iSignthis Ltd
ACN 075 419 715
('Company' or 'ISX')

Explanatory Statement

This Explanatory Statement sets out information in connection with the resolution to be considered at the Meeting.

This Explanatory Statement should be read in conjunction with and forms part of the accompanying Notice and Prospectus and is given to the Shareholders for the purposes of section 256C(4) of the Corporations Act.

The Notice, Explanatory Statement and Prospectus contain all information known to the Company that is material to the decision on how to vote on the resolution.

1. Prospectus

The Company has prepared a Prospectus that contains relevant information to satisfy its disclosure obligations. The Prospectus accompanies the Notice and this Explanatory Statement and has been lodged with ASIC on 7 September 2021.

The Company recommends that all Shareholders read the Prospectus carefully in conjunction with this Notice.

2. Forward looking statements

The Notice, Explanatory Statement and Prospectus may contain forward-looking statements which are identified by words such as ‘may’, ‘should’, ‘will’, ‘expect’, ‘anticipate’, ‘believes’, ‘estimate’, ‘intend’, ‘scheduled’ or ‘continue’ or other similar words. Such statements and information are subject to risks and uncertainties and a number of assumptions, which may cause the actual results or events to differ materially from the expectations described in the forward looking statements or information.

Whilst the Company considers the expectations reflected in any forward looking statements or information in the Notice, Explanatory Statement and Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors outlined in section 12 of the Prospectus, as well as other matters not yet known to the Company or not currently considered material to the Company, may cause actual events to be materially different from those expressed, implied or projected in any forward looking statements or information. Any forward looking statement or information contained in the Notice, Explanatory Statement and Prospectus are qualified by this cautionary statement.

3. Resolution - approval of equal reduction of capital by way of in-specie distribution

The Resolution seeks approval of Shareholders to an equal reduction of capital, to be effect by way of an In-specie Distribution to Shareholders, pro-rata to their shareholding in ISX on the Record Date.

4. Proposal - Overview

ISX is the holding company for the various Group operating businesses.

ISX proposes a demerger which would result in Shareholders holding shares in both ISX (retain existing shares) and in ISX Financial EU Plc ARBN 629 892 324 (**ISXFEU**) (**Demerger**). ISX currently holds all of the shares in ISXFEU but would effect the Demerger by transferring shares in ISXFEU to its Shareholders, so that ISXFEU becomes directly owned by the Shareholders in the same proportions as they hold shares in ISX. In effect, Shareholders would continue to own the same assets as they presently directly or indirectly own, but they would own them through two 'parallel' shareholdings.

The mechanism for the Demerger would be a 'reduction of capital' of ISX, returning capital (represented by shares in ISXFEU) to Shareholders (**Capital Reduction**). ISX would distribute shares in ISXFEU to the Shareholders on a pro rata basis (**In-specie Distribution**).

Shareholders would receive 1 ISXFEU Share for each 10 ISX Shares held at the Record Date. The number of ISXFEU Shares issued will be rounded to the nearest whole for fractions of zero point five (0.5) and above, and rounded down when less than zero point five (0.5).

ISXFEU is the current 'head' subsidiary which holds the European operating businesses of the group headed by ISX and some other assets of the Group.

The Demerger is proposed to enable ISXFEU to become listed on a European securities exchange, and to prosper in the region in which most of its business is conducted.

A result of the proposed Demerger will be that ISX will own fewer assets, but would seek to remain an ASX-listed company. This and other aspects are explained more fully below.

The proposed transaction is illustrated by comparing Figure 1 and Figure 2, which show the shares held by Shareholders and the attached corporate group before and after the Demerger, respectively.

Figure 1 ISX Group structure before Demerger

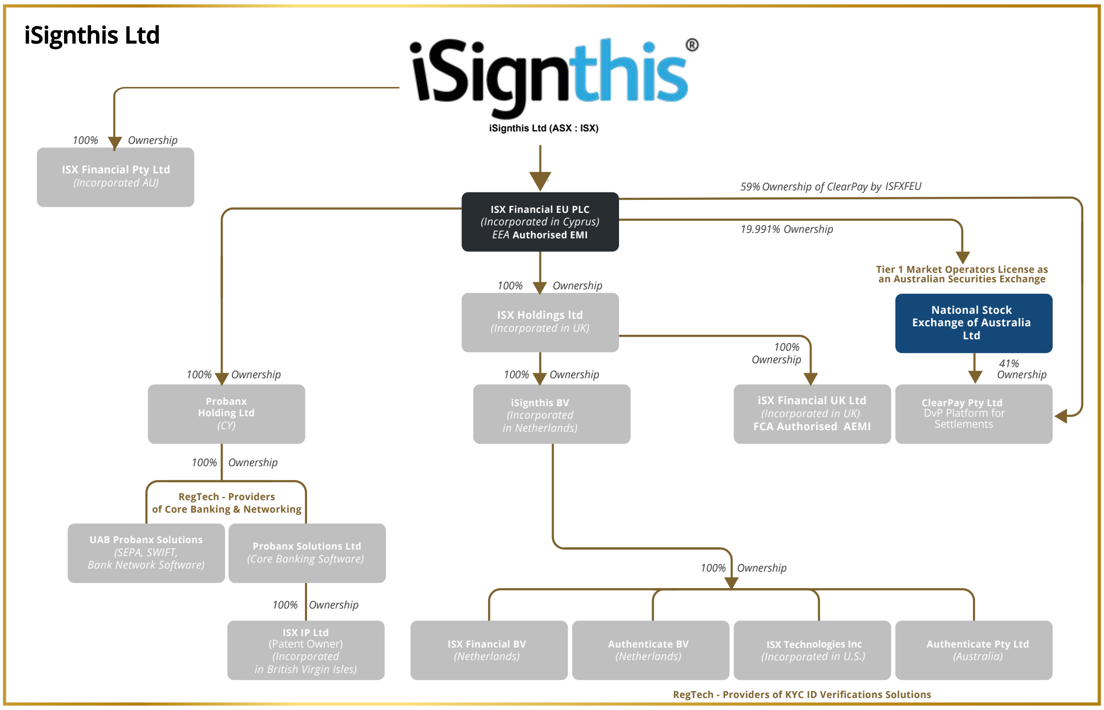
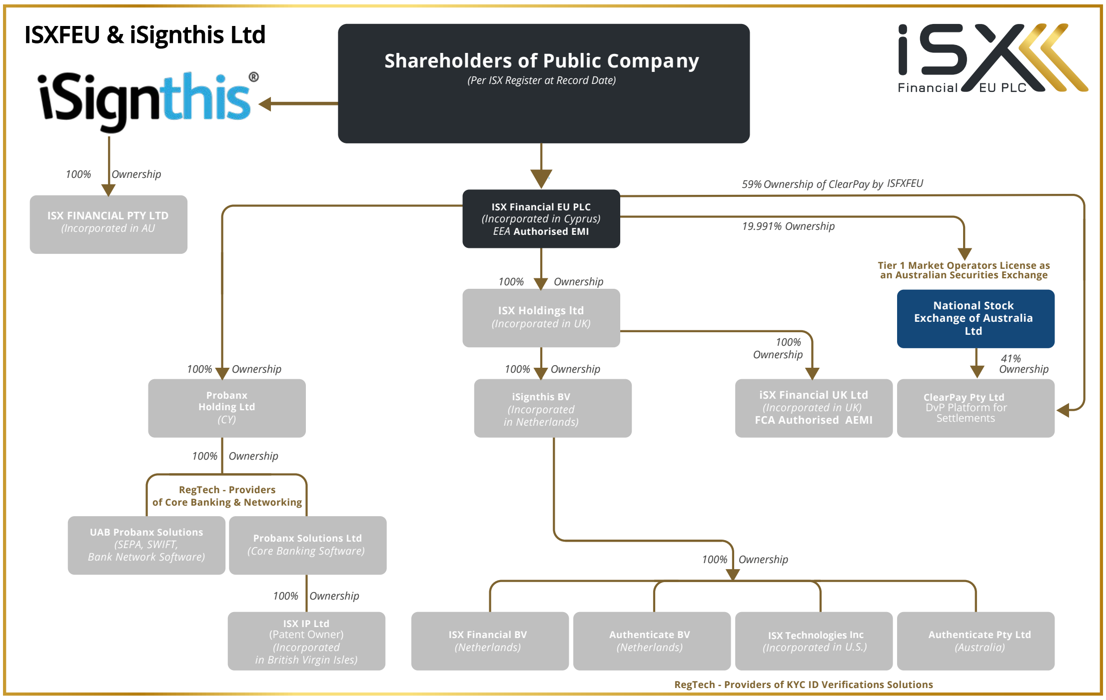


Figure 2 ISX Group and ISXFEU Group after Demerger, from the perspective of a Shareholder



5. Regulatory requirements

There are regulatory requirements set out under the Corporations Act, the ASX Listing Rules and the Company Constitution that govern the proposed Capital Reduction.

Corporations Act

The Corporations Act provides that the rules relating to a reduction of share capital are designed to protect the interests of shareholders and creditors by:

(a) addressing the risk of the transaction leading to the Company's solvency;

(b) seeking to ensure fairness between the shareholders of the Company; and

(c) requiring the Company to disclose all material information.

In particular, Section 256B of the Corporations Act requires that a Company may only reduce its capital if:

(a) it is fair and reasonable to the shareholders as a whole;

(b) it does not materially prejudice the Company's ability to pay its creditors; and

(c) it is approved by shareholders in accordance with Section 256C of the Corporations Act.

Section 256C(4) of the Corporations Act requires that the Company must include with the Resolution a statement setting out all information known to the Company that is material to the decision on how to vote on the Resolution. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to shareholders.

