

29 April 2016

Report to shareholders for the Quarter Ended 31st March 2016

iSignthis Ltd (iSignthis or the Company) (ASX : ISX) is pleased to provide the following business update and Appendix 4C for the quarter ended 31st March 2016.

Highlights include:

- Commenced transacting with Coinify to deliver AML regulatory compliance for buying bitcoin via cards
- iSignthis v2.0 *payidentity* SaaS certified to PCI DSS v3.1 Level 1
- Gibraltar: Independent reviews confirms iSignthis' services satisfy AML regulations for both Gambling & Financial Services
- Isle of Man: iSignthis validates its unique digital KYC service against AML/CTF regulations
- Continued aggressive marketing and promotion of the iSignthis brand and services – attended specialist EU and Asia gaming, forex and finance conferences in Hong Kong, London & Copenhagen providing sales team further opportunity to build our pipeline

1.0 BUSINESS UPDATE

The quarter ending 31 March 2016 marks the 12-month anniversary since listing as iSignthis Ltd (ISX). The Company continues to make significant steps forward in its quest to be the market leader in providing dynamic, online and rapid identity verification services covering 51% of the world's population and allowing AML/CTF obligated businesses operating out of any FATF cooperative jurisdiction to meet their compliance requirements.

The Company's focus is now on commercial processing of end users for existing customers, and very shortly, new customers. The management team is focused on ensuring that transactions are processed promptly and correctly, the transaction ledger balances with the monies settlement accounting, and that the identity process meets regulatory requirements together with customer expectations. This approach is critical as our process replaces the low volume, manual KYC approaches in use today, and relies upon convergence of our automated identity process with conventional high volume payment processing technologies.

The Company has thus adopted a conservative, incremental approach, with customer end user load being applied over a period of months, due to the highly regulated sectors in which we operate.

Typically, we would expect that new customers will each take a period of 6-8 weeks to optimise (at low volumes of end users), prior to a gradual ramping up of end user volumes across a period of several more weeks to months to full load. This is prudent as not only do our customers rely upon iSignthis for payment processing, but also for identity management, the former of which is sensitive commercially, and the latter being a mandatory regulatory requirement for our customers to commence and continue operations.

Product Strategy

Since listing as iSignthis Ltd, the business has continued to evolve and develop its product range and services available to obligated financial institutions. Fundamental to our business model is the patented solution in delivering identification services (KYC) to AML/CTF obligated businesses. This online, dynamic and new 21st Century solution provides the scale, volume and revenues required for a sustainable business. ISX is also able to replace existing fragmented processes experienced by our customers via a single API.

Whilst our focus is on AML Regulated sector businesses, or service range, our capability has been extended to encompass the complete payment and identity requirements faced by online business.

ISX solutions assist online business by substituting multiple vendors and processes;

- Payment Gateway
- Card acquiring & bank(s)
- AML/CTF KYC data
- AML/CTF KYC manual back office team
- Anti-fraud / payment authentication
- Transaction monitoring

The ISX solution now spans multiple products and will generate further revenue streams with financial, compliance and operational benefits for our customers. ISX is a unique offering creating a 'sticky' customer relationship benefiting both parties.

Partner Integration Status

Direct Consumers

As announced on the 4th April 2016, the agreement with leading blockchain payments provider, Coinify ApS ("Coinify") has moved from integration to fully transactional and commercial.

Coinify are leading the bitcoin market in announcing that it delivers service commencement of a new global product connecting blockchain payments, KYC identity and credit cards. Enabled by iSignthis, the new payment product will allow instant bitcoin purchases on the Coinify platform.

Apart from Coinify, the following integration is now also complete;

- eZeewallet

Integrations commenced or soon to commence;

- Crownbet
- Tikforce

Channel Partners / Networks

The following Channel Partners have completed integration, and have commenced sales cycle;

- Adelante
- eMerchantPay
- IPG

Integrations commenced or soon to commence;

- Alpha Payments Cloud
- The Flying Merchant
- SmartCardPayment Systems
- Assurity (Singapore Government NAF)

Card Acquiring

The following acquirers have been fully integrated;

- Clearhaus
- Yeepay (incorporating some 21 Chinese banks)

Soon to cover:

- Payvision
- Others (agreements soon to be concluded)

Isle of Man –A further example of iSignthis Service applicability to gaming sector

As announced, iSignthis is pleased that the Company's remote Know Your Customer (KYC) service is applicable to yet another major centre for offshore wagering, gaming, gambling, financial services and banking. Gaming regulators often enhance the standard AML/CTF requirements with their own local codes.

Gibraltar - Independent reviews confirm that the iSignthis services satisfy AML regulations for both Gambling & Financial Services

During the past quarter and as announced on 11th January 2016, iSignthis received overlapping independent legal advice confirming the adequacy of its innovative automated online Know Your Customer (KYC) due diligence services for use by Gibraltar regulated entities.

The Company has now received independent guidance and advice that our services will satisfy local legislation and regulations in the key gaming and trading jurisdictions of Cyprus, Gibraltar, Malta, Isle of Man, UK, Australia, France and Italy.

2.0 CORPORATE

2.1 CASH POSITION

At the end of the Quarter, the consolidated group cash balance was \$10.1 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:

- Continued focus on business development by building on opportunities created and looking at closing and announcing new agreements with direct customers, strategic channel partners and referrers.
- 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")

31 March 2016

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	(436)	(1,242)
(b) advertising and marketing	(83)	(192)
(c) research and development	(325)	(491)
(d) leased assets	-	-
(e) other working capital	(293)	(968)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	75	92
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net operating cash flows	(1,062)	(2,801)

+ 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 (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,062)	(2,801)
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	(8)	(34)
(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	(8)	(34)
1.14 Total operating and investing cash flows	(1,070)	(2,835)
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	(1,070)	7,852
1.21 Cash at beginning of quarter/year to date	11,181	2,267
1.22 Exchange rate adjustments to item 1.21	(4)	(12)
1.23 Cash at end of quarter	10,107	10,107

+ 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	136
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 March 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	1,360	1,434
4.2 Deposits at call	8,747	9,747
4.3 Bank overdraft	-	-
4.4 Other	-	-
Total: cash at end of quarter (item 1.23)	10,107	11,181

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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: 29 April 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.

+ See chapter 19 for defined terms.