

iSignthis Ltd – Board of Directors Position on Resolutions 6 & 7

Melbourne, 9th July 2020 : The board of iSignthis Ltd (“The Company” or “ISX”) recommends that you vote FOR Resolution 6 and FOR Resolution 7.

The directors recognise that a delisting from the ASX represents risks. The directors also have reached a conclusion that the suspension being lifted by the ASX of its own volition is unlikely, or, at very best, would take a prolonged period of time and potentially well into 2021. The directors further believe that the suspension is unlikely to be lifted for any reason other than a successful Federal Court judgment in ISX’s favour.

The Company will continue its Federal Court action in parallel, as the optimum outcome is for the Company’s securities to be quoted on the ASX, and that any preparation for listing on another exchange then be part of an orderly transition to that other exchange in due course.

1. **ASX Representations** : The directors believe that they cannot rely on a number of representations made by the ASX. In particular, and by way of example, the suspension from its onset was based on the misrepresentation that “price volatility” was the alleged basis for ASX’s actions. The ASX Statement of Reasons for suspension has not addressed “price volatility”.
2. **ASX Suspension** : The ASX has thus far refused to lift the suspension of the iSignthis securities, despite an abundance of disclosure since the October 2019 suspension regarding the Company’s activities, including:
 - iSignthis’ more than 2000 pages of responses to numerous 2019 and 2020 ASX query letters, including full customer lists and contracts, none of which queries focussed on price volatility;
 - iSignthis’ response to the ASX authored “Statement of Reasons”, which contained no analysis of price volatility;
 - iSignthis’ amended Statement of Claim lodged in the Federal Court alleging misleading and deceptive conduct and breach of s1041H of the Corporations Act by the ASX; and
 - Compliance with three of the four ASX 4th May 2020 directions for additional disclosure in relation to Nona, Variation letter and Appendix 4C disclosures.

The Company anticipates that it will satisfy the final outstanding ASX 4th May direction upon publication of the independent expert’s report on the company’s adherence to its listing rule (chapter 3) continuous disclosure obligations. Assuming a favourable report, or at least one with remediable actions, this report will then satisfy the ASX directions. In any event, any disclosure lapses would likely have been historic, and the Company can demonstrate ongoing continuous disclosure compliance.

In the case where the Company has not been found to have materially breached its continuous disclosure obligations, then the Company would reasonably expect the ASX to lift the suspension.

The ASX is solely responsible for the lifting of any suspension of trading in the securities of iSignthis Ltd. The prolonged suspension without what the directors believe is sufficient cause by the ASX is doing damage to the reputation of the Company and is measurably impacting the financial opportunities of the business and is thus detrimental to shareholder value.

The Company has responded in voluminous and unprecedented detail to the ASX, which the directors believe has not been acting in good faith.

- 3. Shareholders:** The directors' view is that the ASX has disregarded the position of the Company's retail shareholders, in so far as it has not provided a clear reason for the suspension at the time of suspension, and continues to frustrate re-quotations of the Company's securities by imposing additional conditions each time the Company meets the previously laid out requirements.

The major shareholders and the directors of iSignthis have voluntarily agreed to an escrow of more than 336m shares (equal to the Performance Shares issued under the December 2014 Prospectus terms) in order to remove a confected concern propounded by the ASX that major shareholders and/or shareholders would sell their holdings at first opportunity. The ASX has not accepted the escrow offers by major shareholders and directors of more than 336 million shares, and it continues to demand more and more information from these shareholders as a condition precedent, without any good faith attempt to negotiate an outcome to reach agreement on a voluntary escrow. The Company cannot compel shareholders to act in any particular way, however, shareholders have been agreeable to a voluntary escrow. ASX is seeking to apply its listing rules to private shareholders of an ASX listed company is further evidence of overreach outside the scope of the listing rules.

The directors and major shareholders have in good faith during April 2020 significantly enhanced their December 2019 voluntary escrow offer from one of escrow for 12 months from date of suspension, to a revised offer of 12 months from re-quotations of the securities. Whilst the offer of escrow would clearly mitigate what the directors believe are the confected concerns propounded by the ASX, ASX has not engaged meaningfully with ISX by way of negotiation to 'close' the revised offer of escrow.

