

27th July 2017

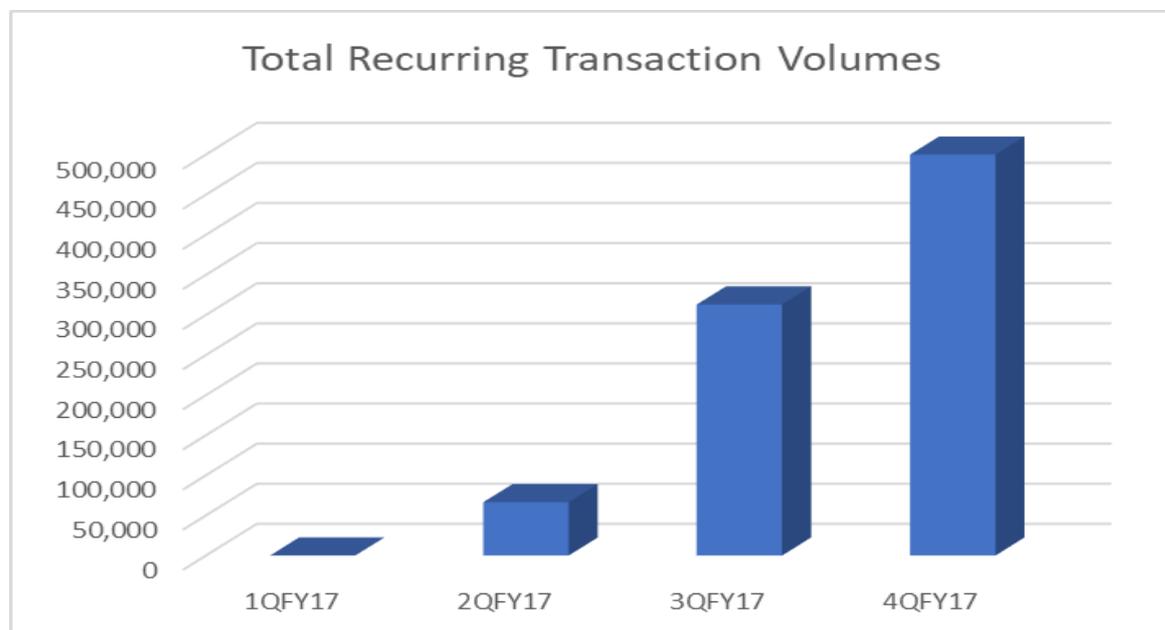
Report to shareholders for the Quarter Ended 30th June 2017

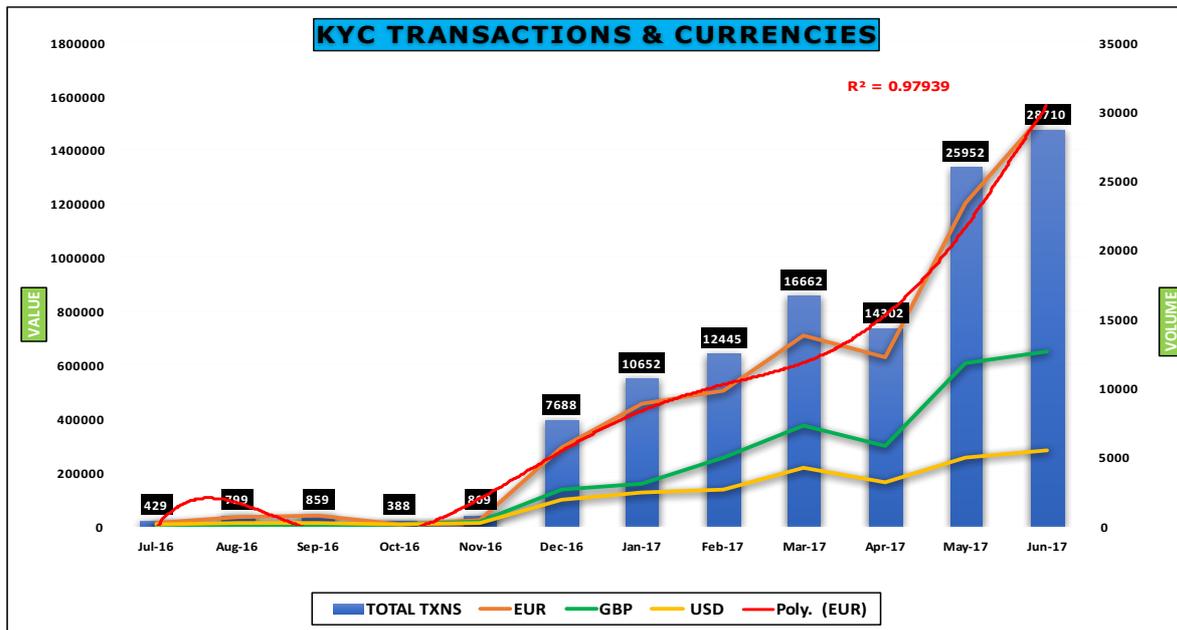
Australian Securities and Frankfurt Stock Exchange cross-listed iSignthis Ltd (iSignthis or the Company) (ASX : ISX / FRA : TA8) is pleased to provide the following business update and Appendix 4C for the quarter ended 30th June 2017.

