

**Dear Shareholder**

**Independent Expert Report : ISX Compliance with Continuous Disclosure Requirements**

Please find attached the Findings of the Independent Expert.

**No Material Non Compliance Findings by Independent Expert**

Shareholders may recall that the ASX directed ISX to engage a partner from one of Australia's top law firms – one nominated by the ASX - to conduct an Independent Expert review.

The Independent Expert review has been completed and was jointly authored by two partners of Clayton Utz.

The findings speak for themselves, and we encourage shareholders to read the attached in full.

On the issue of material announcements, the Company's approach has been consistent, and it has met its continuous disclosure obligations.

We are pleased that the findings of the Independent Expert with regards to the practices of Company have been consistent with best practice of an ASX300 Company. This is despite the majority of materials that were reviewed by the Independent Expert relating to a time when the Company was in startup phase, ahead of ISX's eventual entry into the ASX300 (albeit only for a few days).

As with any policy or procedure, there is always room to improve, and the Company welcomes the constructive review and recommendations from Clayton Utz.

The Company has accepted the umpire's decision. Where the Independent Expert has found that there have been shortfalls, we will improve.

The Independent Expert's recommendations will be implemented in the Company's Continuous Disclosure Policy (per the ASX announcement today).

**ASX Reaction**

The ASX's reaction to the Independent Expert report has been unexpected, even under these unique circumstances. Aside from blocking release on Friday, we are now aware that over the weekend the ASX has engaged in an unseemly squabble with the Independent Expert.

For the ASX to place pressure on the Independent Expert – one of its own choosing – simply because it does not like its findings is an unprecedented and extraordinary act from the self-declared 'heart' of the Australian financial markets.

As we have said for many months, the ASX has been unable to separate its role as market operator, from that of being the defendant in \$50m plus damages claim brought by ISX.

The ASX, in its role as defendant, may not like the Independent Expert report. But that is no justification for the ASX as an Australian Market Operator to ignore its licence obligations and prevent the release of the report.

ISX believes that the ASX is now running further risk of misinforming the market by withholding material information.

Yours faithfully

**N J Karantzis**  
**Managing Director**

## Independent Expert Report : ISX Compliance with Continuous Disclosure Requirements

**Melbourne, 17<sup>th</sup> July** : iSignthis Ltd ("The Company" or "ISX") welcomes the publication of the Independent Expert's report, which states:

*"Based on our review in accordance with the Agreed Scope, we did not identify any contract entered into by ISX with customers since 1 January 2018 that has not been disclosed and that, in our opinion, was of such a nature that a reasonable person would have expected information about the contract to affect the price or value of ISX's shares. In accordance with the ASX Direction and the Agreed Scope, we did not consider the Key Contracts."*

ISX hopes that the publication of this report brings to an end much of the speculation that led to a highly damaging suspension of the Company from trading on the ASX.

ISX does note that the Independent Expert did find some areas in which improvements can be made and has made a number of recommendations. The Company advises that it will act to implement any of the Independent Expert's recommendations that have not already been implemented by the Company's board and management.

"The board and management of ISX welcome the Independent Expert's report and feel vindicated by its findings," said Tim Hart, Chairman of iSignthis. "It has been a disappointing time for our shareholders, who have been prevented from trading their stock for more than nine months on the basis of speculation by the ASX and media reports. The Independent Expert did not identify any critical non-compliance matters."

"iSignthis grew very quickly to become an ASX300 company. While the Independent Expert found that we were largely compliant with best practice for an AX300 company during that period of extremely rapid growth, it did identify some areas that could be improved. We will act to ensure all of the recommendations are implemented in their entirety."

**Authorised by the Board of Directors**

***Independent Expert Executive Summary follows***

**Private & Confidential -  
Not for public release without the prior consent of ISX and Clayton Utz**

The Board of Directors  
iSignthis Ltd  
456 Victoria Parade  
East Melbourne VIC 3002

16 July 2020

## **ISX: Independent Expert Review of Continuous Disclosure Policy and Processes**

### **Background**

This letter sets out the results of our independent expert review of the disclosure policy and processes of iSignthis Ltd (ACN 075 419 715) (**ISX**) in accordance with the ASX directions issued to ISX on 1 May 2020 (**ASX Directions**) and with the scoping document that we have agreed with ISX (**Agreed Scope**).

