

17th October 2017

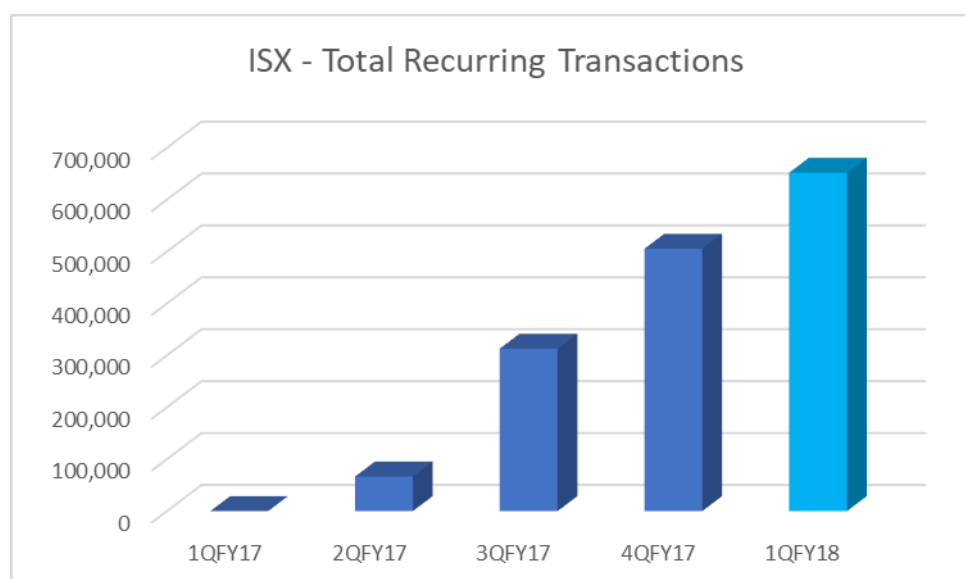
Report to shareholders for the Quarter Ended 30th September 2017

Australian Securities and Frankfurt Stock Exchange cross listed iSignthis Ltd (ASX: ISX / DE: TA8), the global leader in RegTech for identity verification and transactional banking/payments, is pleased to provide the following business update and Appendix 4C for the quarter ended 30th September 2017.

Highlights:

- Cash Receipts Up 112% quarter on quarter
- Unaudited operating cash receipts more than doubled to \$329,000 for the quarter ended 30 September 2017 vs \$155,000 in the June quarter
- Transaction volumes continue to grow on an upward trending trajectory
- ISXPay Australia transactional banking services now live – processing, clearing and settling funds to merchants
- ISXPay Europe imminent for 'go live' status.
- iSignthis business model of i) verify, ii) process and iii) acquire, clear & settle to merchants now earning revenue across all segments.
- iSignthis joins the 'Big Four' Australian banks and other major financial institutions as a Principal Member of Visa Inc (NYSE:V), Mastercard Worldwide (NYSE:MA) and JCB International. ISXPay can both acquire card transactions as well as issue cards.

* All figures are in Australian dollars (A\$)



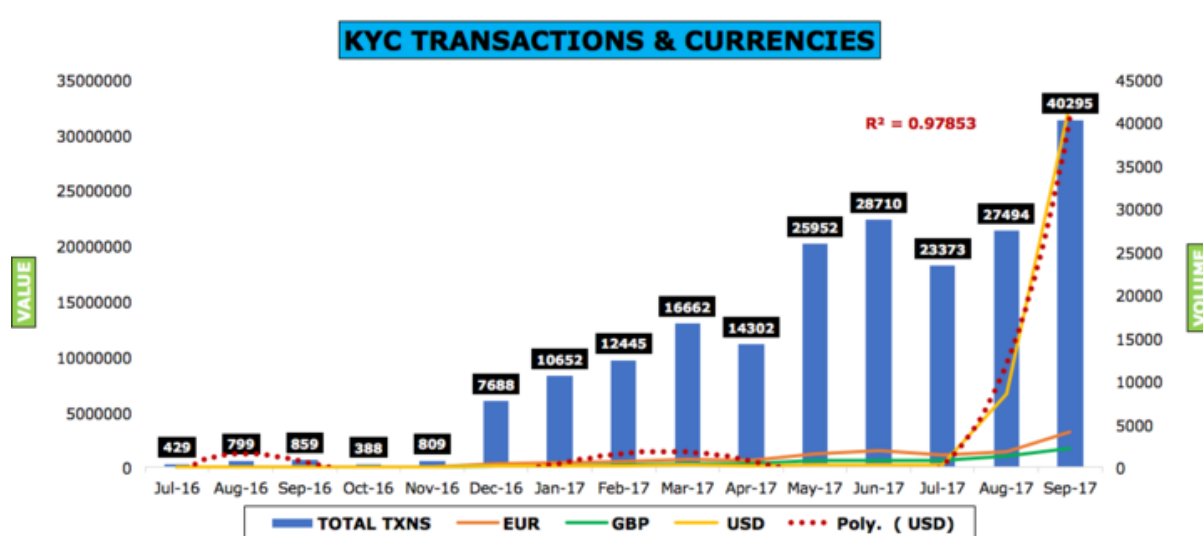


Chart above shows trend of Unique identity / KYC transactions and transaction banking (payments) leading into the European summer quarter. European summer is traditionally a slower period, in particular July and August, where many Europeans take their traditional summer vacation month. Transactional growth activity in September continues the trend line from extrapolating May and June.