Shareholders should note that no director has sold a single share since the Company's shares were first quoted at \$0.03 in early 2015, despite there being multiple opportunities to do so over a period of many years.

The terms of issue of the Performance Shares were agreed in writing between Otis Energy Ltd (the predecessor of iSignthis) and the ASX in late 2014, and were voted upon

by shareholders in 2014, with disclosure having been made in the December 2014 Prospectus and various ASX announcements by the Company leading up to the milestone dates, together with annual reports since 2015.

4. **Competition:** iSignthis considers itself to be a competitor of the ASX, for various reasons.

As of the 29th January 2020, the Company requested ASIC to intervene under Corporations Regulation 7.2.16. Unfortunately, ASIC thus far has deferred making decision on the matter due to delays as a result of COVID-19.

ASIC has advised in the last week that it will make a determination within a further 6 to 8 weeks with regards to Corporations Regulation 7.2.16. Assuming a successful vote for Resolution 6, the directors would not take any action with regards to delisting, prior to that ASIC decision being made known, provided that ASIC does make a decision within the specified timeframe.

- iSignthis is a nascent actual direct and indirect competitor of the ASX by way of its joint venture in ClearPay Pty Ltd of which ISX is the major shareholder, and development of digital ledger technology (DLT) based delivery versus payment (DvP) software. ClearPay is contracted to provide clearing, settlement, identity and other related services to the NSXA (“DVP services”), a competitive Tier 1 market licensee. Those DVP services are currently provided by the ASX or wholly owned ASX subsidiaries to the NSX.
- Probanx, a wholly owned subsidiary of iSignthis, is developing the DLT based DVP in competition to the ASX’s development activities. ASX has invested in a third party DLT developer, which would place that investment in competition with the Probanx & ClearPay solution.
- The applications by iSignthis to the Reserve Bank of Australia, the Australian Prudential and Regulatory Authority and the Australian Securities and Investment Commission directly outlined the Company’s intention to service holders of Australian Financial Services Licenses, including licensing for Custodial and Depository services required by brokers under ASIC RG212.
- iSignthis is also the 17.5% owner of Australia’s second largest Tier 1 market operator, the NSXA, through its holdings in the NSXL.

The above create a clear conflict of interest for the ASX in supervising ISX on its exchange. Even if the suspension were to be lifted, the current conduct of the ASX makes it doubtful that they could act impartially with regard to compliance matters concerning ISX in the future.

Unless ASIC assumes responsibility under Corporations Regulation 7.2.16, then the directors believe that the ASX will continue to act unreasonably in its supervision of the

Company, which could cause further measurable harm to the business' reputation and shareholder value.

5. **Trust:** The relationship between the parties is one of mutual distrust. Even if the ASX lifts the suspension, the directors believe the capricious approach by the ASX means it could suspend the Company again at any time, with the same "11 minutes" notice as was provided to the Company on the suspension date. Shareholders would not be able to have confidence that their investment would remain liquid and this would most probably restrict the pool of investors willing to hold the shares in their portfolio, which would likely have a negative impact on the value of the company's securities.
6. **Federal Court Proceedings:** The directors believe that the Federal Court case is unlikely to be heard during 2020, as any hearing would require witness testimony in person. The impact of COVID on the court system's backlog means that a hearing date could be well into mid to late 2021. The Company would have been suspended for approximately two years at that point, with retail shareholders capital tied up for that period. The directors also note that the ASX is using every avenue available to it in order to delay the court hearing. The Federal court may take possibly months beyond the hearing to issue a judgment, and, whilst the board of directors are confident in their case, there can be no guarantee of success nor timing.
7. **Access to Cash Equity Market:** The Company listed on the ASX in order to gain access to capital markets, as well as for liquidity for its shareholders. The suspension means that the Company is unable to access cash equity markets to fund growth, in turn stifling its potential and opportunities. Given the uncertainty regarding timing and the mechanism for lifting of the suspension of the securities, the directors believe that progressing a listing on a different exchange would likely be faster. This would allow the focus of management to return to the growth of the business and enhancing returns for shareholders, utilising the benefits of the access to capital (among other benefits) that being a listed company brings.
8. **Premium Exchanges:** The directors believe that listing on an alternative premium exchange such as Euronext, NASDAQ, Nordics, Singapore, Toronto or comparable is likely and desirable, but subject to a number of risks, some of which are outlined below. Given the current negative impact of the extended suspension by the ASX, it would appear that on balance between hoping that the ASX will, at its sole discretion, agree for ISX securities to be requoted or seeking to list on a different exchange, that support for Resolutions 6 and 7 will allow the board to take the appropriate course of action.