The Directors believe that the Capital Reduction as proposed is fair and reasonable to Shareholders for the following reasons:

(a) The Capital Reduction is simply a Demerger, by which the Company is providing Shareholders with a direct pro rata holding of securities in ISXFEU;

(b) Shareholders will continue to directly or indirectly own the same assets that they directly or indirectly own at present, and in unchanged proportions; and

(c) The Shareholders have been provided with all relevant information that is required to make an informed decision.

The Directors do not consider that there are any material disadvantages to the Company undertaking the Capital Reduction.

Pursuant to Section 256C(1) of the Corporations Act, a reduction of capital must be approved by the Shareholders by a resolution passed at a general meeting of the Company.

Listing Rules

The following Listing Rules are relevant in the context of an In-specie Distribution:

(a) Listing Rule 7.17 requires a listed entity, in offering shareholders an entitlement to securities, to offer those securities pro rata or in some other way that, in the opinion of the ASX, is fair in all the circumstances, and to not restrict the number of securities which a holder must hold before the entitlement accrues;

(b) Listing Rule 7.25 provides that an entity must not reorganise its capital if the effect of doing so would decrease the price at which its main class of securities would be likely to trade after the reorganisation to an amount less than 20 cents;

(c) Listing Rule 10.1 (specifically part 10.1.3) provides that an entity must obtain shareholder approval for an acquisition of a substantial asset by a shareholder with 10% or more of the Company's shares, that any such shareholder (in this instance Select All Enterprise Ltd) cannot vote on the resolution and that an independent expert's report must accompany the notice of meeting;

(d) Listing Rule 11.4 provides that an entity must not dispose of a major asset if, at the time of the disposal, it is aware that the person acquiring the asset intends to offer or issue securities with a view to becoming listed. This Listing Rule does not apply where the securities are offered, issued, or transferred pro rata to the holders of ordinary securities in the entity, or in another way that, in the ASX's opinion, is fair in all the circumstances;

In accordance with the applicable Listing Rules:

(a) The Company will be transferring securities in ISXFEU pro rata to Shareholders;

(b) The Company will not be imposing a limit on the number of securities that a Shareholder must possess before their entitlement to securities accrued;

(c) The In-specie Distribution and Capital Reduction is not expected to decrease the price of the Company's main class of securities to an amount less than 20 cents. At the time of its suspension, the Company's securities were trading at AUD $1.07. The net assets retained by the Company after the In-specie Distribution and Capital Reduction will be approximately 48% of its existing net assets; and

(d) The independent expert's report (accompanying this document) concludes that the Demerger is ***fair and reasonable*** to the 'Non-Associated Shareholders' (meaning those other than the large shareholder Select All Enterprise Ltd which is excluded from voting on the Resolution).

Constitution

Under clause 10.2 of the Constitution, subject to the Corporations Act and Listing Rules, the Company may reduce its share capital in any way including, but not limited to, distributing to shareholders securities of any other body corporate and, on behalf of the shareholders, consenting to each shareholder becoming a member of that body corporate and agreeing to be bound by the constitution of that body corporate.

Accordingly, the Capital Reduction is contingent on approval by a resolution of the Shareholders in accordance with sections 256B(1)(c) and 256C(1) of the Corporations Act.

Therefore, the Company seeks the approval of the Shareholders to pass this Resolution.

6. About ISXFEU

If the Demerger proceeds, Shareholders will become direct shareholders in ISXFEU in the same proportions as their current shareholdings in ISX.

ISXFEU is a holding company for the main operating businesses of the current Group, and some other assets.

Information about the assets and liabilities, financial position and performance, profits and losses and prospects of ISXFEU, and about the rights and liabilities attaching to shares in ISXFEU, are set out in the accompanying Prospectus.

You should read the Prospectus before you vote on the Resolution.

The Directors of ISX and the directors of ISXFEU regard ISXFEU as an appropriate entity for Shareholders to maintain their investment in the underlying assets and businesses.

Acquiring a direct shareholding in ISXFEU may have taxation consequences for Shareholders, which is addressed in the Prospectus.

7. Reasons for the Demerger

The reasons for the Demerger are set out in section 6.4 of the Prospectus.

8. Effect of Demerger on ISX

If the Demerger proceeds, ISX would have less capital and fewer assets. Its principal remaining assets would be:

(a) 100% shareholding in ISX Financial Pty Ltd ACN 624 762 269, a partly-established card acquiring and payments business. This subsidiary has a Mastercard Principal Licence for Australia and collateral with Mastercard of AUD $400,000, and contractual rights with ISXFEU to use its payment gateway. This entity will continue seeking various regulatory approvals in Australia;

(b) An AUD $6.6 million convertible note in ISXFEU, the key terms of which are set out in the Prospectus;

(c) Cash at bank, forecast to be $3.6 million immediately after the Demerger;

(d) Rights to any monetary award in the Federal Court proceedings brought by ISX against ASX Limited.

Also, it would have a liability for ASX's costs if unsuccessful in the litigation against ASX.

The directors of ISX will seek to retain ISX as a company listed on the ASX and continue to seek to have trading in ISX shares resumed (the ASX suspension lifted) as soon as possible.

In the Directors' opinion the Demerger and Capital Reduction will not materially prejudice the Company's ability to pay its creditors.

A pro-forma balance sheet of ISX immediately after the proposed Demerger is set out in Figure 3.

Figure 3 Pro-forma balance sheet of ISX immediately after the proposed Demerger

iSignthis Ltd – Forecast Consolidated statement of Financial Position as at demerger date (October 2021)	**AUD $**	**EUR € (@1.6 FX rate)**
Cash at bank	3,604,016	2,252,510
Trade and other receivables	98,503	61,564
Other assets	250,981	156,863
Card scheme collateral	558,121	348,826
Total current assets	**4,511,621**	**2,819,763**
Convertible Note Receivable	6,600,000	4,125,000
Total non-current assets	**6,600,000**	**4,125,000**
Total asset	**11,111,621**	**6,944,763**
Trade and other payables	(958,696)	(599,185)
Total current liabilities	**(958,696)**	**(599,185)**
Total non-current liabilities	**0**	**0**
Total liabilities	**(958,696)**	**(599,185)**
Net Assets	**10,152,925**	**6,345,578**
Ordinary shares - fully paid	(47,851,317)	(32,573,442)
Foreign currency reserve	0	2,666,369
Retained (profits)/losses	37,698,392	23,561,495
Total Equity	**(10,152,925)**	**(6,345,578)**

9. Advantages and disadvantages

Advantages

(a) Shareholders will obtain a direct pro-rata shareholding in ISXFEU;

(b) The separation of ISXFEU will allow it to become listed on a recognised securities exchange, which in turn would allow Shareholders to trade their shares in ISXFEU;

(c) ISXFEU would be focussed on its European theatre of operations and be free of any tension between EU and Australian law or Australian market operator practice. ISXFEU would benefit from consistency across its regulatory requirements;

(d) The Demerger will deliver a structure that allows each of ISX and ISXFEU to continue building and expanding its operations, which the Directors believe would enhance the value of the both entities. Specifically ISXFEU can focus on building its EU and UK business independently of Australia;

(e) ISXFEU would conduct business operations, including dealing with customers and earning revenue, without the ignominy of being a company not in good standing with the securities exchange on which it is listed;

(f) The market price of ISXFEU shares is likely to reflect the market's assessment of the value of those shares;

(g) The separate facing of ISXFEU to securities markets would present a better opportunity to attract new investors and shareholders; and

(h) ISX would be an ASX-listed Australian-focussed company without the difficulties of needing to reconcile EU and Australian regulation (for example different data privacy requirements).

Disadvantages

(a) Shareholders will become holders of shares in a European company and subject to different company law and different investor protections (see Prospectus);

(b) Shareholders may incur non-Australian transactional costs if they wish to dispose of their investment in ISXFEU, for example brokerage costs;

(c) The Company has incurred, and will incur, costs associated with the Demerger, including legal and advisory costs;

(d) There may be adverse taxation implications resulting from the Demerger;

(e) The objectives and interests of ISXFEU may not align with those of ISX or those currently held by Shareholders; and

(f) Any other disadvantages identified in the Prospectus.

10. Effect of proposed Capital Reduction on Shareholders

Should approval be obtained, the In-specie Distribution will be implemented by an equal reduction of the Company's capital on a pro-rata basis (**Capital Reduction**). Shareholders will receive an in specie return of capital by way of the distribution of ISXFEU shares in proportion to the number of ISX Shares held by them at the Record Date. Shareholders will thereby retain direct ownership of ISX and will also receive direct ownership of ISXFEU. Shareholders will receive 1 ISXFEU Share for each 10 ISX Shares held at the Record Date.

If the majority of Shareholders who are eligible to vote approve the Resolution:

(a) Shareholders will automatically receive the In-specie Distribution that they are entitled to under the Demerger, even if they have voted against the Resolution;

(b) Shareholders may face taxation consequences, see section 12 below.

If the majority of Shareholders who are eligible to vote reject the Resolution the Demerger and Capital Reduction will not proceed, and there will be no In-specie Distribution.

While all Shareholders are treated in identical terms, the Resolution also acknowledges that ISX's largest shareholder, Select All Enterprise Ltd (a company controlled by Mr Nickolas John Karantzis), would receive shares in ISXFEU. Listing Rule 10.1.3 requires Shareholders to approve an acquisition by a shareholder holding more than 10% of ISX's shares (as Select All Enterprise Ltd does), so the Resolution is expressed to be also an approval for the purpose of Listing Rule 10.1.

