

31st January 2019

Report to shareholders for the Quarter Ended 31st December 2018

Australian Securities and Frankfurt Stock Exchange cross listed iSignthis Ltd (ASX: ISX | FRA_DE: TA8), the global leader in RegTech for identity verification and transactional banking/payments, is pleased to provide the following business update and un-audited Appendix 4C for the quarter ended 31st December 2018.

As previously advised, the Company is moving its accounting dates to January to December financial year, effective 1st January 2019. However, in order to move the financial reporting calendar, the company has been required to re-audit and restate the 2018 year as January to December period. An annual report for calendar and financial year 2018 is due post audit by end of February 2019.

Highlights:

- First EU merchant live on unified neobanking and payments platform
- First Bank to Bank transfers via SEPA BIC ISEMCY22XXX
- EU/EEA Visa and Mastercard Tier 1 card acquiring, processing and settlement live
- Discover Card, Diners Club International issues ISXPay Global (non-USA) Card Acquiring License
- Further key Technology Platforms completed inhouse
- Preparations for final APRA audits for Australian ADI license commenced
- AFSL application lodged
- Reserve Bank of Australia Exchange Settlement Account (ESA) opening in progress
- Commenced Deployment of Probanx.com CORE banking Platform for Australian ADI
- Probanx.com CorePlus core banking platform live in the EEA supporting ISX IBAN holders
- Hong Kong's Wanfuteng Bank now live with Probanx CorePlus

Summary of events this quarter include:

The Company has been developing its merchant and business focussed neo-banking capabilities since 2015, commencing initially with its patented identity verification service on the Paydentity™ platform, and then progressing to being an EU/EEA authorised eMoney Institution in early 2017.

This was followed by principal member licensing of Visa, Mastercard, JCB, Diners, Discover, China UnionPay and AMEX licensed as payment capabilities, with Eurosystem central banking facilities, deposit taking and IBAN account issuing capabilities, and SEPA transfers live during December quarter.

Regulatory Licensing

- The Company has applied for an Australian Authorised Deposit-Taking Institution (ADI) license directly, bypassing the 'restricted ADI (RADII)' step. Australian Prudential Regulation Authority (APRA) authorisation anticipated early Q2 2019.
 - The Company has already been granted Australian licensing under the Reserve Bank of Australia (RBA) "Card Access Regime" by Mastercard, with Amex, Diners, Discover and China Unionpay also licensed.

- Application for an RBA Exchange Settlement Account (ESA) has also been submitted, with the RBA actively engaged. An ESA is a mandatory requirement for Tier access to Austraclear, CHES, NPP, RITS and BECS payment systems access.
- Australian Securities and Investment Commission (ASIC) Australian Financial Services License (AFSL) application submitted and well progressed, with ASIC review anticipated by early February 2019.
- Banking Executive Accountability Regime (BEAR) submitted to APRA.
- iSignthis eMoney (AU) Pty Ltd board directors and executive team interviewed by APRA.
- iSignthis eMoney (AU) Pty Ltd now a member of the Australian Financial Complaints Authority.

Probanx.com

- The Company acquired Probanx Information Systems (Cyprus) Ltd, which has developed the CorePlus internet-based core banking platform since 2000 and has been deployed to more than 20 banks globally, including to meet Swiss, UK, Hong Kong, EU, and now Australian regulatory requirements.
- Hong Kong's Wanfuteng Bank is the latest deployment, at their Vanuatu subsidiary.
- APRA requires ADI applicants to install and certify their CORE banking platforms. The Probanx.com system installation has been commenced at an Australian data centre for active/active service, with Azure cloud-based deployment as passive standby.
 - Grant Thornton engaged to prepare a report on that the Probanx *'systems maintain fair and true records for financial obligations, systems calculate interest accurately etc'* to satisfy APRA. Report Anticipated early February 2019.
 - Secure Centric engaged to review IT security and policies for the draft APRA Prudential Standard CPS234, which takes effect July 2019. The Company seeks to be ahead of the regulatory requirements and meet CPS234 as part of its license submissions. Report Anticipated early February 2019.
 - APRA onsite IT audit scheduled for early February 2019.

