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Fundamental Research Corp.

Investment Analysis for Intelligent Investors

April 16, 2019

iSignthis Ltd. (ASX: ISX / FRA: TA8): Exit of Major Australian Bank to Create Opportunity for Leading Payments and Identity Technology Company– Initiating Coverage

Sector/Industry: Technology

www.isignthis.com

Market Data (as of April 16, 2019)

Current Price	**A$0.38**
Fair Value	**A$0.82**
Rating*	**BUY**
Risk*	**4**
52 Week Range	A$0.10 - A$0.40
Shares O/S	1,079,170,635
Market Cap	$410.08 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	35.83x
YoY Return	137.50%
YoY ASX	7.00%

*see back of report for rating and risk definitions
**all $ amounts are A$ unless otherwise specified.

Investment Highlights

- iSignthis Ltd. ("ISX", "company") is a technology company focused on identity verification, payment processing and authentication, and eMoney transactions. **They are the first and only operating and licensed "neobank" listed on the ASX.** Neobank is a term used to refer to an institution that can perform banking functions whilst maintaining a digital presence without physical branches.
- We had previously introduced ISX in a note published on December 18, 2018, when the company's stock traded at $0.16 per share. **Since then, ISX's stock price has appreciated 137.50%.**
- **The Neobank Edge:** The company has developed two innovative solutions, Paydentity and ISXPay, which allow the company to operate as a neobank – taking deposits from merchants, processing payments and transactions, all whilst maintaining a purely digital presence. The global neobank market is expected to grow at a CAGR of 45.80% between 2017 and 2025, according to Variant Market Research
- **Major Bank Departure to Ignite Growth:** National Australia Bank Limited. (ASX: NAB), a major banking institution and payment processor, has discontinued payment processing for a number of high brand risk merchant sectors, creating a vital opportunity for ISX to step in.
- **Strong Historical Revenue Growth:** The company's revenues grew by 250.46% in 2018 to $6.62 million. ISX's revenues have grown at a CAGR of 461.62% since 2015.
- **We are initiating coverage with a BUY rating and a fair value estimate of $0.82 per share.**

Risks

- Our valuation is dependent on forecasted processed transaction values and eMoney deposits, which are difficult to forecast given a lack of benchmarks or easily predictable inputs.
- Exploitation of NAB's exit is dependent on the company's application for relevant licensing needed to conduct financial services.
- Access to capital and share dilution risk.
- FOREX risk.

Key Financial Data (FYE - DEC 31) (A$)	2017	2018E	2019E	2020E
Cash	$ 7,653,681	$ 8,433,874	$ 12,158,947	$ 22,972,938
Working Capital	$ 8,068,165	$ 9,850,889	$ 13,959,438	$ 25,731,719
Assets	$ 10,378,044	$ 21,868,159	$ 27,460,353	$ 41,251,978
Total Debt	$ -	$ -	$ -	$ -
Revenues	$ 1,889,915	$ 6,623,413	$ 17,200,000	$ 37,500,000
Net Income	$ -4,950,486	$ -8,038,650	$ 3,584,612	$ 10,354,384
EPS (basic)	$ -0.01	$ -0.01	$ 0.00	$ 0.01

Company Overview

ISX, which was founded in 2013, and listed on the ASX exchange in March 2015, is an Australia and European Union ("EU") based company focused on payments processing, eMoney and identity technologies. The core services of the company include remote identity verification, payment authentication, payment processing, and deposit taking, and provision of these services in compliance with Anti-Money Laundering ("AML") and Countering the Financing of Terrorism ("CFT") regulations. **The company's services are targeted towards online businesses globally, with a particular focus on merchants in regulated sectors where identity proofing is a regulatory requirement.** Regulated sectors include gambling, e-gaming, remittance, securities trading, FOREX, Contract for Difference ("CFD", a contract where the seller pays the difference between an asset's current value and its value at a specified time to the buyer), card issue and E-Wallet markets amongst others. The company's services are offered primarily through the following proprietary solutions, which together, are consolidated into a unified platform that provides users the full suite of ISX's digital "Know Your Customer" ("KYC") and payment processing technology:

- **Paydentity:** An identity verification solution that incorporates payment authentication with enhanced due diligence ("EDD") KYC to remotely link a person's verified identity, to an electronic payment. This is done to satisfy AML/ CFT regulatory requirements. EDD refers to a higher level of due diligence to mitigate risk whilst KYC refers to the process of a business verifying the identity of its clients, and assessing potential risks arising from the business relationship.
- **ISXPay:** A payment processing and authentication solution offering a full range of gateway, risk management, risk avoidance and processing services. ISXPay offers card acquiring (processing payments on behalf of the merchant) under Principal Card Scheme Licenses (card schemes are payment networks linked to payment cards). ISXPay can process Visa (NYSE: V), MasterCard (NYSE: MA), JCB, American Express (NYSE: AXP), Diners, Discover (NYSE: DFS) and China Union Pay transactions.