The independent expert's report (accompanying this document) concludes that the Demerger is fair and reasonable to the 'Non-Associated Shareholders' (meaning those other than the large shareholder Select All Enterprise Ltd, which is excluded from voting on the Resolution).

11. Risk factors

On successful completion of the In-specie Distribution, Shareholders will become shareholders in ISXFEU and should be aware of the general and specific risk factors which may affect ISXFEU and the value of its securities. Those risk factors are set out in section 12 of the Prospectus.

Other risk factors in undertaking the Demerger and risk factors for ISX include:

(a) There is no guarantee that Demerger will lead to quotation of ISXFEU's securities on a regulated securities exchange;

(b) ASX may be less likely to be agreeable to ISX remaining a listed company and to having the suspension of trading in ISX Shares lifted;

(c) ASX may seek to stymie the Demerger;

(d) The market may have difficulty in recognising the value of ISX;

(e) While the Directors believe that ISXFEU will be able to attract new investors, there is no guarantee that this will be the case; and

(f) There is no guarantee that the ISXFEU Shares will rise in value.

12. Taxation implications

If the Shareholders approve the Resolution, the taxation implications associated with each distribution made to each Shareholder will differ depending on the financial affairs of each individual.

Section 11 of the accompanying Prospectus provides a general summary of the Australian taxation implications arising for Shareholders under the Demerger (**RSM Report**). It has been prepared by RSM Australia Tax Law Pty Ltd based on Australian taxation laws, regulations, rulings and administrative guidance, and interpretations as at the date of the Prospectus.

Shareholders should read the RSM Report carefully before voting on the Resolution and should consult their own taxation adviser if they require personal advice on taxation implications.

13. Directors' interests and recommendations

Director	ISX Shares	ISX Options	ISXFEU Shares
Barnaby Egerton-Warburton[1]	5,453,667	Nil	545,367
Timothy Joseph Hart[2]	16,141,220	Nil	1,614,123
Scott William Minehane[3]	10,604,633	Nil	1,060,463
Nickolas John Karantzis[4]	451,297,754	Nil	45,129,775

The table above sets out the number of securities in the Company in which each Director holds an interest, specifically 'voting power' within the meaning in the Corporations Act, as at the date of the Meeting, and the number of shares that each Director would hold in ISXFEU if the Capital Reduction by way of In-specie Distribution is approved by passage of the Resolution.

The Directors unanimously recommend that the shareholders vote in favour of the Resolution.

Shareholders should note that although the CEO Mr Karantzis joins with the non-executive directors in recommending a vote in favour of the resolution, his company Select All Enterprise Ltd is excluded from voting under the ASX Listing Rules because it holds more than 10% of ISX Shares.

14. Independent Expert's opinion

The independent expert Hall Chadwick (whose report accompanies this document) has expressed the opinion that the Demerger is ***fair and reasonable*** to the 'Non-Associated Shareholders' (meaning those other than the large shareholder Select All Enterprise Ltd, which is excluded from voting on the Resolution).

[1] Holdings in Whistler Street Pty Ltd, BXW Pty Ltd, BXW Ventures Pty Ltd, La Jolla Pty Ltd, La Jolla Surfboard Company Pty Ltd, and Cybelle Todd
[2] Holdings in Vastium Ltd, TKJD Hart Pty Ltd and Mr Timothy Joseph Thomas Hart
[3] Holdings in Cili Padi Ltd and Ho Tay Investments Pty Ltd
[4] Holdings in Select All Enterprise Ltd and Ithaki Nominees Pty Ltd

15. Timetable

Event	Date
ISX announces capital return - Appendix 3A.5 (including the effective date of the capital return)	Before the effective date of the capital return
General Meeting of ISX to approve the In-specie Distribution	12 October 2021
ASX informed of shareholder approval for the In-specie Distribution (if obtained)	12 October 2021
Effective date of the capital return	13 October 2021
Record Date	18 October 2021
Dispatch of holding statements for In-specie Distribution	26 October 2021

Note: The dates shown in the table above are indicative only and may be changes at the discretion of the Directors, subject to the Corporations Act, the Listing Rules and other applicable laws.

16. Definitions

ASIC	means the Australian Securities and Investments Commission.
ASX	means the Australian Securities Exchange.
Capital Reduction	has the meaning given to it in section 4.
Company or ISX	means iSignthis Ltd ACN 075 419 715.
Constitution	means the constitution of the Company.
Corporations Act	means the *Corporations Act 2001* (Cth).
Demerger	has the meaning given to it in section 4.
Directors	means the directors of the Company.
In-specie Distribution	Means the proposed in-specie distribution of the ISXFEU Shares by ISX to the Shareholders as described in section 4.
ISX Share	means a share in ISX.
ISXFEU	means ISX Financial EU Plc (HE348009 / ARBN 629 892 324), previously known as ISX Financial EU Ltd.
ISXFEU Share	means a share in ISXFEU.
Listing Rules	means the ASX listing rules.

Meeting	means the date of the General Meeting to be held by the Company on 12 October 2021.
Notice	means the notice accompanying this Explanatory Statement for the Meeting.
Prospectus	means the replacement prospectus dated 7 September 2021 and lodged by ISX with ASIC on 7 September 2021 which accompanies the Notice and this Explanatory Statement for the Meeting.
Record Date	means 18 October 2021.
Resolution	means the Resolution in the Notice for the Meeting.
Shareholders	means the shareholders of the Company.

HALLCHADWICK
Corporate Finance & Advisory Services

31 August 2021

The Directors
iSignthis Limited
456 Victoria Parade
EAST MELBOURNE VIC 3002

Dear Sirs,

Independent Expert's Report on the proposed demerger

1. INTRODUCTION

Background

1.1 iSignthis Limited ("ISX" or "the Company") is an Australian public listed company which provides emoney, payments, and identity technology solutions internationally.

1.2 ISX is the holding company for various operating businesses ("ISX Group") including ISX Financial EU Limited ("ISXFEU"). ISX proposes a demerger which would result in Shareholders holding shares in both ISX (retain existing shares) and ISXFEU ("Demerger").

1.3 ISX currently holds all of the shares in ISXFEU but would effect the Demerger by transferring shares in ISXFEU to its Shareholders, so that ISXFEU becomes directly owned by the Shareholders in the same proportions as they hold shares in ISX.

1.4 The mechanism for the Demerger would be a 'reduction of capital' of ISX, returning capital (represented by shares in ISXFEU) to Shareholders ("Capital Reduction"). ISX would distribute shares in ISXFEU to the Shareholders on a pro rata basis ("Distribution").

1.5 The Demerger, involving the disposal of ISXFEU shares by ISX based on conditions precedent detailed at section 3, is referred to in this report as the "Transaction".

Purpose of Report

1.6 You have requested Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report to advise the shareholders of ISX other than those associated with the Transaction ("Non-Associated Shareholders"), whether the Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.

HALL CHADWICK
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1.7 HCC understands and has agreed that this report will accompany the notice to convene a meeting of ISX shareholders, to assist the Non-Associated Shareholders in their consideration of the Transaction.

2. OPINION

2.1 In our opinion, the Transaction is ***fair and reasonable*** to the Non-Associated Shareholders of ISX.

2.2 The ultimate decision however on whether to accept the Transaction should be based on shareholders own assessment of their circumstances.

STRUCTURE OF REPORT

Our report is set out under the following headings:

APPENDICES

3 TRANSACTION OVERVIEW AND PURPOSE OF REPORT

3.1 Transaction Overview

3.1.1 ISX currently holds all of the shares in ISXFEU and has proposed the Demerger by transferring shares in ISXFEU to its Shareholders, so that ISXFEU becomes directly owned by the Shareholders in the same proportions as they hold shares in ISX. In effect, Shareholders would continue to own the same assets as they presently directly or indirectly own, but they would own them through two 'parallel' shareholdings.

3.1.2 The mechanism for the Demerger would be a 'reduction of capital' of ISX, returning capital (represented by shares in ISXFEU) to Shareholders (“Capital Reduction”). ISX would distribute shares in ISXFEU to the Shareholders on a pro rata basis (“Distribution”). Shareholders would receive 1 share in ISXFEU for each 10 ISX Shares held at the Record Date.

3.1.3 ISXFEU is the current 'head' subsidiary of the ISX Group which holds the European operating businesses of the group and various other assets.

3.1.4 The Demerger is proposed to enable ISXFEU to become listed on a European securities exchange, to purportedly prosper in the region in which most of its business is conducted.

3.1.5 A result of the proposed Demerger will be that ISX will own fewer assets, but would seek to remain an ASX-listed company.

3.1.6 If the Demerger proceeds, ISX would have less capital and fewer assets. Its principal remaining assets would be:

(a) 100% shareholding in ISX Financial Pty Ltd, a partly-established card acquiring and payments business which currently has a book value of $557,685. This subsidiary has a Mastercard Principal Licence for Australia and collateral with Mastercard of circa $400,000, and contractual rights with ISXFEU to use its payment gateway in Australia. This entity is seeking various regulatory approvals in Australia;

(b) A convertible note in ISXFEU, the terms of which are set out at section 3.1.7 below;

(c) Cash at bank of circa $4 million;

(d) Rights to any monetary award in the Federal Court proceedings brought by ISX against ASX Limited.

3.1.7 ISXFEU has issued a convertible note to ISX to the value of 4,187,292 Euro (circa A$6,620,225) as long-term finance for 10 years. ISXFEU will be able to elect to repay the loan in part or in whole at any time over the 10 years. In the absence of an event of default, ISX will have no right to require early repayment. ISX will have a right to convert the loan or interest (or part of it) into Ordinary Shares at any time (to the extent that the loan has not been repaid). Conversion would occur at a price equal to the volume weighted average price of the Ordinary Shares traded on a regulated securities exchange over the three months prior to conversion, for such number of Ordinary Shares that reflects the exchange rate at the conversion date. Interest will be payable quarterly on the unpaid and unconverted loan at 1% above the Reserve Bank of Australia cash rate. The convertible note consolidates intercompany loans between the various entities and ISX as the parent company prior to the Demerger.