Among other requirements, the ASX Directions included the following direction from ASX to ISX:

*In accordance with Listing Rule 18.8(l), ASX directs ISX to engage an independent expert, acceptable to ASX, to review its policies and processes to comply with Listing Rule 3.1 and to release to the market the findings of, and any changes ISX proposes to make to its compliance policies and processes in response to, the review. The review should also assess each contract that ISX has entered into since 1 January 2018 (other than the Key Contracts) to determine whether or not a reasonable person would have expected information about the contract to affect the price or value of ISX's shares and, if so, whether ISX has disclosed the matters set out in section 4.15 of GN 8 in relation to that contract. To the extent it hasn't, ISX will be expected to make corrective disclosure and, if it does not, ASX will give a further direction under Listing Rules 18.8(a) and (b) that ISX do so.*

The "**Key Contracts**" referred to in the ASX Directions have the same meaning as in the ASX Statement of Reasons dated 13 March 2020 and released by ASX to the market on 30 April 2020.

### **Purpose**

In accordance with the ASX Directions and the Agreed Scope, the purpose of this letter is to:

- identify any deficiencies in the ISX form of Continuous Disclosure Policy and the processes adopted by ISX having regard to best practice of ASX300 companies and the applicable regulatory requirements and recommendations for such policies; and
- in respect of contracts entered into by ISX with customers since 1 January 2018 (other than the Key Contracts) make an assessment of whether or not, in our opinion, a reasonable person would have expected information about the contract to affect the price or value of ISX's shares, and if so whether ISX made appropriate disclosure in that regard, having regard to the requirements of section 4.15 of ASX Guidance Note 8.

This letter also includes the assumptions and qualifications to which our review is subject, having regard to information provided to us by ISX and the extent of our role and expertise.

## Executive Summary and Recommendations

### 1. Summary of scope of review

1.1 In accordance with the ASX Direction and the Agreed Scope we have reviewed for the period from 1 January 2018 until May 2020:

- (a) ISX's Board minutes and papers (**Board minutes and papers**);
- (b) all 15 "Fintech" contracts entered into with customers of ISX (**Fintech Contracts**);
- (c) data regarding all "Processing" contracts entered into by ISX with customers, including a full customer list, historic processing volumes as disclosed by customers at application, service type and historical annual revenue generated under each contract during the relevant period and revenue for Q1 FY2021 (noting ISX has a financial year end of 31 December);
- (d) a sample set of 16 regulated services "Processing" contracts (either payment or electronic money services) entered into over the relevant time period (based on representations made to us by ISX that all such contracts are in substantially the same form, other than as to fees, and the level of actual fees to be derived under the relevant contract is usually not immediately apparent or ascertainable until some time after the customer 'goes live'), comprised of:
  - (i) 6 eMoney account Processing contracts; and
  - (ii) 10 payment facilitation & identity services Processing contracts,(the **Processing Contracts**) (together, the Processing Contracts and Fintech Contracts are the **Contracts**);
- (e) ISX's price sensitive announcements and other announcements made by ISX, in each case, regarding contractual arrangements only in the period from 1 January 2018 until 29 June 2020 (other than in respect of the Key Contracts) (**ASX Announcements**); and
- (f) ISX's continuous disclosure policy, which ISX has advised us has been in place for the duration of the relevant period (ie. since 1 January 2018) (**Policy**).

1.2 We have also conducted interviews with members of ISX's Board and senior management to assess ISX's practices with respect to compliance with its continuous disclosure obligations.

### 2. Summary of findings

2.1 Based on our review in accordance with the Agreed Scope, we did not identify any contract entered into by ISX with customers since 1 January 2018 that has not been disclosed and that, in our opinion, was of such a nature that a reasonable person would have expected information about the contract to affect the price or value of ISX's shares. In accordance with the ASX Direction and the Agreed Scope, we did not consider the Key Contracts.

2.2 Our review identified that there are a number of areas in which improvements are recommended in respect of ISX's approach to disclosure of potentially price sensitive information, in respect of the following matters:

- (a) processes in respect of identification and approval of matters that require disclosure in accordance with ASX Listing Rule 3.1, to ensure that there is consistency in disclosure of contracts;
- (b) determination of the appropriate time for release of price sensitive announcements, particularly in relation to entry into material contracts; and
- (c) approach to disclosure of the terms of material contracts, to ensure that announcements of material contracts comply with ASX's guidance in Guidance Note 8.

