

22nd January 2018

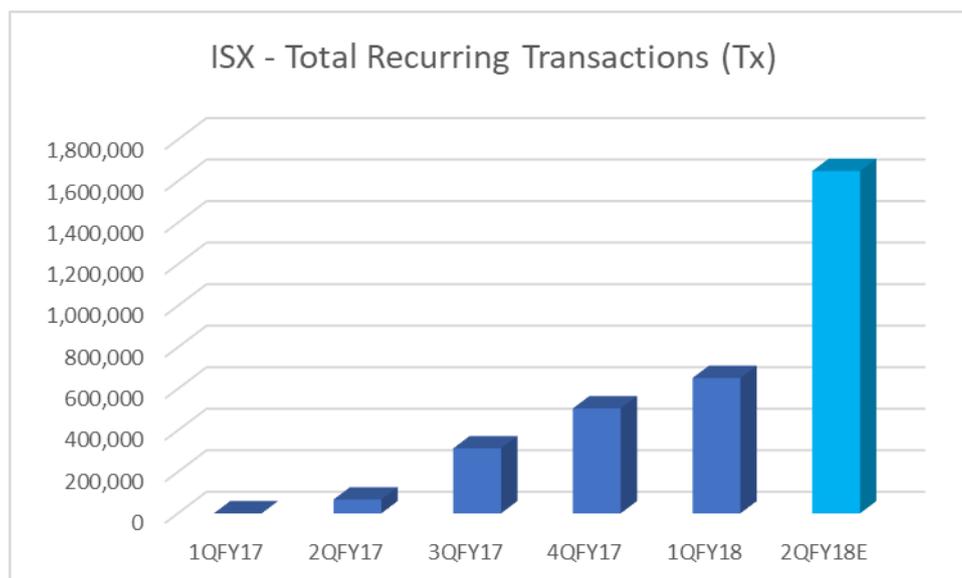
Report to shareholders for the Quarter Ended 31st December 2017

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 31st December 2017.

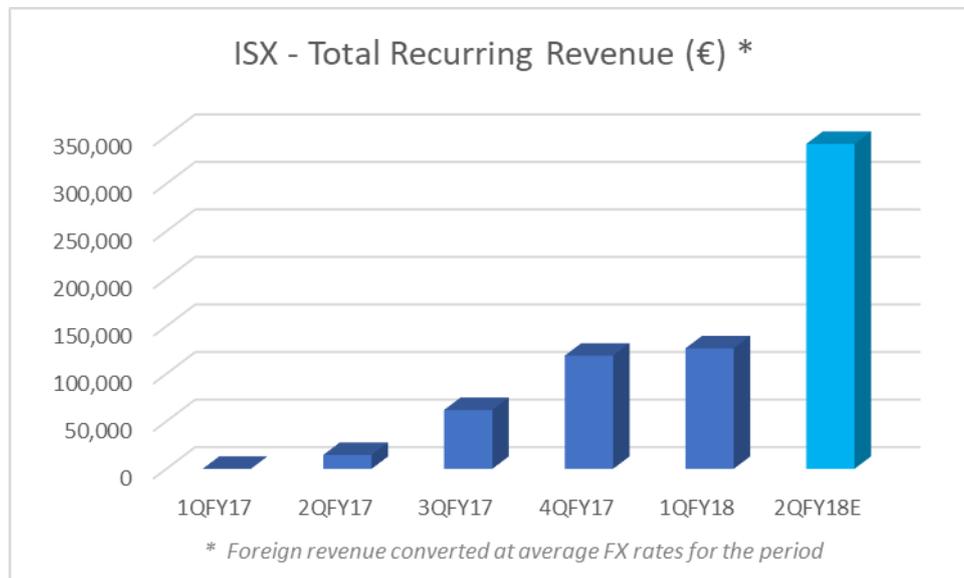
Highlights:

- Total recurring transactions (Tx) for the December quarter outperformed expectations, increasing +153% vs the September quarter:
 - This outperformance was driven by stronger than expected platform usage from existing customers and the addition of new customers in November and December 2017
 - The Company expects growth to normalise to more sustainable levels and provides guidance for the March quarter Tx volumes of approximately 30% QoQ
- Settlement processing for customers commenced in the quarter, with revenue booked for the first time and initial settlement GTPV values processed by customers are very encouraging.
- Unaudited revenue of A\$553k for the December quarter, representing an increase of 100% from the September quarter
 - Total unaudited revenue for the 1HFY18 of A\$829k
- Cash Receipts for the December quarter increased to A\$392k
- Subsequent to the end of the quarter, iSignthis announced last week that the partnership with Worldline to provide payment settlement services to EU based customers went “live”. iSignthis will now move to contract its pipeline of prospective EEA merchants, and seek to onboard them as quickly as possible.