3.1.8 The directors of ISX will seek to retain ISX as a company listed on the ASX and continue to seek to have trading in ISX shares resumed (the ASX suspension lifted) as soon as possible.

3.2 Purpose of Report

3.2.1 ASX Listing Rule 10.1 provides that an entity must obtain shareholder approval for an acquisition or disposal of a substantial asset by a shareholder with 10% or more of the Company's shares, that any such shareholder cannot vote on the resolution and that an independent expert's report must accompany the notice of meeting;

3.2.2 The managing Director of ISX, Nickolas John Karantzis (via his entity Select All Enterprise Limited) holds a greater than 10% shareholding in the Company. ASX Listing Rule 10.1 therefore applies to the Transaction given the value of assets being disposed of (being the shares in ISXFEU) with shares being issued to a related party with a greater than 10% equity interest.

3.2.3 ASX Listing Rule 10.10 requires a report on the transaction from an independent expert stating whether the transaction is fair and reasonable to non-associated shareholders. This report provides such an opinion.

3.2.4 The purpose of this report is to advise the Non-Associated Shareholders of ISX of the fairness and reasonableness of the Transaction. This report provides an opinion on whether or not the terms and conditions in relation to the Transaction are fair and reasonable to the ISX shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).

3.2.5 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

4. OPINION

4.1 In our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of ISX.

4.2 Our opinion is based solely on information available as at the date of this report.

4.3 The principal factors that we have considered in forming our opinion are summarised below.

Fair

4.4 For the Transaction to be fair, the value of shares held by Non-Associated Shareholders in ISX and ISXFEU post-Transaction must be equal to or greater than the value of ISX shares currently held by those shareholders.

4.4.1 Based on the analysis contained in section 8 of this report, the indicative value of ISX pre Demerger and ISX and ISXFEU post Demerger is shown in the table below:

Equity Values	Section reference	Pre Demerger	Post Demerger
ISX Surplus Net Assets	s6.4	18,910,718	11,409,891
ISXFEU Enterprise Value	s8.3	44,640,065	44,640,065
ISXFEU Surplus Net Assets	s6.4		7,500,826
Total		**63,550,783**	**63,550,783**

4.4.2 In our opinion the Transaction is **fair** as the value of shares held by Non-Associated Shareholders in ISX and ISXFEU post-Transaction is equal to the value of ISX shares currently held by those shareholders.

Reasonable

4.5 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for shareholders to approve the transaction in the absence of a better offer.

4.5.1 We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

- The Capital Reduction is simply a Demerger, by which the Company is providing Shareholders with a direct pro rata holding of securities in ISXFEU. Shareholders will continue to directly or indirectly own the same assets that they directly or indirectly own at present, and in unchanged proportions.

- The Directors do not consider that there are any material disadvantages to the Company undertaking the Capital Reduction.

- The Non-Associated Shareholders will continue to benefit from owning the same assets as they presently directly or indirectly own, only that they will own them through two 'parallel' shareholdings in ISX and ISXFEU.
- The separation of ISXFEU will allow it to become listed on a recognised securities exchange, which in turn would allow Shareholders have an interest in a Company with potential increased liquidity and to trade their shares in ISXFEU.
- ISXFEU would be focussed on its European theatre of operations and relevant regulation.
- ISX is currently suspended from trading. There is a risk this suspension will not be lifted whether the Demerger proceeds or not.
- The Demerger will deliver a structure that allows the ISX Group to continue building and expanding its operations, which the Directors believe would enhance the value of the ISX Group. Specifically ISXFEU can focus on building its EU and UK business independently of Australia.
- ISXFEU would conduct business operations, including dealing with customers and earning revenue, without it being a company not in good standing with the securities exchange on which it is listed.
- The market price of ISXFEU shares is likely to reflect the market's assessment of the value of those shares independent of the market price of the ISX shares.
- The separate facing of ISXFEU to securities markets would present a better opportunity to attract new investors and shareholders.
- ISX would be an Australian-focussed company without the difficulties of needing to reconcile EU and Australian regulation. Both companies will be able to manage the regulations of their own region, such as data privacy requirements, taxation legislation, economical issues such as financing and interest rates.
- We are unaware of any alternative proposal for ISX or ISXFEU at the date of this report that would realise better value for existing ISX shareholders.

4.6 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of ISX.*

5 BASIS OF EVALUATION

5.1 In our assessment of whether the Transaction is fair and reasonable to ISX Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 "Transactions Agreed to by Shareholders", Regulatory Guide 111 "Content of Experts Reports" and Regulatory Guide 112 "Independence of Experts Reports".

5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is "fair" if the value of shares held by Non-Associated Shareholders increases as a result of the Transaction. Additionally, under Regulatory Guide 111 an offer is "reasonable" if it is fair. It is possible for an offer to be reasonable despite being unfair. This would be after the expert considers that, based on non-financial factors, the shareholders should still approve the Transaction in the absence of any alternative proposals.

5.3 Our report has compared the likely advantages and disadvantages to Non-Associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing pre and post Transaction values is only one element of this assessment.

5.4 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm's length. We have adopted this approach in determining the market value of the equity of ISX Group and ISXFEU.

5.5 In evaluating the Transaction, we have considered the current value of ISX shares and the value of ISXFEU shares being disposed. We consider that the Transaction will be reasonable if, on balance, the Non-Associated Shareholders in ISX will be in the same or a better position if the Transaction is approved.

5.6 In our assessment of the Transaction we have considered, in particular the following:

- The operational and financial position of ISX and ISXFEU;
- The value of ISX and ISXFEU shares;
- The advantages and disadvantages associated with approving the Transaction;
- Other qualitative and strategic issues associated with the Transaction.

5.7 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.

5.8 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles and International Financial Reporting Standards.

5.9 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

5.10 HCC are not the auditors of ISX. We have analysed and reviewed information provided by the Directors and management of ISX and made further enquiries where appropriate.

5.11 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in this report.

6 OVERVIEW OF ISX AND ISXFEU

6.1 Corporate Overview

6.1.1 ISX is an Australian public listed company operating as an electronic money institution providing transactional banking services in the EU/EEA. The Company is a principal member of Mastercard, JCB, Diners, Discover and China Unionpay, and is AMEX licensed for payment capabilities.

6.1.2 ISXFEU is the main operating subsidiary of ISX, incorporated in Cyprus.

6.1.3 The assets held by ISX outside ISXFEU comprise:

a) 100% shareholding in ISX Financial Pty Ltd, a partly-established card acquiring and payments business which currently has a book value of $557,685. This subsidiary has a Mastercard Principal Licence for Australia and collateral with Mastercard of circa $400,000, and contractual rights with ISXFEU to use its payment gateway in Australia;
b) A convertible note in ISXFEU, the terms of which are set out at section 3.1.7;
c) Cash at bank of circa $4 million;

6.1.4 ISX currently has 1,100,792,118 ordinary shares on issue, with Select All Enterprises Limited, a company controlled by the ISX managing Director, Nickolas John Karantzis, holding a 41.0% equity interest.

6.2 ISXFEU Business Overview

6.2.1 ISXFEU is a Cyprus incorporated regulated financial services company. It is a developer of RegTech solutions, headquartered in Nicosia, with operations centres in Melbourne (Australia), Vilnius (Lithuania), Raleigh, NC (USA) and London (UK), with sales offices in Sydney (Australia), Amsterdam (the Netherlands), Tel-Aviv (Israel) and Valetta (Malta).

6.2.2 The Company has built its own monetary financial services technology stack including payment gateway, core banking, interbank networking and KYC platforms. The Company uses this technology stack to deliver payment and eMoney services to business and retail customers under EU and UK monetary financial services authorizations.

6.2.3 ISXFEU also provides the platforms as a technology provider to other regulated financial institutions under either software as a service (‘SaaS’) or a licensing plus service fees model.

6.2.4 ISXFEU also possesses the capability to licence its know-how. Management advise that the company holds software systems and intellectual property rights in the form of patents granted across a number of jurisdictions. The Company is in the deployment and commercialisation stage of its business life as an emerging neo-banking, payments, identity/KYC and technology provider to both the retail and AML regulated business sectors.

6.2.5 ISXFEU is the holder of an EEA (European Economic Area) regulatory authorisation as an Authorised EMoney Institution (“AEMI”) authorised by the Central Bank of Cyprus. ISXFEU was granted a transitional authority to operate in the UK by the FCA as an interim measure following Brexit and until a licence is granted in the UK.

6.2.6 In September 2020, ISXFEU's UK subsidiary, ISX Financial UK Ltd ("ISXUK") was granted an AEMI by the FCA under the Electronic Money Regulations 2011 (United Kingdom). The licence allows ISXUK to issue, distribute and redeem eMoney in the UK, and, subject to approval of its application, to hold a Bank of England settlement account. The full range of services permissible under the Payment Services Regulations 2017 (United Kingdom) has also been authorised, including account information and payment initiation services.

6.2.7 ISXUK has letters of intent from Pay.UK for it to join the Faster Payment Service and BACS networks, for payment processing of pound sterling.

6.2.8 The Company's and its subsidiaries hold payment services licences in both the EEA and Australia for major card schemes, including Mastercard Inc., Diners Club, Discover, JCB, China UnionPay, Faster Payment Service, BACS, Sofort and other alternative payment methods ('APM's').