Operations

- The first EU merchant went live with funds processed via ISXPay's Principal member Tier 1 connections. In doing so, iSignthis became the first ASX listed fully authorised EU neobank with inhouse deposit taking and payment capabilities. Unlike almost every other neobank, ISX has built and operates its own Tier 1 network to Visa, Mastercard, JCB and SEPA networks, and does not 'piggy back' on other institutions infrastructure.

- ISX has passed yet another milestone, whereby our first EU based merchant is using our unified transactional banking, deposit functions and bank to bank transfer functions.
- The Paydentity platform is:
 - i) performing the identity verification,
 - ii) ii) ISXPay is performing the payment processing and settlement, and
 - iii) iii) Probanx.com is performing the journaling of the settlement deposits from ISXPay, with ISXPay executing outbound transactions.
- Our merchants will have full visibility of their settlement flows, monies on deposit, fees and transactions by logging into their Probanx.com dashboard. Merchants can now electronically transfer funds within the SEPA banking network to make supplier, payroll, utilities, tax, pension and other payments direct from their ISXPay EMA business IBAN facilities.
- ISX has made use of the last few weeks of 2018 to ensure that all of our systems operate as expected, and we will be driving services and revenues with our contracted merchants from 2019. We are also now pushing hard to deploy our Australian capabilities, for which we anticipate making significant progress during Q1-2019. Our focus as a neobank is on delivering transactional banking with deposit taking facilities to regulated entities in the EU and Australia.
- The first Bank to Bank transfers via BIC: ISEMCY22XXX were completed in the quarter ending 31 December 2018. These facilities allow the Company to offer its customers;
 - IBAN based Euro (€) denominated eMoney accounts (EMA), in the name of legal or natural persons
 - electronic funds transfer from/to any of the ~4300 SEPA scheme connected banks and branches in the EU28, EEA including Norway, Lichtenstein, Monaco, San Marino, Iceland and Switzerland
 - zero credit risk facilities to ISXPay depositing customers, under the Eurosystem of central banking
 - fast clearing of Euro (€) settlements from card and payment schemes
 - International SWIFT inbound and outbound transactions by late January 2019
 - Corporate EMA facilities are managed from our Cyprus office, via a private banking relationship management, specifically tailored for our customers in the CFD, FX, spread-betting, Wagering and eGaming industries, and their affiliates.
 - The Company is focussed on providing corporate customers with EURO (€) denominated eMoney (EMA) services initially, with eMoney accounts in other currency denominations including USD\$, GBPE, HKD\$, SGD\$, CAD\$, AUD\$ and CHF, by Q2 2019.

Glossary

AML = *Anti Money Laundering, usually refers to a regulatory regime that banks, brokers, exchanges, credit providers etc. need to comply with. AML requires KYC.*

Acquiring bank = *(also called acquirers, processing banks or merchant banks) are financial institutions, members of Visa and MasterCard, that contract with merchants to enable them to accept debit and credit card payments for their products and services. They can also, and mostly do, contract with third parties to provide some of these services.*

BIC = *Bank Identifier Code, as issued by the Society for Worldwide Interbank Financial Telecommunication (SWIFT)*

Cardholder = authorised user of credit or debit card

Card issuer = *(Monetary) financial institutions that are Principal Members of a Credit Card Association, which issue payment cards on behalf of the Credit Card Associations, and contract with their cardholders for the terms of the repayment of transactions. iSignthis is a Principal Member of Visa Inc (NYSE:V), Mastercard Worldwide (NYSE:MA) and JCB International*

Credit Card Associations = *member-owned association of banks that govern the issuing of Visa, MasterCard, JCB, AMEX, Diners, Discover and China UnionPay cards and the acquiring of transactions from those cards. Both organisations have developed payment systems to facilitate the processing of transactions between member banks.*

CTF or CFT = *Counter Terrorism Funding, or Counter Funding of Terrorism, is often paired with AML as AML/CTF or AML/CFT*