2.3 While our review of the Policy found that it is largely compliant with the Regulatory Recommendations (as defined below) and best practice of ASX 300 companies (based on our review of the continuous disclosure policies of five ASX 300 companies, we did identify certain areas in which the Policy does not fully comply with one or more of the Regulatory Recommendations or is not consistent with common practice of ASX 300 companies, as follows:

- (a) clear delineation of the roles and responsibilities of the Board and employees in respect of ISX's disclosure obligations and processes for the review and approval of market announcements. In particular, the Policy does not address the role of the Board in ensuring compliance by ISX with its continuous disclosure obligations, and approval of announcements. In addition, the Policy does not detail ISX's processes for reviewing and authorising market announcements. However, we understand from ISX management that as a matter of practice, ISX's processes involve at least the Managing Director, the Company Secretary and Chairman reviewing each announcement, with the Board providing input on all strategic and material announcements, and automatically receiving copies of all announcements disclosed on the ASX Market Announcements Platform;
- (b) the Policy does not expressly require advance publication of new and substantive investor presentations, however we understand from ISX management that this occurs as a matter of practice;
- (c) the Policy does not clearly highlight the significance of confidentiality, or stipulate or cross refer to ISX's communications policy, however we understand from ISX management that confidentiality is sought to be maintained as a matter of practice; and
- (d) ISX's processes with respect to analyst briefings and shareholder queries. In particular, the Policy does not contemplate a review process following briefings or investor discussions, or require provision of presentation materials in advance to disclosure officers to ensure no price sensitive information is, or has been, disclosed in any such meetings. In addition, the Policy does not clearly stipulate how ISX spokespersons should respond to unexpected questions that arise in such briefings or discussions. However, we understand from ISX management that as a matter of practice, ISX spokespersons decline to respond to queries that extend beyond the presentation materials.

We acknowledge that ISX was included in the ASX 300 Index for only a short time in 2019 before trading in its shares was suspended by ASX.

Further detail in respect of each of the above matters is set out in the detailed section of our report.

In this report, "**Regulatory Recommendations**" means:

- (e) ASX Guidance Note 8;
- (f) ASX Corporate Governance Council Corporate Governance Principles & Recommendations (3rd edition);
- (g) ASX Corporate Governance Council Corporate Governance Principles & Recommendations (4th edition), which applied to ISX on and from 1 January 2020; and
- (h) ASIC Regulatory Guide 62.

### 3. **Recommendations**

3.1 Based on the findings of our review in accordance with the Agreed Scope, we provide the following recommendations:

- (a) ISX consider formalising a continuous disclosure committee which comprised of the Chief Executive Officer, the Non-Executive Chairman and the Company Secretary (for example) and which meets as needed to discuss matters for potential disclosure before those matters are then referred to the Board for decision;
- (b) ISX continue to access further external advice more frequently to ensure greater observance of ASXs guidance on key disclosure matters, including in responding to queries from, and dealings with, ASX;
- (c) the ISX Board and members of senior management continue to access further external advice in relation to its continuous disclosure obligations , including in respect of:
  - (i) identifying when a contract or matter may be sufficiently material so as to require disclosure for the purposes of ASX Listing Rule 3.1;
  - (ii) the timing of announcement of material contracts in accordance with ASX Listing Rule 3.1;
- (d) future announcements made by ISX in respect of entry into material contracts should more clearly articulate the significance of the contract to ISX and should state the term of the contract;
- (e) ISX amend its policy and approach to disclosure of material contracts such that, where a contract is identified as being strategically important (such that disclosure is required under ASX Listing Rule 3.1), ISX immediately release an announcement following execution of the contract (rather than at the point of integration or where ISX begins to earn revenue under the contract, which is its current practice). We further recommend that the announcement of entry into a strategically significant contract should clearly disclose any conditions, uncertainty or other contingencies in respect of the contract that must be satisfied or resolved before revenue can be generated under the contract;
- (f) to the extent that ISX is currently party to any contract that it considers to be material from a strategic (or other non-revenue related) perspective that has not

yet been announced, ISX announce the terms of the contract(s) immediately, in an announcement that complies with paragraph 4.15 of ASX Listing Rule 3.1. We acknowledge that ISX has informed us that, as at 3 July 2020, no such contracts exist;

- (g) ISX improve its processes with respect to negotiation and execution of contracts that allow it to comply with its continuous disclosure obligations, particularly in respect of announcement of entry into material contracts where the counterparty is a foreign entity, or the contract is governed by foreign law and there is uncertainty regarding the validity of electronic execution;
- (h) in respect of the shareholder requisition referred to in ISX's announcement on 12 June 2020, if ISX considers that the shareholder requisition is a valid requisition, ISX immediately release a copy of that requisition (or a summary of its terms) to the market, in accordance with the requirements of ASX Listing Rule 3.17A; and
- (i) ISX consider and implement our recommended changes to its Policy, to address those matters referred to in section 2.3 above (as set out in more detail in the detailed section of our report).

#### **End of Executive Summary and Recommendations**

Clayton Utz  
16 July 2020