6.2.9 Part of the Company's strategy is to integrate its products, services, intellectual property, and regulatory authorisations into third party platforms. These platforms may take the form of securities trading, securities exchanges, gaming, gambling, eCommerce, travel, retail, financial services, accounting, payroll, point of sale, and other opportunities the Company identifies.

6.3 Financial Performance Information

6.3.1 Set out below are the audited consolidated statements of financial performance for ISX for the last three financial years (31 December year-end). Revenue has been separated between ISXFEU and other ISX Group revenue which will form the basis of valuing the ISXFEU business in this report. [1]

ISX CONSOLIDATED PROFIT AND LOSS STATEMENT			
A$'000	**2018**	**2019**	**2020**
ISXFEU Revenue	6,317	29,811	36,122
Other ISX Group Revenue	306	1,030	1,188
Net foreign exchange gain/(loss)	(43)	901	69
Corporate expenses	(1,559)	(4,362)	(6,861)
Employee benefits expense	(4,225)	(6,606)	(7,464)
Research and development	(334)	(1,087)	(714)
Depreciation and amortisation	(179)	(665)	(1,229)
IT expenses	(479)	(1,653)	(1,996)
Operating costs	(5,197)	(12,803)	(14,813)
Share based payments	(486)	(1,810)	(353)
Finance costs	(5)	(12)	(70)
All other expenses	(2,146)	(489)	(1,001)
Net profit/(loss) before tax	**(8,030)**	**2,255**	**2,878**
Income tax expense	(9)	(661)	(1,517)
Net profit/(loss) after tax	**(8,039)**	**1,594**	**1,361**
EBITDA	(7,846)	2,932	4,177
Net cash flows from operations	(6,736)	4,369	4,588
Net cash flows for the year	824	9,220	(987)

[1] ISXFEU accounts are prepared in Euro and converted into Australian dollars when consolidated into ISX, being ISX's reporting currency. All currency in this report is Australian dollars unless otherwise stated.

6.3.2 Net cash flows in 2020 included the $6 million investment in NSX and $2.8 million in software development.

6.3.3 The 2019 Audit Report issued by Grant Thornton included an Emphasis of Matter (unqualified) regarding uncertainty of the outcomes and impacts in relation to regulatory matters involving legal proceedings and investigations detailed in note 27 to the 2019 Annul Report. The 2020 Audit Report issued by BDO included a qualified opinion regarding the inability to obtain access to the audit files of the previous auditor for review and confirmation of opening balances.

6.3.4 Projections have been prepared by management for ISXFEU for the following four years as shown in the table below:

AUD	2021	2022	2023	2024
Revenue	35,631,190	41,837,976	46,414,686	51,145,445
Direct costs	(10,513,461)	(12,870,761)	(14,276,295)	(15,607,648)
Gross profit	25,117,729	28,967,215	32,138,391	35,537,797
Employee benefits expense	(10,825,252)	(12,927,529)	(14,832,541)	(15,466,308)
Research and development	(1,216,384)	(1,240,712)	(1,265,526)	(1,290,837)
Depreciation and amortisation	(2,180,995)	(3,002,776)	(3,982,037)	(4,585,960)
IT expenses	(1,636,574)	(1,275,507)	(1,913,948)	(2,329,624)
Operating costs	(4,409,621)	(7,052,574)	(7,263,990)	(7,446,882)
Finance costs	(168,419)	(415,664)	(417,430)	(419,232)
All other expenses	(83,768)	(1,486,709)	(323,328)	(337,317)
Net profit before tax	**4,596,716**	**1,565,744**	**2,139,591**	**3,661,637**
Income tax expense	(1,649,826)	(1,364,972)	(1,639,517)	(1,722,326)
Net profit after tax	**2,946,890**	**200,772**	**500,074**	**1,939,311**
EBITDA	**6,946,130**	**4,984,184**	**6,539,057**	**8,666,829**
Capital expenditure	(1,353,501)	(1,763,862)	(1,935,433)	(2,123,492)
Net cash flows	**5,592,628**	**3,220,322**	**4,603,624**	**6,543,337**

6.3.5 Projections above incorporate actuals through to June 2021, with revenues for the six-month period to 30 June 2021 totalling A$16.9 million and an EBITDA of approximately A$3.9 million.

6.3.6 Management have provided the following information to explain and support the revenues and costs of the business and the reasonableness of the projections and underlying assumptions:

a) **Acquiring income / COGS Card Schemes**

1) Acquiring income represents income from processing transactions on behalf of merchants through card schemes such as Mastercard and JCB.
2) The Group takes an interchange fee for processing transactions and incurs interchange and other processing fees (COGS) for these transactions.
3) Revenue and COGS are based on a percentage of card Gross Processed Transaction Volumes (“GPTV”).

4) Card GPVT volume has declined in 2021 with Acquiring revenue forecast to decrease by 56% in 2021 as the Group focuses its efforts on growing its eMoney and other revenue streams described below. However in 2022 GPVT volume is forecast to increase by 15% predominantly due to the growth expected to come from the UK EMI, which is expected to be operational and signing new customers by 2022, combined with circa 7% growth in volumes from the existing Cyprus EMI (eMoney institution). This 7% is slightly below the expected 8% market growth in payments from online gaming and gambling, per the published 2019 WorldPay Gaming Payments Report, reflecting the challenges the Company has had in growing card GPTV in 2021.
5) Card GPTV in 2023 and 2024 is forecast to grow at circa 9%, reflecting 8% growth in the existing Cyprus EMI, combined with additional growth in the UK EMI, as the Group looks to exploit the new UK licence.
6) Gross acquiring margins are expected to shrink between 10 to 5 basis points ("bps") annually, reflecting increased competition in the market.
7) Card Acquiring COGS are expected to increase 5bps per annum due to a higher mix of international versus domestic charges, combined with increased fees from card schemes.

b) **eMoney income**

1) eMoney income is charged as a percentage of GPTV inflow to eMoney accounts, combined with a flat transaction fee. The percentage of inflow charged is between 0.25% to 5.00%. In 2022, we expect a 3bps decline in margins, with a further 3bps decline in 2023 and 2024, due to increased competition in the EMI market.
2) eMoney GPTV inflow is expected to grow significantly in 2021, as the Group focuses in growing this low cost revenue stream. This includes Single Euro Payments Area ("SEPA") payments, a payment-integration initiative of the European Union for simplification of bank transfers denominated in euro. Growth in 2022 is forecast at 23%, above the market, as the Group continues to focus on growing eMoney customers through its Cypriot EMI, combined with growth in new customers in its UK EMI.
3) Growth in eMoney GPTV inflow is then forecast to return to more normal growth levels, at circa 8% in 2023 and 2024, in line with the expected 8% market growth in payments from online gaming and gambling, per the 2019 WorldPay Gaming Payments Report.

c) **FLYKK Revenue**

1) FLYKK is the Group's new pass through wallet launched in 2021. FLYKK enables retail customers to open a multi-currency FLYKK account, with an International Banking Account Number (IBAN), enabling retail customers to make and receive payments using SEPA to any EU bank account or direct to one of the Group's FLYKK merchants.
2) Launched in 2021, this product is expected to grow significantly, with revenues up 172% in 2022 and 17% in 2023, as this new product gains popularity with retail customers.
3) The Group has forecast FLYKK margins to reduce by circa 30bps a year, both due to new competition coming into the market, combined with the Group targeting larger customers, with more bargaining power.

d) **Alternative Payment Methods Income**

1) Alternative Payment Methods (AMP) income, represents income from alternative payment methods, such as Open Banking, Poli or Sofort. This is an area of focus for growth for the Company in 2021, from almost no revenue in 2020 to over 10% of revenue in 2021.
2) Similar to card acquiring, the Group charges a percentage fee on GPTV processed through APMs, with the APM charging a percentage interchange back to the Group.
3) APMs gross margins are expected to decline from 2021 at 5bps a year, due to increased competition in this market.
4) APM volumes are expected to grow circa 15% in 2022, as the Group continues to sign agreements with new APMs. Growth in 2023 and 2024 is forecast at 8%, in line with the expected 8% market growth in payments from online gaming and gambling, per the 2019 WorldPay Gaming Payments Report.

e) **Other income**

1) Other income is largely compromised of Software as a Service (SAAS) income from Probanx Solutions and UAB Probanx solutions, with additional revenue streams from ISX Financial EU and ClearPay.
2) Probanx Solutions and UAB Probanx solutions are the Group's SAAS businesses, offering core banking software and payment gateway services to external customers. These products are sold together, with revenues forecast to grow 9% in 2022 and 35% in 2023 and 2024, as the Group builds out the product offering from these businesses and continues to attract new customers.
3) ISXFEU's other income is generated by additional payment related services, such as the Group SEPA Instant notification service and KYC related services. With the launch of the SEPA Instant notification service in 2021, these revenues are expected to grow 14% in 2022 and 2% in 2023 and 2024.
4) ClearPay is currently building (via Probanx Solutions) a Delivery versus Payment clearing and settlement platform to compete with ASX Clear in Australia. ClearPay is expected to be deployed to the NSX Limited in late 2022, with a full year of operations in 2023, before expanding in 2024 into new markets.

f) **Expenses**

1) In 2022 total Group expenses are expected to increase circa 33%. Corporate costs are expected to increase as a result of ISX Financial EU being made a public company and eventually a listed public company. A further €750k cost (included in Other Expenses) has been assumed for costs related to an IPO for the Group in 2022. Employee costs are expected to increase due to hiring an additional 15 full time employees to drive and manage customer growth, inclusive of a new technology hub in the USA, combined with pay rises for existing employees.
2) In 2023 costs are forecast to increase 10%, mainly due to the hiring of an additional 17 employees to drive and manage growth across the Group, combined with pay rises for existing employees. Depreciation and Amortisation costs are expected to increase, as the Group continues to invest in internally generated software. IT costs are also expected to increase to support revenue growth.
3) In 2024 costs are forecast to increase 6%, mainly due to the hiring of an additional 10 employees to drive and manage growth across the Group, combined with pay rises for existing employees. Consistent with 2023, depreciation and amortisation

costs are also expected to increase, as the Group continues to invest in internally generated software and IT costs are expected to increase to support revenue growth.