Transaction Volumes (Tx)



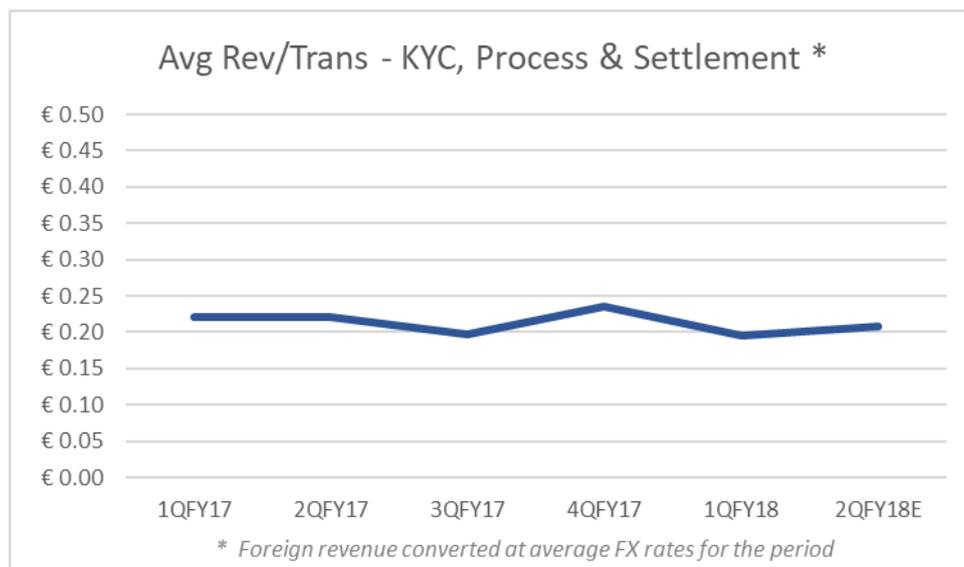
Revenue from recurring transactions (€) *



ARPTx - Average revenue per transaction (€/Tx) *

iSignthis have provided estimated average revenue per transaction in the chart below, with the value being within a range of €0.20 and €0.24 for the last six quarters (18 months).

Based on the rapid growth in the “settlements” transaction processing and the higher average value of those transactions, iSignthis anticipates the ARPTx will increase steadily in the coming quarters.



Summary of achievements this quarter include:

- Successfully completed a share placement to institutional investors raising \$6.5m at \$0.19 per share
- Coinify and Blockchain services experiencing further growth, with increasing transaction volumes undertaken in the quarter. This sector is particularly volatile and it is therefore difficult to predict future transacting volumes and trends.
- Live transactional processing has commenced with Valutrades, Tradefinancial, OT Capital and TraderQ. These merchants have contributed revenue in the December 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
- Additional 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 \$75m per annum in e-commerce transactions, with annualised daily merchant gross turnover processing value now in excess of this \$75m figure.
- Integration with POLI Payments completion providing additional revenue stream from merchant customers. Processing of POLI Payments has commenced and will generate revenues in 3QFY18.

1.0 BUSINESS UPDATE

The Company is pleased with the continual transaction volume growth quarter on quarter and the generation of revenue in excess of \$500k for the quarter ending 31 December 2017. Whilst we are seeing revenues from a relatively low number of integrated customers, it is pleasing to see that strong numbers are now being delivered across each of our industry verticals (Identity verification, processing and card acquiring settlement services).

