

4Q20 Appendix 4C and Business Activity Report

Melbourne, 29th January 2021: iSignthis Ltd (the Company), and its subsidiaries (the Group) are pleased to present their 7th consecutive, positive, quarterly cash flow from operating activities.

- Cash and cash equivalents at the end of the quarter of \$16.6m remain broadly flat to the prior quarter (\$16.7m)
- Cash receipts of \$8.0 m were down 10% versus the prior quarter
- Costs of \$7.2m were down 2% versus the prior quarter

The Company is forecasting an (unaudited) FY 2020 Net Profit After Tax (NPAT) of circa A\$1.4 million for FY2020 (Jan to Dec), with underlying NPAT greater than circa A\$4.0m if excluding one off costs.

The NPAT has been impacted by several **one-off costs** of circa \$2.6m (after tax) associated with the ASX dispute, including legal fees, compliance costs and costs related to exploring alternative listing opportunities.

Whilst 2020 has been a challenging year for ISX, the Company has reflected on the Group's role in the European and UK financial services sector and the social contract attached to its position. Accordingly, the Company has tightened its operational risk controls which involved reviewing its entire book of customers. This has led to both an increase in compliance costs in the quarter as well as the voluntary culling of a small number of non-material merchants to ensure that the Company's standards are reflected in its customer exposures. This has contributed to a decline in revenues this quarter, but we feel it positions the business well over the longer term.

Business Environment

COVID-19

Our business-as-usual operations are now almost entirely flexible, with personnel able to work remotely with minimal notice.

COVID has led to several fluctuations in revenues derived from our customers, which in turn means we cannot forecast based upon expected growth and seasonality metrics associated with our customers' historic performance. We are unable at this point in time to provide forecasts, other than we expect the company to continue to grow and remain profitable based upon recent new contract signings for flykk® and electronic money accounts.

BREXIT

The Group holds two UK Financial Conduct Authority authorisations as a UK Authorised Electronic Money Institution, with our Cypriot and UK entities each holding authorisations.

The Group also holds an EEA Electronic Money Institution authorisation via our Cypriot entity.

We do not consider that BREXIT has impacted the Group directly, as we are able to conduct business in the UK and EEA using the above regulatory authorisations.

General

The Group's operations continue to be hampered by the aftereffects of the ASX's Statement of Reasons and what the Company asserts in its Federal Court statement of claim are unfounded allegations made therein. The Company has used the last quarter to further R&D and product development, and to refine products and relationships within the geographic and service boundaries of its existing operations.

The Company has commenced preparations for a listing on a number of likely prospective offshore exchanges, including having received tax advice, legal advice and updating its corporate governance policies and procedures.

The Company will consider timing of an offshore listing taking into consideration prevailing market conditions, the merits of each exchange, projected revenues and growth, new product lines, litigation, and further regulatory authorisations. As discussed below, any listing will be no earlier than late 2021.

Operations

General Processing

Since late 2019, the Group has been focused on diversifying its revenue, away from card acquiring, towards lower cost instant and batched interbank payments, and creating a multi-rail ecosystem centred on its flykk® service.

This quarter, we have seen instant and batched interbank payments revenue grow by 67%, however offset by a decline in card acquiring revenues.

Overall revenues are down during this last quarter versus the prior corresponding period due to a number of factors including: The Company no longer processing payments in Australia, de-risking our customer book, and whole or partial exit of some merchants in sectors including travel, crypto, CFD/FX.

Card acquiring costs have remained relatively steady during the quarter, with lower volume related costs, offset by a A\$637,000 compliance charge from Mastercard, which is reflected in the P&L for 2020, but isn't included in this 4C. These charges will likely be offset against amounts owed by Mastercard to the Group for the 2019 period for overpayment by the Company of interchange fees (as reported in the 30 June 2020 Half Year Report).

We continue to develop and improve our back office automation tools in order to eliminate manual reconciliation of fees and charges.

Restructuring of our revenue sources to rely less on costly card acquiring and more on our own payment rails means that the gross profit margins are expected to increase.

The gradual but steady roll-out of our own ecosystem over the last 3 years, culminating in flykk®, means that the Company can significantly lower its cost base. Our cost base has changed to reflect a greater proportion being subject to a fixed, rather than variable, cost per transaction.

- The benefits associated with instant or multiple times daily batched settlements directly to our central bank Exchange Settlement Account (“ESA”), with our systems updating in real time. This contrasts with card payments that take several days to settle and are complex to reconcile for our subsidiaries as well as our customers.
- SEPA Instant payments do not have chargebacks, thus reduce administration and management time and cost.
- Our own technology developed inhouse is used almost entirely to process the transactions, with monies kept at the Eurosystem Central Bank of Lithuania.
- This reduces our reliance on third party ‘for profit’ schemes and allows the Group to fully leverage its regulatory authorisations and technology to maximise earnings.

Our customers gain from the advantages associated with instantly settled funds, no chargebacks, and gain from the benefits of instant API notification of successful transaction settlement. This allows our customers to integrate their systems to our API for notifications, and “ship” product instantly, as compared to manual reconciliation of their bank accounts.