6.3.7 ISX, independent of ISXFEU, does not have any operating revenues. Its wholly owned subsidiary, ISX Financial Pty Ltd, is only partly-established and is in the process of gaining the necessary approvals to develop its Mastercard Principal Licence for Australia.

6.4 Financial Performance Information

6.4.1 Set out below is the consolidated statement of financial position of ISX as at 30 June 2021 based on unaudited management accounts and the pro forma financial position of ISXFEU post Demerger. The ISXFEU figures have been adjusted to exclude the net assets remaining with ISX and representing only the net assets of ISXFEU post Demerger.

AUD	ISX Group	ISXFEU
Current Assets		
Cash and cash equivalents	15,481,836	9,553,927
Trade and other receivables	485,061	732,943
Funds held on behalf of merchants	98,868,427	98,868,427
Other current assets	1,794,490	992,999
	116,629,813	110,148,296
Non-Current Assets		
Investment in Associates	5,245,456	6,383,696
Plant & equipment	1,122,891	1,122,891
Right of use assets	1,725,992	1,725,992
Intangibles	6,521,208	6,554,557
Deferred tax asset	14,794	14,793
	14,630,341	15,801,930
Total Assets	**131,260,154**	**125,950,225**
Current Liabilities		
Trade and other payables	4,980,572	4,923,417
Interest bearing liabilities	599,478	599,478
Provisions	436,809	436,809
Funds held on behalf of merchants	98,868,427	98,868,427
Deferred revenue	172,421	172,420
	105,057,707	105,000,550
Non-Current Liabilities		
Interest bearing liabilities	1,217,096	1,217,095
Provisions	22,758	22,758
Convertible note	0	6,620,225
	1,239,854	7,860,078
Total Liabilities	**106,297,560**	**112,860,628**
Net Assets	**24,962,594**	**13,089,598**

Net Tangible Assets	18,441,386	6,535,041
Working capital	11,572,106	5,147,746

6.4.2 The investment in Associates comprises a 17.97% stake in NSX Limited ("NSX") for $6.02 million as at 30 June 2021. A further investment was made in August 2021 to bring the value of the investment up to 19.99% and $7m. NSX operates NSXA, Australia's second-largest Tier 1 securities market operator. Based on the quoted market price of NSX, the fair market value of the investment as at 11 August 2021 is $6.2 million, comprising 56,499,033 shares at $0.11 per share.

6.4.3 Given the Transaction is simply a Demerger, by which the Company is providing Shareholders with a direct pro rata holding of securities in ISXFEU, Shareholders will continue to directly or indirectly own the same net assets that they directly or indirectly own at present, and in unchanged proportions.

6.4.4 We have assessed the enterprise valuation of ISXFEU at section 8 based on the projected cash flows of the ISXFEU business, which gives an aggregate fair market value or 'enterprise value' on an ungeared basis. In order to obtain a value for equity, an adjustment must be made to incorporate the value of surplus assets and deduct the value of net interest-bearing debt not otherwise in the enterprise value. The net surplus assets of both ISX and ISXFEU pre and post Demerger need to be determined in comparing the equity values of both companies. The net surplus assets of ISX Group pre-Demerger, and those of ISX and ISXFEU post-Demerger are shown in the tables below:

Net Surplus Assets (AUD)	ISX Group Consolidated	ISXFEU Pro forma
Cash and cash equivalents	15,481,836	9,553,927
Investments in Assoc	5,245,456	6,383,696
Interest bearing liabilities - Current	(599,478)	(599,478)
Interest bearing liabilities - NC	(1,217,096)	(1,217,096)
Convertible notes	-	(6,620,225)
Net Surplus	18,910,718	7,500,826

Net Surplus Assets (AUD)	Pre Demerger	Post Demerger
ISX Group	18,910,718	11,409,891
ISXFEU	-	7,500,826
Total	18,910,718	18,910,718

7 VALUATION METHODOLOGIES

7.1 Selection of Methodology

7.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to ISX Group and ISXFEU.

7.1.2 We have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market value of shares: the quoted market price of shares publicly traded;
- Discounted Cash Flow: the net present value of future cash flows;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Comparable Market Data: the identification of comparable sale transactions or market information.

We consider each of these valuation methodologies below.

7.1.3 *Market Value of Shares*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of 'unusual' and/or 'abnormal' trades that occur; and
- The timing and level of dissemination of information to the market.

If quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the 'fair' market value of the quoted ordinary equity.

ISX shares have been suspended from trading on the ASX since 2 October 2019, therefore this method is not appropriate.

7.1.4 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of an asset on the basis of the net cashflows that will be generated from the asset over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the asset.

We consider that adopting a DCF valuation methodology to determine an indicative value for ISXFEU is appropriate given that ISXFEU have prepared detailed projections on which a valuation can be based. Historical results of ISXFEU are consolidated with ISX and reflect the current structure of the ISX Group. We therefore believe that basing a valuation on projections of ISXFEU as a stand-alone business is a more reliable reflection of its value at the time of the Demerger. Management have provided detailed cash flow projections on which a valuation can be based.

7.1.5 Capitalisation of Future Maintainable Earnings or Revenues

Using the revenues or earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings or revenues of the business at an appropriate capitalisation rate or multiplier. The multiple is a coefficient, representing the risk that the business may not achieve the determined maintainable revenues.

The capitalisation of earnings or revenues is a frequently used method of valuing an ongoing and established business which generates revenue from the ownership of licences or intellectual property. This method of valuation is used where there is a history of earnings in an established business. Under this methodology, a valuation is assessed by determining expected future earnings and an appropriate multiple based on an analysis of comparable businesses.

For the reasons provided in section 7.1.4 above, we have determined that the discounted cash flow method is more appropriate in assessing the value of ISXFEU as a stand-alone business and have therefore not relied on the earnings based method for the purposes of this report.

7.1.6 Realisation of Assets

The asset approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital.

The notional realisation of assets has been considered appropriate in assessing the value of assets retained in ISX following the Demerger as most are not yet income generating and constitute passive investments.

7.1.7 *Comparable Market Data*

This methodology involves the identification of comparable sale transactions or market pricing for a similar industry company or business to that being valued.

We have determined that this method is not appropriate for valuing ISXFEU or ISX given that we have determined that the discounted cash flow method is the most appropriate method available for the valuation of the ISXFEU business and we are not aware of any alternative offers or transactions for the acquisition of the shares in ISX or ISXFEU.

7.2 Selected Methodologies

7.2.1 We have used the discounted cash flow and realisation of assets methodologies in determining an appropriate valuation for the ISXFEU business, the ISX shares and ISXFEU shares.

7.2.2 In forming an opinion on the valuation and most appropriate methodologies selected, HCC has considered the following:

- The historical and forecast earnings of the ISXFEU business;
- The industry in which the business operates;
- The period of time for which the business has been operating;
- Competition in the market in which ISXFEU operates;
- The structure of the Demerger in terms of what will remain with ISX and determining surplus assets and net debt in the ISX Group now and in each of the companies post Demerger;
- Information provided and discussions undertaken with management.

7.2.3 *Financial information relied upon in applying selected valuation methods*

We have reviewed the historical and forecast financial information of ISX and ISXFEU. Ultimately, ISX management are responsible for the preparation and presentation of the financial information. We have not performed any review or audit of the financial information relied upon for this report, and accordingly we do not express an audit opinion.

8 VALUE OF ISXFEU AND ISX

8.1 Valuation of ISXFEU Business

8.1.1 We have selected the Discounted Cash Flow methodology to apply a value to the ISXFEU business as detailed at section 7.

8.2 Discounted Cash Flow Valuation

8.2.1 The DCF valuation methodology essentially involves estimating the future operating cash flows of the entity and discounting these by an appropriate rate to determine a present value. We have relied on the earnings projections prepared by the Directors of ISXFEU. In doing so we have assessed the projections on the following basis:

- The revenue and associated costs provided by management for the period are inherently risky and uncertain and therefore require an appropriate discount rate to account for the degree of uncertainty and risk in ISXFEU achieving its projections;
- Adopting post-tax projections, which in turn will require us to adopt a post-tax discount rate;
- We have reviewed the projections together with the assumptions which are relevant to this review and our enquiries. Ultimately, the Management of ISXFEU are responsible for the preparation and presentation of the projections and the information contained therein, including the assumptions on which they are based. The purpose of our review is to establish that the projections and the assumptions used are prepared on a reasonable basis.

8.2.2 In forming an opinion on the projections HCC has;

- Reviewed management projections of business operations;
- Undertaken discussions with ISXFEU management regarding future operations of ISXFEU;
- Reviewed management's assessment of growth prospects.

8.2.3 ISXFEU projected earnings and the main assumptions are summarised at section 6.3. Other assumptions made in determining a DCF based valuation include:

- Sufficient funds, resources and management expertise exist to handle the anticipated growth;
- The discount rate applied to the projections to reflect the return required, which includes business specific risk;
- Appendix III details the scope of our review of projections relied on in this report.

