr Seyfort on 18 May 2020, in response to Mr Seyfort's email earlier that day, which included the following statements:

'I have provided the proposed form of escrow agreement to our Listings Compliance team for their consideration in due course. As stated in Kevin Lewis' email to John Karantzis at 11:16 PM on Tuesday 5 May 2020, no escrow proposal will be considered until after the relevant information that ASX has requested has been provided.'

- G. ISX's letter to shareholders dated 24 May 2020 (which was released on MAP as part of the release of query correspondence at <https://www.asx.com.au/asxpdf/20200525/pdf/44j2zvhw5krw6.pdf>) where ISX stated:

'The directors, officers and substantial shareholder Red5 Solutions Ltd have again offered to the ASX voluntary escrow of 336m shares, which would take effect for one year to May 2021. To date, the ASX has not accepted that offer.'

without mentioning ISX's failure to provide the information requested by ASX.

- H. The clarificatory Appendix 3Y lodged in relation to Mr Karantzis on 2 June 2020, indicating that the prior disclosures to the market of Mr Karantzis' relevant interest in ISX shares were not correct, further emphasising the relevance of the information requested by ASX.

I am writing to highlight that ASX has yet to receive the outstanding information set out in the 5 May Email. Consequently, for reasons entirely within ISX's power to fix, there has been no further engagement between ASX and ISX in relation to the escrow proposal.

For convenience, the outstanding information requirements detailed in the 5 May Email are extracted below:

'We want a detailed explanation and supporting documents showing how the performance shares went from being legally (and presumably also beneficially) owned by ILBVI to be owned by the persons named in your spreadsheet ...

Without limiting what I said in the underlined passage above, we want to know how, why and when were the shares transferred from ILBVI to the parties named in your spreadsheet ("transferees") and for what consideration. Did it happen while the shares were still performance shares or after they became ordinary shares? If there was no consideration provided by the transferees to ILBVI for the transfers, why was that so? Was this a gift from ILBVI to the parties in question? Or was it because ILBVI was already holding the shares on trust for the transferees or for someone else who directed the shares to be transferred to the transferees?

We also want a copy of the supporting documentation evidencing the transfers. If, as you suggest in your email below, it involved a direction to the share registry, then give us a copy of the direction and any other documents relevant to that direction. For example, ISX must have had some form of authority or instruction from ILBVI and the transferees in order to give such a direction to its registry. Give us a copy of that authority or instruction. Further, if ILBVI was holding the shares on trust for the transferees or for someone else who directed the shares to be transferred to the transferees, then give us a copy of the trust deed.'

In order to progress ASX's engagement with ISX in relation to the escrow offer, including the provision of ASX's comments on the Draft Escrow Deed, please provide the information summarised above to me at the earliest opportunity.

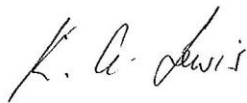
ASX also re-iterates the statement by the writer in the 5 May Email that *'ASX will not accept a response that ISX does not have access to this information as it seems fairly clear that you [Mr Karantzis] control ILBVI and that you and a number of existing ISX directors and employees, or entities controlled by you or them, were involved in the transactions in question.'*

Finally, while we have not reviewed the Draft Escrow Deed in detail and, as mentioned above, will not engage with ISX in relation to the terms of the Draft Escrow Deed until the information requested by ASX has been provided, lest our failure to comment might be misinterpreted, let me make it clear that the amendments that have been made to the standard ASX Appendix 9B escrow deed to produce the Draft Escrow Deed are not acceptable to ASX. This includes in particular (but not only) the provision that the escrow falls away if ISX is suspended from quotation by ASX during the escrow period. Such a provision would act as a significantly impediment to ASX's ability to impose a suspension on trading in ISX's securities during the escrow period when that might be warranted in the circumstances. ASX could not possibly agree to fetter its ability to properly administer the listing rules in this way.

ASX reserves the right to release a copy of this letter and any response sent by or on behalf of ISX under listing rule 18.7A.

If you have any enquiries in relation to this letter, please contact me.

Yours sincerely



Kevin Lewis
Chief Compliance Officer, ASX Limited