The SEPA-instant Instant Notification (SIIN) service has allowed the Group to create its own rails, independent of card schemes, but which complement the schemes for remote payments. We have created alternative rails that emulate the benefits of card payments, without the disadvantages, and linked these to existing rails, to create a multi-rail payments ecosystem.

The revenue break down for the quarter is as follows:

- Online Video Gaming represents forty percent, with no single customer being individually material, with exposure to this industry segment reducing from forty two percent last quarter.
- Regulated online Gaming revenues represent seventeen percent, with no single customer being individually material, with exposure to this industry segment increasing from six percent last quarter.
- Options/CFD/FX represents nine percent of our revenues, with exposure to this industry segment reducing from twelve percent last quarter. The Company has not at any stage processed payments for binary options providers in any jurisdiction.
- Crypto currency represents three percent of our revenues, which remains steady per the last quarter.

- Credit providers represent two percent of our revenues, down from seven percent last quarter, due to the timing of product implementations in Probanx®.
- Travel services remains at zero percent of revenue, consistent with the prior quarter.
- Revenues from other sources, comprise the balance of the breakdown.

The Group has also reviewed its customer book and has offboarded several customers in the cryptocurrency, online gaming, and CFD/FX categories, in turn de-risking its overall profile.

Terminations

The Group has not processed payments for almost a year for *Bitconvert Ltd* (since February 2020) and *FCorp Ltd* (since January 2020). As such these have not been considered material to our operations during FY2020. The agreements with these entities were also terminated.

Customers including *The Quest Squad* and *Your Victory Vault* were also terminated.

The Group ceased processing any Visa authorisation requests on the **6th September 2020**. The processing of refunds and chargebacks continued into Q4 2020 and has now ceased entirely. The Visa relationship has since terminated. Visa is not material to the Company's multi-rail electronic money strategy represented by flykk®

The Visa commentary on our operations from March / April last year has been the subject of internal and external review. Where an opportunity to improve our processes is sensible, the Group has or will seek to make those improvements. To date, no "systemic" issues have been uncovered by any third-party audit, including other major card schemes.

The Company was advised that the Danish Government's Finansielt Stabilitet department has received the final valuation report from the independent valuer of Københavns Andelskasse (KAB) under kontrol (now FS Finans VI A/S). iSignthis eMoney Ltd has been acknowledged as a *deposit customer* of Københavns Andelskasse, with entitlements per the PWC report¹.

As a *depositor*, iSignthis eMoney Ltd qualified as a *simple creditor*, and FS Finans VI A/S has returned 34.2% of the funds held on deposit following the write-down. The total amount paid out was €90,062.73 and 152.33 DKK, which was recorded as income in 2020 and was received in early January. The Company had previously written off €257k during 2018. The KAB matter is now finalised and the Group's deposit accounts closed.

flykk® ecosystem.

flykk® provides customers the convenience of a fully networked International Bank Account Number (IBAN) as part of the EU's open banking SEPA environment, with more than 10 currencies supported.

¹ <https://www.fs.dk/finansielt-stabilitet-at-a-glance/announcements/valuation-report-of-koebenhavns-andelskasse-under-kontrol>

The flykk[®] ecosystem recently registered with Mastercard International as a Staged Digital Wallet Operator (SDWO), bringing together our ISXPay[®] card acquiring, SEPA payments, SIIN, Paydentity[®] and the IBAN issuing and account keeping capabilities of Probanx[®].

Group companies are also in the process of further extending the geographical footprint of card issuing licences with our card scheme partners.

By leveraging the Group's principal card memberships, flykk[®] is also connected to Diners, Discover and JCB, in addition to Mastercard, allowing customers the opportunity to fund their flykk IBANs from card sources as well as SEPA transfers.

Paydentity[™] was launched by the Company during 2015 at Finovate² as a retail customer KYC service. It has evolved substantially since 2015 to include various KYC data sources, the Lexis Nexis Bridger Worldcheck in addition to its patented payment instrument verification. The company now reserves the use of Paydentity[™] exclusively for flykk[®] retail customer onboarding.

The William Hill (LON: WMH) owned brands, Mr Green and Evoke, have contracted with and are near launch on flykk[®]. A number of other merchants are also in the near-term pipeline to be onboarded. At this stage, we cannot comment on the materiality of any of these merchants to overall earnings.

flykk[®] is accessible globally, except Australia. Australia is not material to our overall earnings which are EU/UK sourced, with growth anticipated to also come from planned Asian and North American operations. The Group has principal licenses to operate acquiring of Mastercard, Diners, Discover, and ChinaUnionPay in Australia.

A new <http://www.flykk.it> website will be live contemporaneous with launch of merchants.

Probanx[®] SaaS

Probanx has a number of prospective customers for its CorePlus core banking system, CoreConnect SEPA and interbank network SaaS, and PayPlus, its payment management system.

Over 20 EEA / UK regulated institutions rely upon the Probanx[®] technology platforms to deliver banking and/or payment services.