8.2.4 The risks that prospective financial information used in the valuation will not be achieved are:

i) Loss or non-renewal of contractual arrangements;
ii) Capital and operational cost overruns for unforeseen events;
iii) The continuing employment of key management;
iv) Costs to comply with laws, regulations or stricter enforcement policies;
v) Competitors entering the market;
vi) Changes in the general economic climate in which the Company operates, including fluctuations in price, exchange rates, supply and demand.

8.2.5 The DCF methodology requires the determination of an appropriate discount rate. The process by which we have assessed the discount rate is detailed in Appendix II. We have determined that a post-tax discount rate of **13%** is appropriate to apply to the projections to determine the "present value" of the ISXFEU business. This adequately captures the risk of an operation such as the ISXFEU business considering the stage of the business and the level of growth projected.

8.3 Resultant Enterprise Valuation of ISXFEU

8.3.1 Based on our analysis of ISXFEU projections and the assumptions underlying these, we are of the opinion that an indicative enterprise valuation of ISXFEU is $44,640,065 as shown in the table below.

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Terminal value**
Net Cash Flows (AU$)	5,592,628	3,220,322	4,603,624	6,543,337	6,543,337
Discount rate	13%				
Discount period	-0.5	-1.5	-2.5	-3.5	-4.5
Terminal value					50,333,365
Discounted value	5,261,102	2,680,906	3,391,593	4,266,038	29,040,425
Net Present Value - Enterprise Value (AU$)					**44,640,065**

8.4 Realisation of Assets and Resulting Equity Values

8.4.1 The table below shows the respective equity values of ISX and ISXFEU by combining the ISXFEU business value with surplus assets, less net debt in the ISX Group as at 30 June 2021 and the comparable pro forma information of ISX and ISXFEU assuming completion of the Demerger.

Equity Values	**Pre Demerger**	**Post Demerger**
ISX Surplus Net Assets	18,910,718	11,409,891
ISXFEU Enterprise Value	44,640,065	44,640,065
ISXFEU Surplus Net Assets		7,500,826
Total	63,550,783	63,550,783

8.4.2 The Demerger effectively results in Shareholders continuing to directly or indirectly own the same assets that they directly or indirectly own at present, and in unchanged proportions, only that they will own them through two 'parallel' shareholdings in ISX and ISXFEU.

9 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

9.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

9.2 Advantages of the Transaction

9.2.1 The Capital Reduction is simply a Demerger, by which the Company is providing Shareholders with a direct pro rata holding of securities in ISXFEU. Shareholders will continue to directly or indirectly own the same assets that they directly or indirectly own at present, and in unchanged proportions.

9.2.2 The Directors do not consider that there are any material disadvantages to the Company undertaking the Capital Reduction.

9.2.3 The Non-Associated Shareholders will continue to benefit from owning the same assets as they presently directly or indirectly own, only that they will own them through two 'parallel' shareholdings in ISX and ISXFEU.

9.2.4 The separation of ISXFEU will allow it to become listed on a recognised securities exchange, which in turn would allow Shareholders have an interest in a Company with potential increased liquidity and to trade their shares in ISXFEU.

9.2.5 ISXFEU would be focussed on its European theatre of operations and relevant regulation.

9.2.6 ISX is currently suspended from trading. There is a risk this suspension will not be lifted whether the Demerger proceeds or not.

9.2.7 The Demerger will deliver a structure that allows the ISX Group to continue building and expanding its operations, which the Directors believe would enhance the value of the ISX Group. Specifically ISXFEU can focus on building its EU and UK business independently of Australia.

9.2.8 ISXFEU would conduct business operations, including dealing with customers and earning revenue, without it being a company not in good standing with the securities exchange on which it is listed.

9.2.9 The market price of ISXFEU shares is likely to reflect the market's assessment of the value of those shares independent of the market price of the ISX shares.

9.2.10 The separate facing of ISXFEU to securities markets would present a better opportunity to attract new investors and shareholders.

9.2.11 ISX would be an Australian-focussed company without the difficulties of needing to reconcile EU and Australian regulation (for example different data privacy requirements).

9.2.12 We are unaware of any alternative proposal for ISX or ISXFEU at the date of this report that would realise better value for existing ISX shareholders.

9.3 Disadvantages of the Transaction

9.3.1 Shareholders will become holders of shares in ISXFEU, a European based company, and be subject to different company law and investor protections.

9.3.2 Shareholders may incur non-Australian transactional costs if they wish to dispose of their investment in ISXFEU;.

9.3.3 The Company has incurred, and will incur, costs associated with the Demerger, including legal and advisory costs.

9.3.4 There may be adverse taxation implications resulting from the Demerger that Shareholders will need to determine.

9.3.5 The objectives and interests of ISXFEU may not align with those of ISX or those currently held by Shareholders.

9.3.6 The terms of the Convertible Note entered into between ISX and ISXFEU (detailed at section 3.1.7) are not on commercial terms given the term of the loan, the conditions of repayment or conversion into ordinary shares and the interest rate. The Convertible Note has a long term of 10 years and ISXFEU will be able to elect to repay the loan in part or in whole at any time over the 10 years. In the absence of an event of default, ISX will have no right to require early repayment. ISX will have a right to convert the loan or interest (or part of it) onto Ordinary Shares at any time (to the extent that the loan has not been repaid). Interest will be payable quarterly on the unpaid and unconverted loan at 1% above the Reserve Bank of Australia cash rate. There is a risk that the Convertible Note cannot be repaid by ISXFEU, in which case ISX will have a right to convert the loan or interest (or part of it) into ordinary shares.

9.3.7 The smaller size of the ISX business assuming completion of the Demerger could potentially impact on the opportunity for a future control premium on the sale of the Company's shares and impact return to shareholders.

10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

10.1 Fairness

10.1.1 In our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of ISX. Our opinion is based solely on information available as at the date of this report.

10.1.2 The principal factors that we have considered in forming our opinion are summarised below.

Fair

10.1.3 For the Transaction to be fair, the value of shares held by Non-Associated Shareholders in ISX and ISXFEU post-Transaction must be equal to or greater than the value of ISX shares currently held by those shareholders.

10.1.4 Based on the analysis contained in section 8 of this report, the indicative value of ISX pre Demerger and ISX and ISXFEU post Demerger is shown in the table below:

Equity Values	Section reference	Pre Demerger	Post Demerger
ISX Surplus Net Assets	s6.4	18,910,718	11,409,891
ISXFEU Enterprise Value	s8.3	44,640,065	44,640,065
ISXFEU Surplus Net Assets	s6.4		7,500,826
Total		**63,550,783**	**63,550,783**

10.1.5 In our opinion the Transaction is **fair** as the value of shares held by Non-Associated Shareholders in ISX and ISXFEU post-Transaction is equal to the value of ISX shares currently held by those shareholders.

10.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for shareholders to approve the transaction in the absence of a better offer.

10.2.1 We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

- The Capital Reduction is simply a Demerger, by which the Company is providing Shareholders with a direct pro rata holding of securities in ISXFEU. Shareholders will continue to directly or indirectly own the same assets that they directly or indirectly own at present, and in unchanged proportions.

- The Directors do not consider that there are any material disadvantages to the Company undertaking the Capital Reduction.

- The Non-Associated Shareholders will continue to benefit from owning the same assets as they presently directly or indirectly own, only that they will own them through two 'parallel' shareholdings in ISX and ISXFEU.
- The separation of ISXFEU will allow it to become listed on a recognised securities exchange, which in turn would allow Shareholders have an interest in a Company with potential increased liquidity and to trade their shares in ISXFEU.
- ISXFEU would be focussed on its European theatre of operations and relevant regulation.
- ISX is currently suspended from trading. There is a risk this suspension will not be lifted whether the Demerger proceeds or not.
- The Demerger will deliver a structure that allows the ISX Group to continue building and expanding its operations, which the Directors believe would enhance the value of the ISX Group. Specifically ISXFEU can focus on building its EU and UK business independently of Australia.
- ISXFEU would conduct business operations, including dealing with customers and earning revenue, without it being a company not in good standing with the securities exchange on which it is listed.
- The market price of ISXFEU shares is likely to reflect the market's assessment of the value of those shares independent of the market price of the ISX shares.
- The separate facing of ISXFEU to securities markets would present a better opportunity to attract new investors and shareholders.
- ISX would be an Australian-focussed company without the difficulties of needing to reconcile EU and Australian regulation (for example different data privacy requirements).
- We are unaware of any alternative proposal for ISX or ISXFEU at the date of this report that would realise better value for existing ISX shareholders.

10.2.2 Having considered that the Transaction is fair, in our opinion the Non-Associated Shareholders of ISX should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited

DREW TOWNSEND

APPENDIX I - SOURCES OF INFORMATION

- iSignthis Limited Audited Financial Report for the financial years ended 31 December 2019 and 31 December 2020
- Management accounting information on ISXFEU to 30 June 2021;
- Forecast model and underlying assumptions for the four years to 31 December 2024;
- ISX Notice of General Meeting and Explanatory Memorandum;
- Company registry details;
- Publicly available information on ISX Group;
- Regulatory Guide 111 ‘Content of Expert Reports’;
- Regulatory Guide 112 ‘Independence of Expert’s Reports’;
- APES 225 ‘Valuation Services’.

APPENDIX II - DISCOUNT RATE FOR DCF ANALYSIS

When applying the Discounted Cash Flow valuation approach, the cash flows or income expected to be generated by a business are discounted to their present value equivalent using a rate of return that reflects the relative risk of the investment, as well as the time value of money.

The most globally accepted methodology used to determine the cost of equity capital is the Capital Asset Pricing Model.