Dynamic Data = *one-time data related to an e-Payment transaction, that is current and used as an input at the time of KYC check. Unlike **Historic Data**, Dynamic data is only applicable and accessible via the person to whom it relates and can only be compiled with the KYC target person's active involvement. Refer to 'Secret'*

e-KYC = *electronic or digital KYC. The process of customer identification remotely via the internet, rather than face-to-face / manual processes.*

eMoney = *electronic money whether it is held on a payment device in the electronic money holder's possession or stored remotely at a server and managed by the electronic money holder through a specific account for electronic money.*

eMoney Regulation = *DIRECTIVE 2009/110/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions¹*

e-Wallet = *a means of storing or processing funds via your mobile, laptop, tablet etc. to more than one merchant or other person. An eWallet holds eMoney.*

¹ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0110&from=en>

Enhanced Due Diligence (EDD) = for Higher-Risk Customers. Customers that pose higher money laundering or terrorist financing risks present increased exposure to merchants; **due diligence** policies, procedures, and processes should be **enhanced** as a result.

EOI = Evidence of Identity, which forms the basis of **KYC**.

Gross Processed Turnover Value (GPTV) = the value of third party monies processed by the Company for which it charges an MSF

KYC = Know Your Customer, a mandatory customer identification process that banks and AML regulated entities must perform prior to offering a consumer service in order to comply with AML law or regulation.

Identification = the means whereby a person is identified by name and other unique attributes, prior to those details being verified by a customer due diligence process.

Interchange (IC) Fee = the fee, designated in basis points, is a component of the MSF charged to the merchant for the provision of transactional banking services, where the IC Fee is set by the Credit Card Association, and is as published on each Credit Card Association website.

Merchant = *is a business that has contracted with an acquiring MFI or Payment Facilitator to accept card payments*

Payidentity = the convergence of payments and identity, incorporating payment instrument verification and customer identification, in order to remotely link an electronic payment with a person's identity, usually for the purpose of satisfying Anti Money Laundering (AML) or Anti-Fraud, or both requirements.

Monetary Financial Institution (MFI) = *EU Regulation 2013/33/13 defines MFIs as resident undertakings that belong to any of the following sectors Credit Institution (Bank), Central Bank or eMoney Institution (e-Bank), such as iSignthis eMoney Ltd.*

Merchant Discount Rate (MDR) = the fee, designated in basis points, charged to the merchant for the provision of transactional banking services by the Company, comprising the MSF and the Interchange (IC) Fee

Merchant Services Fee (MSF)= is a component of the MDR fee, designated in basis points, charged to the merchant for the provision of transactional banking services by the Company

Payment Facilitator = *is an organisation that has contracted with an acquiring bank to provide merchants with card payment processing services on behalf of an acquirer. Payment processors must be registered with Visa and MasterCard and must identify on all of their marketing materials, including their websites, the name of the bank partner.*

Payment Service Provider (PSP) = *an entity licensed or authorised to provide transactional banking services, including card issue, card acquire, credit facilities and bank transfers. The Company's subsidiary iSignthis eMoney Ltd is a European Economic Area Authorised eMoney Monetary Financial Institution (MFI) no 115.1.3.17 and can offer PSP service, including card acquiring and issuing.*

PCI = *Payment Card Industry, comprising Visa, Mastercard, American Express, Diners, Discover, China Union Pay. PCI sets the global standards required for security and interconnectivity of banks & processors to merchants via its data security standard (DSS). Level / Tier 1 is the highest standard possible, to which level the Company is certified.*

PSC = A Person of Significant Control is anyone that exerts a significant influence or control over a company. They are identified as a PSC if they meet any of the following criteria: Hold more than 25% of a share in a company or have the right to participate in more than 25% of the surplus assets of a company.

Revenue = i) GPTV x MSF and/or, ii) Flat Fee Charge x Units Consumed, and/or iii) Integration and Ad Hoc Services.