Summary of achievements this quarter include:

- Executed partnership agreement with the largest pan European card acquirer and e-payment services company, Worldline (FR; WLN). Extends the Paydentity services across the European Union once launched
- Coinify and Blockchain services experiencing further growth, with increasing transaction volumes undertaken in the quarter.
- XM UK continues with a conservative growth trajectory, with further expansion into new Territories anticipated for this quarter.
- iSignthis eMoney Ltd is now a Principal Member of the world’s leading card schemes: Visa Inc (NYSE : V), Mastercard (NYSE : MA), as well as JCB International
- First Australian Card Acquiring Contracts executed for retail merchants via the relationship with National Australia Bank (ASX : NAB). iSignthis’ ISXPay is now contracted to process in excess of \$40m per annum in e-commerce transactions. Immediately following the end of the quarter, the Company announced the addition of another customer, pushing the “book value” of transactions beyond \$52m with a net margin of 77 basis points and 23cents per transaction.
- Post the end of the quarter the Company has announced that “live transactional processing” has commenced with BuyCoinNow and Tradefinancial. These merchants will contribute revenue in the current quarter

1.0 BUSINESS UPDATE

The Company is pleased to advise that momentum is building on a number of fronts. Following the end of the European summer and holiday period, the final stages of service integration with a number of existing customers is occurring leading to an increase in transactions being processed and the number of 'live' customers. The flow on effect will mean increased revenues and cash receipts from customers in the coming periods (refer to recent announcements in October 2017 for further details).

The business development focus on new accounts is also increasing now that the effects of new legislation is starting to shape the European merchant landscape and the compliance teams of online regulated merchants are getting a full understanding of what is required in order to remain compliant with the 4th AML Directive. iSignthis expects to be in a position to announce further signed agreements in the next quarter.

ISX is pleased with the diversity of its' customer base, with paying customers live and transacting in an expanding number of industry verticals, offering its range of identity verification, processing and card acquiring settlements services. The sectors in which the Company now offers either compliance and/or transactional banking payment facilitation includes banking, eWallets, Payment Service Providers, FX trading, CFD trading, Binary trading, Bitcoin trading, digital currency, retail e-commerce, online casinos, sports betting and wagering.

This diversity of customers not only provides a level of sector risk mitigation, but also proves the adaptability of the patented Paydentity and ISXPay processes to solve problems for regulated financial industries globally.

2.0 CORPORATE

2.1 CASH POSITION

At the end of the Quarter, the consolidated group cash balance as reported in the Appendix 4C was \$2.535 million (excluding A\$400k held as cash on deposit with NAB). The cash usage for the quarter being within our projected usage for business growth, development, marketing and service deployment.

It should be noted that due to the nature of the regulated space in which the Company operates we are required to hold certain funds as security against revenue generating activities. These funds held currently account for in excess of A\$1m in different forms such as a term deposit held with the National Australia Bank as security for acquiring services (A\$400k) offered to our merchant customers, funds held as collateral for principal membership in the major card schemes (Visa and Mastercard) and a minimum cash balance held in the accounts of subsidiary company iSignthis eMoney Ltd as a requirement of the Central Bank under their licensing conditions.

The nature of the settlement side of the business operations requires adequate funds to be held on deposit in order to process merchant funds through our accounts. The requirement of funds to be held ranges between 2%-3% of the amounts being processed i.e. if iSignthis were to process A\$200m in client funds, then the amount of unencumbered cash reserves to be held on the Balance Sheet under bank liquidity regulations would be approximately \$5m at 2.5% average.

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:

- Operational recurring revenues to commence from at least 5 previously announced and contracted merchant customers, plus new customers announced post the end of the quarter. The Company has announced two accounts now transacting since the closure of the quarter (BuyCoinNow and Tradefinancial).
- The Company has completed integration to the National Australia Bank as part of the previously announced payment facilitation agreement. Discussions are now in place to offer settlement services to existing contracted merchants for their Australian operations as well as securing agreements with new customers in both the regulated and non-regulated industries. As announced on 16 October 2017, Tradefinancial has commenced transacting via the NAB partnership.
- Completing integration with Worldline to offer similar settlement services to EU merchants.
- Completing direct integration to the major card schemes via third party operator Third Data in order to commence direct settlement services in Europe as per the terms of our license with the Central Bank of Cyprus.
- Transaction volumes growth expected to accelerate with the expansion of services to new geographic regions by major customers already announced.
- Operating expenditure to remain largely in line with previous quarters, providing operating leverage as transaction volumes and revenues grow

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.