Highlights:

- Cash Receipts Up 190% with Revenue Up 195% quarter on quarter
- Unaudited operating revenues of \$295,000 for the quarter ended 30 June 2017
- Transaction growth continuing (represented below)
- Full range of transactional banking services nearing completion
- KYC service operational for EU's June 26th, 2017 4th AML Directive
- Cash at bank \$3.85m (including longer term security deposits of \$0.4m in June QTR)
- Net Operating Cashflow in line with expectations (\$1.5m)

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





Whilst commencing with a low base at the start of FY17, transactional processing (including the key element of KYC) is showing steady growth on a month on month basis. This is expected to continue to build as we deploy the services to a wider range of contracted customers, contract new customers and open fully the service to the global operations of the existing integrated merchants.

As mentioned in previous communications to the market, the business operates on a transactional basis with the various transactions (identity verification/KYC, payment processing & monitoring, and funds clearance and settlement) being billed at varying rates depending on volume, size and complexity.

Transaction growth therefore has a direct correlation with revenue on a per merchant basis, but not on a consolidated basis. Consistent with being an API based service where our merchant customers connect to us, we do not charge fees for integration unless it is bespoke. As our reputation and service demand increases, the Company will charge monthly minimums and seek upfront commitments, in order for Merchants to demonstrate commitment to the Company's services on contract.

Summary of achievements this quarter include:

- Increase in operational (transactional) revenues from existing integrated accounts (not necessarily included as cash receipts as at 30 June);
 - Unaudited operating revenues of \$0.295m for the quarter ended 30 June 2017.
 - The revenues above are a combination of ordinary operation revenues, resulting from fees charged to either XM, Ixaris, Coinify, EMerchantPay or Blockchain:

- per transaction processed to a card acquirer,
 - per payment instrument verification (where it is independent of KYC on-boarding),
 - per multi page document processing (where it is independent of KYC on-boarding),
 - per active annual end user on-boarded to assist with KYC,
 - per PEP and Sanction screening to assist with KYC.
-
- XM.co.uk deployed and transacting, with the company supplying identity verification services on a commercial basis. Other XM sites are currently being integrated and we expect the ISX services to be opened to the rest of the world in Q1FY18.

 - Coinify and Blockchain services experiencing growth.

 - Borgun deployed well in advance of customer requested September commencement date.

 - Eurosystem eMoney Monetary Financial Institution license granted for ISXPay.

 - JCB International completes a partnership agreement with iSignthis to enable the processing of card payments within the SEPA region, to launch circa September 2017.

 - Completed the cross listing of ISX stock on the Frankfurt Exchange with shares trading under the local Deutsche Bourse (FRA) code of TA8.

1.0 BUSINESS UPDATE

The Company is pleased with its progress and achievements in conceiving, deploying and commencing operations of a global transactional monetary financial institution (MFI) in a relatively short period of time since listing on the ASX.

The ISX Services have been designed and deployed to meet the requirements of the most stringent AML/CFT regime in the world, being the European Union's 4th AML Directive (4AMLD), which took effect 26th June 2017. The 4AMLD is a key 'Regulatory driver and catalyst' upon which the Company's business model and revenues rely, and we are starting to see that catalyst produce results.