Secret = Information which can only be known by or in the possession of (e.g. one-time passcode or cryptographic key) the authorised users. This information is transmitted by iSignthis securely within standard payment messages and used as the basis of challenge / response knowledge based authentication **EOI**. The Secret is comprised of **Dynamic Data**. By way of example, the United Kingdom's Joint Money Laundering Steering Group (JMLSG) 2017 Revision at s5.3.89 refers.

Service provider = *any third party that provides a service used in the card payment transaction process: point-of-sale terminals, payment gateways, web hosting, SSL certificates, shopping carts etc.*

SCA = Strong Customer Authentication, a means whereby two factor authentication (2FA) is linked to a person's KYC identity and a specific payment instrument (e.g. card or eWallet), and the 2FA is used to authenticate remote payment transactions executed on the payment instrument.

Static Data (aka Historic Data) = data that may have been secret at a historic point in time. E.g. What is or was presumed to be non-public data related to a **KYC** target person, including their credit history report, the person's mother's maiden name, the persons full name, their driver's license number etc. It may predate the **KYC** process by years, months or days, and may be discernible to party's other than who it relates by way of data hacks/breaches², social media. Static Data is susceptible to data breaches, such as the US and UK 2017 Equifax data breach.

UBO = Ultimate Beneficial Owner, companies are increasingly expected to understand who they are doing business with. This serves to prevent doing business with mala fide parties. Any institutions that fall within the scope of the Anti-Money Laundering and Anti-Terrorist Financing Act must retrieve the identity of the UBO (the ultimate beneficial owner) of their business relations on a mandatory basis.

Verification = the means whereby a person's details, including name, date of birth, address and other unique attributes having been previously identified, are verified via a customer due diligence process.

² <http://www.informationisbeautiful.net/visualizations/worlds-biggest-data-breaches-hacks/>

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

ISIGNTHIS LTD

ABN

93 075 419 715

Quarter ended ("current quarter")

31 DECEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	936	1,922
1.2 Payments for		
(a) research and development	(74)	(158)
(b) product manufacturing and operating costs	(854)	(2,528)
(c) advertising and marketing	(10)	(20)
(d) leased assets	-	-
(e) staff costs	(1,288)	(2,322)
(f) administration and corporate costs	(1,257)	(2,145)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	30	40
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,517)	(5,211)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(64)	(68)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	(491)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(320)	(320)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(384)	(879)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	10,000	10,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(307)	(307)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (card scheme membership security)	(38)	(446)
3.10	Net cash from / (used in) financing activities	9,655	9,247

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,971	5,523
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,517)	(5,211)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(384)	(879)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,655	9,247
4.5	Effect of movement in exchange rates on cash held	226	176
	Cash acquired on acquisition*	-	95
4.6	Cash and cash equivalents at end of quarter	8,951	8,951

* The cash acquired on acquisition represents cash held by Probanx Information Systems Ltd as at the date of acquisition.

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	8,951	1,971
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,951	1,971

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	(157)
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	320
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments to directors and director related entities during the December 2018 quarter.

During the December 2018 quarter, the Company entered into a formal, short term, interest bearing loan agreements with Etherstack Pty Limited a wholly owned subsidiary of Etherstack Plc of which Mr Scott Minehane is a director. A total of \$610,000 was advanced to Etherstack Pty Limited with \$290,000 subsequently repaid during the quarter and as such does not appear in section 6.2. A total of \$3,575 interest was paid during the quarter with a further \$12,160 to be received during the next quarter. All transactions were completed at arm's length.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Nil

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Nil

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	70
9.2 Product manufacturing and operating costs	700
9.3 Advertising and marketing	20
9.4 Leased assets	-
9.5 Staff costs	1,200
9.6 Administration and corporate costs	800
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows¹	2,790

¹ The company is an operating business that generates cash inflows each quarter. Estimated cash outflows are based on assumptions including activity on estimated inflows. The above summary of estimated cash outflows does not reflect the anticipated net cash flows for the following quarter, as it excludes cash inflows (such as receipts from customers).

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Company secretary)



Date: 31 January 2019

Print name: Todd Richards

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.