- **Capital Asset Pricing Model**

The Capital Asset Pricing Model ["CAPM"] is a theoretical model which postulates a positive relationship exists between the risk and expected return of an asset. CAPM describes the relationship between risk and expected return for any investment under the assumption of a perfect capital market. This perfect capital market assumption results in the model being commonly used for calculating risk-return relationships of listed, highly liquid assets.

Unlisted or non-liquid assets are more difficult to assess in terms of riskiness and are more difficult to sell. A premium needs to be added to the CAPM calculated required rate of return in order to reflect this increased level of risk.

CAPM has a number of required inputs, details of which are as follows.

- **Inputs into the Capital Asset Pricing Model**

The Capital Asset Pricing Model can be expressed in the following form:

$R = Rf + \beta[(Rm) - Rf]$

where: R is the cost of equity;

Rf is the nominal risk free interest rate;

β is the asset's beta factor;

(Rm – Rf) represents the market risk premium (MRP).

These inputs are discussed below.

a) Risk Free Rate (Rf)

The nominal risk free interest rate is the rate of return capable of being achieved on an investment that is considered free of risk. The return earned on such an investment compensates the investor for forgoing consumption whilst funds are invested, plus the loss of purchasing power over this period.

Yields on Corporate or Commonwealth Bonds are often used as surrogates for the nominal risk free interest rate. When applying a nominal risk free interest rate it is optimal to match the term of the Bond to the timing of the cash flow to be discounted.

The average 10-year Government Bond rate for 2021 year-to-date is 1.47%. We have adopted a risk free rate of **1.5%** as the nominal risk free interest rate in these calculations.

b) Determination of Beta (β)

The equity beta is a standardised measure of an asset's exposure to market-wide risk. It is determined by measuring an individual asset's covariance with the diversified "market" portfolio. A beta of 1 indicates that the individual asset's expected returns move in line with those of the market portfolio in response to a change in market-wide conditions. A beta of greater than 1 indicates the asset is considered more volatile than the market portfolio, while a beta of less than 1 indicates less volatility than the market portfolio.

In determining a beta for ISXFEU under the methodology outlined above, the following factors have been taken into account:

- Betas for comparable listed companies, or companies in the same or a similar industry;
- The fact that the business is in a growth phase of operations;
- The forecast level of growth of earnings and assets;
- The size of the entity;
- Level of competition and the low barriers to entry;
- Other factors relating to the company and industry affecting its degree of risk.

The current industry average beta for comparable companies to ISXFEU is **1.6** as shown in the table below. Beta's for unlisted companies or companies smaller in size or in early stages of their product life cycle typically have much higher beta's.

Company Name	**Geographic Locations**	**Market Cap (AUDmm)**	**Revenues Multiple (x)**	**EBITDA Multiple (x)**	**1 Year Beta**
WEX Inc. (NYSE:WEX)	USA	10,862.9	6.59	26.0	1.87
Euronet Worldwide, Inc. (NasdaqGS:EEFT)	USA	9,549.8	2.43	14.9	1.54
Shift4 Payments, Inc. (NYSE:FOUR)	USA	6,679.6	6.61	NM	2.16
EVERTEC, Inc. (NYSE:EVTC)	USA	4,427.2	6.35	14.4	1.03
Sykes Enterprises, Incorporated (NasdaqGS:SYKE)	USA	2,907.6	1.27	8.62	0.943
Repay Holdings Corporation (NasdaqCM:RPAY)	USA	2,886.2	13.5	56.9	1.66
Conduent Incorporated (NasdaqGS:CNDT)	USA	2,010.4	0.693	5.16	2.43
iEnergizer Limited (AIM:IBPO)	Europe	982.8	4.12	13.5	0.669
i3 Verticals, Inc. (NasdaqGS:IIIV)	USA	924.6	5.89	46.0	1.77
QIWI plc (NasdaqGS:QIWI)	Europe	837.5	0.373	0.983	1.19
Exela Technologies, Inc. (NasdaqCM:XELA)	USA	259.3	1.46	12.1	3.53
Usio, Inc. (NasdaqGM:USIO)	USA	191.2	3.5	NM	2.08
PaySign, Inc. (NasdaqCM:PAYS)	USA	169.6	6.15	NM	2.09
Keyware Technologies NV (ENXTBR:KEYW)	Europe	34.8	1.7	30.9	0.485
Universe Group plc (AIM:UNG)	Europe/UK	25.1	0.898	11.0	0.69
BD Multimedia SA (ENXTPA:ALBDM)	Europe	6.5	0.783	NM	1.32
St James House plc (AIM:TNT)	Europe/UK	3.74	1.31	NM	0.262
SQID Technologies Limited (CNSX:SQID)	Australia	-	0.344	NM	2.55
Average			**3.7**	**20.8**	**1.6**

Source: S&P Capital IQ, 7 August 2021

For the purpose of these calculations HCC has selected a beta range of **1.8** for ISXFEU after considering the comparable beta above, the nature of the ISXFEU business, the level of projected growth, its operating history and size relative to comparable listed companies.

c) Market Risk Premium [(Rm – Rf) or ‘MRP’]

This premium is in effect the reward sought by investors for accepting a higher level of risk associated with the market in general. It compensates the investor for accepting market-wide risk which cannot be eliminated through diversification, e.g. interest rate exposure.

The market risk premium is added to the nominal risk free rate to arrive at the required rate of return for a diversified ‘market’ portfolio. Alternatively, this risk premium reflects the additional returns which are required in ‘good years’ to compensate for the likelihood that there will be ‘bad years’ where returns fail to meet riskless equivalents.

In Australia there have been several studies using long data series to calculate the market risk premium with values ranging from 6.0% to 8.0%.

For the purpose of these calculations, HCC has selected a market risk premium of **7%**, which is consistent with assets of this type and life cycle stage based on our prior experience.

- **Value for Cost of Equity Capital**

Post-Tax Cost of Capital	=	Rf + β * MRP	
	=	1.5 + (1.6 * 7) =	12.7%

HCC have assessed a post-tax cost of capital of **13%** for the purpose of this report.

APPENDIX III - REVIEW OF PROJECTIONS

1. We have reviewed the ISXFEU financial projections together with the assumptions for the projections. The directors of ISXFEU are responsible for the preparation and presentation of the projections and the information contained therein, including the assumptions on which they are based.

2. ASIC Regulatory Guide 170 requires an independent expert to carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit projections, cash flow projections and unaudited profit figures that are used in the experts report, have been prepared on a reasonable basis.

3. We have conducted a review of the projections. Our review was limited primarily to enquiries as to the processes used in preparing the projections, discussion with management in relation to the assumptions and methodologies used in the projections and consideration of the data supporting the assumptions. However, our review was substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. In addition, prospective financial information, such as the projections may rely on or be impacted by events and actions that have not yet occurred and may not occur. Whilst evidence may be available to support the assumptions on which the projections are based, such evidence is generally future orientated & inherently uncertain. Accordingly, actual results may vary from the information presented and such variations may be material.

4. Based on our review of the ISXFEU projections, and the reasonableness of the assumptions giving rise to the projections:

   (a) nothing has come to our attention which causes us to believe that the assumptions do not provide reasonable grounds for the preparation of the projections;

   (b) nothing has come to our attention which causes us to believe that the projections themselves are unreasonable;

   (c) nothing has come to our attention which causes us to believe that management’s best-estimate assumptions do not provide a reasonable basis for the financial projections;

   (d) in our opinion, all material assumptions are adequately disclosed and represent best-estimates based on actual results achieved to-date and data provided by management to support these assumptions, as detailed at section 6.3; and

   (e) in our opinion, the projections are properly compiled on the basis of the underlying assumptions and presented on a basis consistent with the accounting policies of the Company, Accounting Standards in Australia and other mandatory financial reporting requirements in Australia.

APPENDIX IV - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to ISX with reference to ASIC Regulatory Guide 112 (RG 112) titled "Independence of Expert's Reports". HCC considers that it meets the requirements of RG 112 and that it is independent of ISX.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with ISX, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of ISX for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of ISX have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by ISX as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated. We believe the information relied upon provides reasonable grounds upon which to base this report.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

ISX has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by ISX to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of ISX. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to ISX shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the Transaction is fair and reasonable to Non-Associated shareholders of ISX.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to ISX shareholders. Shareholders should read all documents issued by ISX that consider the Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these additional documents.

This report has been prepared specifically for the Non-Associated shareholders of ISX. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Non-Associated shareholder of ISX, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX V - FINANCIAL SERVICES GUIDE

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients.

The Corporations Act 2001 requires HCC to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a Notice of Meeting ("Notice") provided to members by the company or other entity for which HCC prepares the Report.

HCC does not accept instructions from retail clients. HCC provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. HCC does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, HCC's client is the Entity to which it provides the Report. HCC receives its remuneration from the Entity. In respect of this Report for iSignthis Limited ("ISX"), HCC will receive a fee for its services on a time cost basis estimated to be $35,000, excluding GST.

No related body corporate of HCC, or any of the directors or employees of HCC or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

HCC is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission. The following information in relation to the independence of HCC is stated in Appendix IV of the ISX Report:

"Hall Chadwick Corporate (NSW) Limited ("HCC") has a license to prepare reports under the Corporations Act and its representatives are qualified to provide this report. Prior to accepting this engagement HCC determined its independence with respect to ISX with reference to ASIC Regulatory Guide 112(RG 112) titled "Independence of Expert's Reports". HCC considers that it meets the requirements of RG 112 and that it is independent of ISX.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with ISX, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement."

HCC has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, membership number 11442.

HCC is only responsible for the Report and this FSG. Complaints or questions about the Notice should not be directed to HCC who is not responsible for that document. HCC will not respond in any way that might involve any provision of financial product advice to any retail investor.