The Company expects that AML obligated / regulated entities will consider their requirements over the European summer period, and, where they : fall short on a compliance basis, or need scale, or need automation, or need greater or seek global User reach or lack resources to grow or are unable in a timely manner to respond to opportunity presented by remote/online operations, or combinations of the foregoing; then we expect that these entities would be prospective customers.

The Company is already engaging in sales discussions with a number of entities, noting that it is usually the larger entities that exhibit interest in our services based on one or more of the foregoing requirements, noting however that such entities also have a “deal time” proportional to their size.

The services the Company provides are to:

- i) identity & verify User Users on behalf of our merchants,
- ii) AML/CFT sanction and PEP screen those Users,
- iii) process and monitor payments from Users,
- iv) settle funds between User's MFI and ISXPay to the credit of our merchants,
- v) and securely store User identity and transactional details for compliance, audit and User convenience for subsequent transactions.

Shareholders should note that timeframes to negotiate, integrate, test, third party audit, and certify banking systems are by their nature long, and are complex to undertake. Shareholders should also take comfort that the core process is now largely complete to a transactional, operational and revenue capable status in Australia and EU, with enhanced features, capabilities and additional revenue stream opportunities to be developed on an ongoing basis.

Licensing to become an MFI within the EU is a stringent process that can take years. The Company was authorised as a full EU MFI with deposit taking, payment processing, transfer, credit and eMoney issuance services circa 12 months from final application.

The Company is excited that not only its own services offered to merchants are Payment Services Directive 2 (PSD2) compliant with regards to API access and Strong Customer Authentication, but also that it is offering services to other MFIs and Payment Service Providers to assist them with their 4AMLD and PSD2 requirements.

Further, the Company has developed advantages in intellectual property including granted patents, partnerships, business models and technology deployment, and has commenced exploitation of these to the benefit of shareholders.

2.0 STATUS OF REGULATION

The Company has advised previously of its strategic positioning upon the back of regulatory changes primarily within the European Union. These regulatory changes have facilitated agreements with merchant companies as they tackle the ever increasing complexity of dealing with legal changes, remaining compliant and operating with commercial efficiency whilst meeting those requirements.

iSignthis, on providing these services to merchants, relies upon either;

- regulatory requirements, including national law compliance or trans-regional compliance system harmonisation within intercompany operations, or,
- commercial factors, including risk mitigation, customer experience optimisation, or cost benefit including customer conversion enhancement.

- Automation, reach and scale, including ability to verify identities 24/7 automatically from every jurisdiction that is regulator permissible, with the limitations of a human back office.

The Company has focussed primarily on the European Union (EU), as the EU's incoming Anti Money Laundering (AML) and Counter Funding for Terrorism (CFT) regulatory regime is by far the most complex and one of the most rigorous in the world.

One of the challenges that the Company has faced is that its solutions rely on the Customer having scale, and or requirements for transregional end user reach. Smaller organisations can usually manage their operations cost effectively with the minimum number of compliance staff, noting that regulation requires minimum staffing as part of a license. However, with scale or multijurisdictional reach requirements, the size of the customer's organisation is invariably larger and usually more conservative, leading to longer deal cycles.

Notwithstanding this, the Company is of the view that in a number of cases where the prospective Customer has scale, much of the 'deal cycle' has now been transgressed. This has the Company in a most fortunate position where regulatory drivers are starting to bite, and prospective Customers are aware of the Company's solutions.

Within the EU, the following jurisdictions have been identified by the Company as being of higher interest than others;

Country	Sector
United Kingdom	Trading (e.g. FX, CFD Securities), Gambling/Gaming
Cyprus	Trading
Gibraltar	Gambling/Gaming
Isle of Man	Gaming
Malta	Gambling/Gaming, Trading (e.g. FX, CFD Securities),
Scandinavia	FinTech

The "Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing" (4AMLD) was due to be transposed into National law by member states by the 26th June 2017, as the 4AMLD is entered into force across the European Union. This entry into force comes as discussions with the European Parliament and the Council on extra measures further reinforcing the Directive are already at an advanced stage

The Company has been developing systems, contracting and integrating clients on the basis that the 4AMLD will take effect 26th June 2017, and that it will be the key driver for uptake of the Company's services.