The ongoing focus is to continue to build on these numbers in order to reach a break even and profitable position as quickly as possible. The sales team is issuing proposals and contracts to prospective customers, whilst at the same time the merchant support team is finalising integration of services to contracted clients. New business, new integrations and growth of existing customers are all factors in the quarter on quarter transaction and revenue growth.

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 \$7.654million (excluding cash deposits held as security and Customer Segregated Funds). The cash usage for the quarter being within our projected usage for business growth, development, marketing and service deployment.

The cash position is continuing to improve with the gap between outflows and inflows decreasing as revenues grow and the additional funds gained by the placement completed to institutional investors in the December quarter.

Securities & Reserves – as at 31 December 2017

The Company has received \$300k of **Securities** from its **Merchants**.

The Company also holds \$265k in **Rolling Reserves** on behalf of its **Merchants**.

These amounts are not included in the cash balance.

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 existing contracted merchant customers.
- Completing integration with Worldline to offer similar settlement services to EU merchants (now completed and announced to the market on 19th January 2018).
- Completing direct integration to the major card schemes via third party operator First 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 (Tx) growth expected to normalise to more sustainable levels in the ~30% range QoQ.
- Operating expenditure to remain largely in line with previous quarters, providing operating leverage as transaction volumes and revenues grow.
- JCB is anticipated to go live next quarter.

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

Customers = entities that contract with the Company for either identity related services or payment facilitation services. Used interchangeably with 'merchants'.

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.

End User = i) natural persons that are being identified by the Company on behalf of our Customers, or, ii) legal or natural persons who are making payment to our merchants via the payment processing facilities provided by the Company, or iii) both.

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, and usually includes Proof of Identity (PoI) and Proof of Address (PoA)

Gross Turnover Processing Volume (GTPV) = the volume of funds processed by the Company on behalf of any of its Merchants. That is, the GTPV is the merchant's revenue, from which the Company calculates and deducts fees.

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

Paydentity = 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.

Rolling Reserve = a risk management strategy to protect the merchant and the Company from potential loss due to chargebacks. A portion (calculated on an agreed percentage) of the weekly credit card GTPV volume processed will be secured to cover for the potential business risk relating to chargebacks, and released back to the merchant after a predetermined period of time (typically 26 weeks). The Rolling Reserve is considered as merchant funds held by the Company typically as a security against performance by the merchant of the card scheme rules. The Company may set off against the Rolling Reserve.

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.

Security = funds placed by the merchant with the Company against performance by the merchant of its obligations under its agreement with the Company. The Company may set off against the Security.

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 person's 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.

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

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.

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")

31 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	392	721
1.2 Payments for		
(a) research and development	(88)	(167)
(b) product manufacturing and operating costs	(123)	(224)
(c) advertising and marketing	(37)	(53)
(d) leased assets	-	-
(e) staff costs	(982)	(1,597)
(f) administration and corporate costs	(552)	(1,399)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	22	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	579
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,368)	(2,108)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(21)	(35)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(50)	(50)
(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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 deposits)	406	406
2.6	Net cash from / (used in) investing activities	335	321

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	6,500	6,500
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	(167)	(167)
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 (card scheme membership security)	(150)	(268)
3.10	Net cash from / (used in) financing activities	6,183	6,065

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	2,535	3,399
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,368)	(2,108)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	335	321
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,183	6,065
4.5	Effect of movement in exchange rates on cash held	(31)	(23)
4.6	Cash and cash equivalents at end of quarter	7,654	7,654

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	7,243	1,535
5.2 Call deposits	411	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)	7,654	2,535

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	102
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 December 2017 quarter.

During the December 2017 quarter the Company entered into a formal, short term, interest bearing loan agreement with Etherstack Pty Limited a wholly owned subsidiary of Etherstack Plc of which Mr Scott Minehane is a director. A total of \$353,246 was advanced to Etherstack Pty Limited and subsequently repaid during the quarter and as such does not appear in section 6.2. A total of \$7,220 interest was paid as part of the agreement. The transaction was completed at arm's length.

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

Add notes as necessary for an understanding of the position

	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	30
9.2	Product manufacturing and operating costs	160
9.3	Advertising and marketing	20
9.4	Leased assets	-
9.5	Staff costs	1,100
9.6	Administration and corporate costs	400
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	1,710

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: 22 January 2018

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.