NSXL (ASX: NSX) Investment

The Company considers its investment in the NSXL as long term and continues to see benefits in developing technology for the NSXA and ClearPay. The NSXA's use of the NASDAQ trading engine (which is also used by the ASX), means that the Distributed Ledger Technology under development by Probanx[®] will be compatible with the 118 or so exchanges serviced by NASDAQ trading engines globally.

² <https://finovate.com/videos/finovateeurope-2015-isignthis/>

The Company's \$6.02m investment for a 19.22% stake in the NSXL has a value of circa A\$11m based upon the market capitalisation as at the 31st December 2020.

R&D & Personnel

The Company continues to expend on R&D, and has added technical personnel to its Australian, Lithuanian, and Cypriot operations. Fifty-Two (52) of our One Hundred and Sixteen (116) personnel are involved directly in technology delivery or R&D.

These costs are expensed where they contribute to integrations, deployments, licensing, or SaaS revenues, and capitalised where they reflect the development of software, as an asset used to generate revenues via our operations.

Approximately 43% of our workforce is female, with 3 of our 8 direct reports to the CEO being female.

Payments for related parties including executive and non-executive directors' fees and salaries for the quarter were \$0.176m.

Intellectual Property

The Company was granted further letters patent in Cyprus and Malaysia this last quarter. The Company achieved its first US Patent in December 2013 and has been successful in developing and/or being granted patents across several inventions in several jurisdictions, including the European Patent Area, USA, China, and Australia.

Whilst the patents have to date been defensive in nature allowing the Company freedom to operate its technology, we note several potential infringers, particularly in the USA. The Company is monitoring the infringements, and will consider its approach over the coming months, which may include infringement proceedings.

Corporate & Legal

ASIC Action

The Company and its Managing Director have faced 15 months of in-depth investigation. The investigation has culminated in three disclosure-related penalty claims being brought by ASIC as civil matters in the Federal Court (and other consequent proposed orders). The Company and its Managing Director will defend the ASIC claims and are well advanced in preparing a strong defence. The parties are scheduled for an administrative hearing on the 12th February 2021.

The Company is not aware of any further investigation by ASIC.

ISX action against ASX Limited

The Company intends to continue to pursue the action and its \$462m claim against the ASX. The parties have traded positions on discovery. At this stage, both parties object to certain categories of discovery raised by the other.

The parties are scheduled for an administrative hearing on the 5th February 2021.

Other Regulatory

No fine, sanction, corrective action or investigation is open on any of our Group subsidiaries, which continue to operate with an unblemished regulatory record.

Our key regulators, the UK's FCA, the Central Bank of Cyprus and the Central Bank of Lithuania, have no open queries or otherwise, regarding any aspect of our operations.

In Australia, AUSTRAC confirmed during the previous quarter that there are no open matters or issues.

Quotation on Other Exchange

The Company to date has been focussed on its operations during what has been for several reasons a turbulent 2020.

The Board feels it is in the best interests of shareholders to continue to explore an offshore listing at a time when value will be maximised for shareholders and best for the company. This is expected to be no earlier than late 2021. There are several issues, including ongoing litigation, prevailing market conditions and choice of exchange that the Board will weigh in its consideration of when it should seek to progress a listing. The Board maintains a clear intent to seek the quotation of shares as an area of priority.

Authorised by the Board of Directors

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ISIGNTHIS LTD

ABN

93 075 419 715

Quarter ended ("current quarter")
31st DECEMBER 2020 – 4Q20

Consolidated statement of cash flows	Current quarter 4Q20 - \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,989	35,153
1.2 Payments for		
(a) research and development	(178)	(714)
(b) product manufacturing and operating costs	(3,028)	(15,524)
(c) advertising and marketing	(60)	(332)
(d) leased assets	(174)	(371)
(e) staff costs	(2,267)	(7,252)
(f) administration and corporate costs	(1,546)	(6,052)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	47
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid (18 months back taxes)	-	(1,347)
1.7 Government grants and tax incentives	242	972
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	982	4,580
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(65)	(620)
(d) investments	-	(6,020)
(e) intellectual property	(751)	(3,109)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter 4Q20 - \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Cash contribution from Joint Venture partner)	-	1,882
	Other (Cash contribution from Joint Venture partner – non-controlling interest)	-	1,318
2.6	Net cash from / (used in) investing activities	(816)	(6,549)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	361
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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 (merchant security received and card scheme membership security)	(50)	610
3.10	Net cash from / (used in) financing activities	(50)	971

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,748	17,704
4.2	Net cash from / (used in) operating activities (item 1.9 above)	982	4,580

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter 4Q20 - \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(816)	(6,549)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(50)	971
4.5	Effect of movement in exchange rates on cash held	(253)	(95)
4.6	Cash and cash equivalents at end of period	16,611	16,611

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	15,511	16,748
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposit maturing on 25 March 2021)	1,100	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,611	16,748

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(176)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
N/A		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	982
8.2 Cash and cash equivalents at quarter end (item 4.6)	16,611
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	16,611
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

29 January 2021

Date:

Elizabeth Warrell, Company Secretary

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.