So far, a number of states, including the United Kingdom and Gibraltar, have met the target date for transposition of the 4AMLD into national law, per <http://eur-lex.europa.eu/legal-content/EN/NIM/?uri=celex:32015L0849>

Cyprus, whilst not having met the legislative requirements, has implemented via regulation core requirements of the 4AMLD, including the recent directives from the Cyprus Investment and Securities Commission (CySEC).

Whilst the Scandinavian countries, including EU members Denmark, Sweden, Finland and European Economic Area members Norway and Iceland, have not all yet to implement the 4AMLD, the awareness of it within AML Obligated entities is much higher than in other jurisdictions. For example, Denmark's Fintech Coinify has been operational for months now, and Iceland's acquiring bank, Borgun, has completed acceptance testing of the Paydentity service in anticipation of the 4AMLD. Recent audit activity by CySEC and other regulators, has also served to highlight the 4AMLD.

Regulatory Impact Summary

Until the 4AMLD took force, Customers were prepared to contract with the Company, and to some extent, commence integration of services. They were in many cases not prepared to do more than trial the system at low volumes, to ensure that ISX Services met their anticipated requirements, and integrated with their other back office solutions.

As an early start company, the Company also could not leverage monthly minimums nor integration fees to the extent an incumbent service provider could. The Company now requires some set up fees, advance prepayments and/or monthly minimums before contracting any new Customer.

The months leading up to the 4AMLD taking effect meant that the Company could not derive revenues from its services from many of its contracted Customers, as Customer's had no direct requirement to use the Company's services, which provide solutions for aspects of the 4AMLD specifically.

With the 4AMLD taking effect as of 26 June 2017, the Company has seen increased activity by Customers with which it has previously contracted, in completing integrations.

There has been a large up spike in interest from prospective customers who now seek solutions to the 4AMLD, in lieu of their manual or last century based solutions.

The Company anticipates that EU regulators will grant a defacto 6-month waiver to AML Obligated businesses, beyond which point fines and sanctions are likely to be applied. As such, we would expect to see the volumes of prospective, contracted and operationally live customers grow over the next six months, and beyond as Customers seek to either automate and/or extend reach.

3.0 CORPORATE

2.1 CASH POSITION

At the end of the Quarter, the consolidated group cash balance as reported in the Appendix 4C was \$3.4 million. The cash usage for the quarter being within our projected usage for business growth, development, marketing and service deployment. The \$3.4m reported above does not include \$0.452m cash held on deposit with a term to maturity greater than 3 months, the majority being \$0.4m held with the National Australia Bank as capital reserve in line with the terms of our payment facilitation agreement. Revenues are arresting the cash outflows, with revenues continuing to increase as we see customers take up services to satisfy their obligations under the 4th AML Directive.

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 previously announced and contracted merchant customers.
- 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.
- 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.

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 = financial institutions that are 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.

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.

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 bank 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.

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.*

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**.

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.

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 JUNE 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	155	504
1.2 Payments for		
(a) research and development	(72)	(344)
(b) product manufacturing and operating costs	(246)	(397)
(c) advertising and marketing	(72)	(120)
(d) leased assets	-	-
(e) staff costs	(683)	(2,725)
(f) administration and corporate costs	(591)	(2,375)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	24	148
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,485)	(5,309)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(18)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(124)	(124)
(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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) ¹	(452)	(502)
2.6	Net cash from / (used in) investing activities	(576)	(644)

¹Included in the amount noted above is \$452k of cash on deposit held with a term to maturity greater than 3 months.

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	-	400
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	-	400

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	5,422	8,957
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,485)	(5,309)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(576)	(644)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	400
4.5	Effect of movement in exchange rates on cash held	38	(5)
4.6	Cash and cash equivalents at end of quarter¹	3,399	3,399

¹The cash balance above excludes \$452k of cash on deposit with a maturity date greater than 3 months

+ See chapter 19 for defined terms

1 September 2016

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	2,399	1,975
5.2 Call deposits	1,000	3,447
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	3,399	5,422

¹The cash balance above excludes \$452k of cash on deposit with a maturity date greater than 3 months

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	95
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 June 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: 27 July 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.