ISX may benefit from being listed on a premium exchange closer to its markets from which it generates the majority of its current and future revenues, which are Europe and North America respectively.

9. **Lack of Sophistication:** The advantages of a global exchange are that the previously mentioned premium exchanges have issuers who operate within advanced technology sectors, and these exchanges thus have a deep understanding of fintech and regtech, together with exposure to an international banking and regulated payments sector. It is the view of the directors that the ASX has shown a lack of understanding and sophistication in these areas through its initial query letters, and its confusion between regulated electronic money issuance and bitcoin operators. The directors believe the value of the shares in the company may be enhanced by being listed in a region where the institutional investor base, brokers and analysts have a deeper understanding of regulated payments and electronic money, which may help improve shareholder returns.
10. **Liquidity:** The issue of liquidity and ability to trade securities by our retail shareholders on an overseas exchange has been considered by the directors. Trading on global exchanges is available through a number of online brokers, with retail access being relatively straight forward. Given the current situation, any ability to trade and realise shareholders investments would be beneficial compared to a long drawn out suspension with no clear path to liquidity for holders.
11. **Derogatory Media:** The directors believe that the Company would be free of the ongoing media campaigns fuelled by the market operator's actions and the market operator's application of the listing rules that the directors believe has been neither fair, transparent nor consistently applied with regards to ISX.
12. **Management Diversion:** The ASX's action has presented a significant diversion of management time, which the directors do not believe would be required at any other exchange.
13. **No Guarantee of re-list:** The directors believe that there is no guarantee that the ASX will allow the Company to delist at its own timing, in any case. Similarly, the directors may decide that retaining the listing is advantageous, assuming that this is possible, subject to ASX's position on their multiple threats to delist the company. The directors do not believe that the ASX will seek to de-list the Company before either the earlier of 2 years from suspension (2nd October 2021) or the Federal Court case judgment if unfavourable to ISX. Shareholder support of resolution 6 provides the directors with certainty during negotiations with the ASX and disarms the delisting threats from the ASX.

Risks

The directors recognise the following risks associated with de-listing from the ASX and/or relisting on an alternative exchange:

- The risks identified in the Notice of Meeting.
- The ASX may campaign against or take further malicious actions which adversely affect any attempt by the attempting to list on a different exchange.
- The Company may trade in a different currency to AUD and time zone if listed outside of Australia.
- The time it takes to get listed on any exchange may be shorter, similar or longer than any possible re-quotation of the Company's securities on the ASX, with no means to determine timeframe in advance.
- A waiver or ruling may be required from the Australian Tax Office ("ATO") regarding capital gains relief for shareholders.
- There is a possibility that the Company may be unable to list on any exchange, including the ASX.
- There is a possibility the ASX may not allow delisting, or only allow delisting after two years, which would cause further suffering for shareholders.
- Listing costs on another exchange will be significant.
- Listing on another exchange may take years, and the Company remains public and unlisted in the meantime.
- Re-listing the Company's securities on any exchange will mean that the market will determine the value of ISX shares, and any share price correction will be subject to the usual market forces applied to issued securities on that exchange. However, similar forces would be in effect upon a lifting of the suspension on the ASX, should it occur.

These risks are not exhaustive, and are not intended as financial advice. Each shareholder should seek professional advice as to the consequences of the Company de-listing, listing on another exchange, a deferred listing at a later date or not listing on another exchange at all and remaining as an unlisted public company.

Authorised by the Board of Directors of iSignthis