Acquiring bank = (also called acquirers, processing banks or merchant banks) are financial institutions, members of Visa and MasterCard, that contract with merchants to enable them to accept debit and credit card payments for their products and services. They can also, and mostly do, contract with third parties to provide some of these services.

Cardholder = authorised user of credit or debit card

Card issuer = (Monetary) financial institutions that are Principal Members of a Credit Card Association, which issue payment cards on behalf of the Credit Card Associations, and contract with their cardholders for the terms of the repayment of transactions. iSignthis is a Principal Member of Visa Inc (NYSE:V), Mastercard Worldwide (NYSE:MA) and JCB International

Credit Card Associations = member-owned association of banks that govern the issuing of Visa, MasterCard, JCB, AMEX, Diners, Discover and China UnionPay cards and the acquiring of transactions from those cards. Both organisations have developed payment systems to facilitate the processing of transactions between member banks.

CTF or CFT = Counter Terrorism Funding, or Counter Funding of Terrorism, is often paired with AML as AML/CTF or AML/CFT

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. Refer to '**Secret**'

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.

Identification = the means whereby a person is identified by name and other unique attributes, prior to those details being verified by a customer due diligence process.

Merchant = is a business that has contracted with an acquiring MFI or Payment Facilitator to accept card payments

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

Monetary Financial Institution (MFI) = EU Regulation 2013/33/13 defines MFIs as resident undertakings that belong to any of the following sectors Credit Institution (Bank), Central Bank or eMoney Institution (e-Bank), such as iSignthis eMoney Ltd

Payment Facilitator = is an organisation that has contracted with an acquiring bank to provide merchants with card payment processing services on behalf of an acquirer. Payment processors must be registered with Visa and MasterCard and must identify on all of their marketing materials, including their websites, the name of the bank partner.

Payment Service Provider (PSP) = an entity licensed or authorised to provide transactional banking services, including card issue, card acquire, credit facilities and bank transfers. The Company's subsidiary iSignthis eMoney Ltd is a European Economic Area Authorised eMoney Monetary Financial Institution (MFI) and can offer PSP services.

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.

PSC = A **Person of Significant Control** is anyone that exerts a significant influence or control over a company. They are identified as a PSC if they meet any of the following criteria: Hold more than 25% of a share in a company or have the right to participate in more than 25% of the surplus assets of a company.

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**. By way of example, the United Kingdom's Joint Money Laundering Steering Group (JMLSG) 2017 Revision at s5.3.89 refers.

Service provider = any third party that provides a service used in the card payment transaction process: point-of-sale terminals, payment gateways, web hosting, SSL certificates, shopping carts etc.

SCA = Strong Customer Authentication, a means whereby two factor authentication (2FA) is linked to a person's 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 mother's maiden name, the persons full name, their driver's license number etc. It may predate the **KYC** process by years, months or days, and may be discernable to party's other than who it relates by way of data hacks/breaches¹, social media. Static Data is susceptible to data breaches, such as the US and UK 2017 Equifax data breach.

UBO = Ultimate Beneficial Owner, companies are increasingly expected to understand who they are doing business with. This serves to prevent doing business with mala fide parties. Any institutions that fall within the scope of the Anti-Money Laundering and Anti-Terrorist Financing Act must retrieve the identity of the UBO (the ultimate beneficial owner) of their business relations on a mandatory basis.

Verification = the means whereby a person's details, including name, date of birth, address and other unique attributes having been previously identified, are verified via a customer due diligence process.

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

ISIGNTHIS LTD

ABN

93 075 419 715

Quarter ended ("current quarter")

30 SEPTEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	329	329
1.2 Payments for		
(a) research and development	(79)	(79)
(b) product manufacturing and operating costs	(101)	(101)
(c) advertising and marketing	(16)	(16)
(d) leased assets	-	-
(e) staff costs	(615)	(615)
(f) administration and corporate costs	(847)	(847)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	579	579
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(740)	(740)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(14)	(14)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash on deposit)	(118)	(118)
2.6	Net cash from / (used in) investing activities	(132)	(132)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,399	3,399
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(740)	(740)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(132)	(132)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	8	8
4.6	Cash and cash equivalents at end of quarter	2,535	2,535

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,535	2,399
5.2 Call deposits	1,000	1,000
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) ¹	2,535	3,399

¹The cash balance above excludes \$400k of cash on deposit with a maturity date greater than 3 months which is required to be held as security for the company's acquiring services.

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	99
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments to directors and director related entities during the September 2017 quarter.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Nil

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Nil

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	70
9.2	Product manufacturing and operating costs	100
9.3	Advertising and marketing	30
9.4	Leased assets	-
9.5	Staff costs	690
9.6	Administration and corporate costs	460
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	1,350

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 17 October 2017

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.