The technology underpinning these platforms has been **patented in multiple jurisdictions**. As a result of the extensive research that has led to the development of both Paydentity and ISXPay, the company exhibits the following unique strengths:

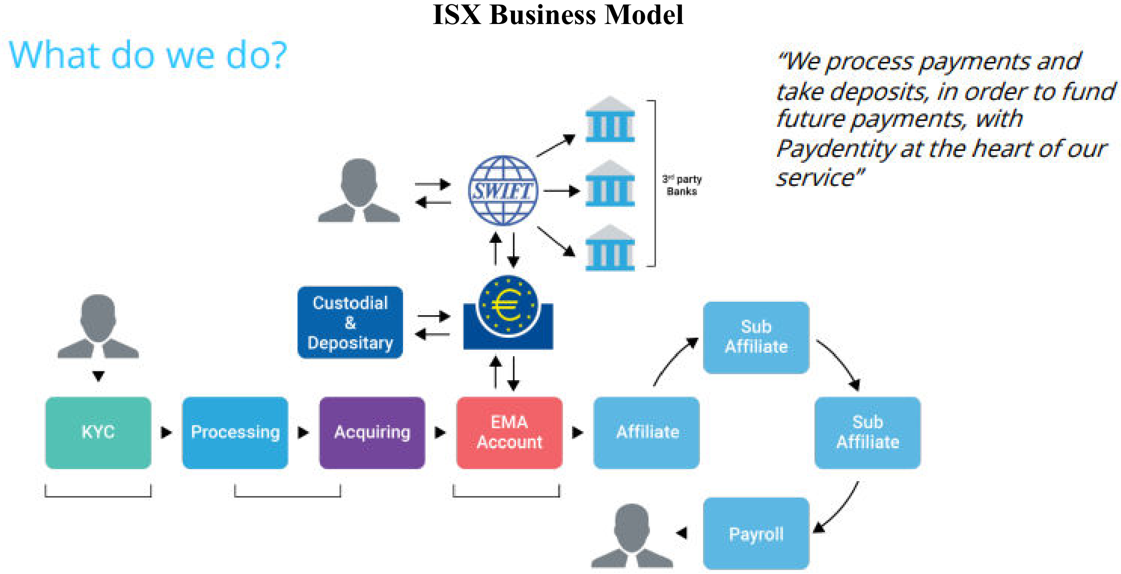
- **Leading Onboarding Speed and Reach:** Paydentity incorporates the due diligence process already performed by major institutions on individual customers with payment cards, so that merchants do not have to restart the process internally. As a result, the company can reach, identify, verify and take payment from up to 4.2 billion persons.
- **Streamlined Checkout and Payment Choices:** ISXPay has reached terms with all major card schemes, including those mentioned above as well as a number of alternative payment methods.
- **Diverse Currency Choices:** The company offers between 16 and 23 currencies natively to their merchants, allowing them to accept payment in these currencies.
- **Deposit Taking Capability:** Including capability to act as a custodian to other

regulated firms, safeguarding regulated client funds received for Over-The-Counter ("OTC") investments.

- **Multi-Regional Capabilities:** ISX's customers primarily operate in the U.K., European Economic Area ("E.E.A"), and Australia. ISX is able to offer solutions via a single relationship and technical integration.
- **Proprietary Technology:** The company's patented platforms are all developed in-house and can offer solutions to clients without paying royalties on their core services.

The company is the only licensed and operating neobank listed on the ASX exchange. A "neobank", or "challenger bank", is a digital-only financial institution that does not rely upon physical branches. In the case of ISX, the company fit the definition as they are able to take deposits on behalf of merchants, whilst also performing payment authentication and processing services. The company's business process is summarized below:

ISX Business Model



Source: Company

Revenue Model

The company's revenue model is based on processing fees charged to contracted merchants who utilize ISX's unified Paydentity/ ISXPay platform. Revenues are generated through:

- **Card Processing / Acquiring:** As mentioned earlier, the company processes payments on the behalf of merchants, a process also known as card acquiring. The total value of these payments, or gross processed turnover value ("GPTV"), is expected to be recurring on an annual basis and grow over time through the addition of new merchants and increasing GPTV per merchant. The company charges a merchant services fee ("MSF") as a percentage of GPTV, representing one of the company's revenue streams. According to management, the average MSF is 1.50% across their current contracts. Whilst we were not able to find a definitive industry average MSF for card acquirers, major card acquirers such as Chase Paymentech of

J.P. Morgan Chase & Co (NYSE: JPM), can charge between 1.99% and 3.76% on transactions, as well as a fixed fee.

Chase Paymentech Transaction Fees

Pricing Type	Transaction Fee
Qualified Tier	1.99% + $0.25
Mid-Qualified Tier	2.68% + $0.25
Non-Qualified Tier	3.76% + $0.25

Source: ValuePenguin Inc.

- **E-Money Accounts ("EMA"):** An EMA is an alternative to a regular bank account, in that EMA holders can deposit money with a qualifying institution. The advantage to an EMA is that users can rapidly and securely make online payments, transfers and other transactions with other registered users of the EMA network as well as any other banking institution, using the SWIFT and SEPA money transfer systems. ISX is permitted to hold merchant funds as deposits, whilst also deriving revenues from these deposits in the form of processing and transaction fees. Based on our discussions with management, the company currently averages a transaction fee of 1% on EMAs, with approximately $300 million EMAs on deposit with ISX. EMAs are typically acquired from customers seeking custodial or operating facilities. EMAs may hold funds deposited by customers using the ISXPay option or are simply utilized by clients who desire the flexibility of the ISX EMA.

In addition to the above revenue sources, the company also recently acquired Cyprus-based Probanx Information Systems ("Probanx"), on September 19, 2018. Probanx, which has been operating for over a decade, provides core banking software to 15 banks across Europe, the Middle East, Asia Pacific, and Oceania. With regards to Probanx's revenue model, the subsidiary uses a software licensing model with annual maintenance fees. **The company has projected that Probanx may contribute over $0.30 million to the company's EBIT in calendar 2019.** Moving forward, the company hopes to convert Probanx's revenue model to a Software-As-A-Service ("SAAS") revenue model, which they believe could command higher fees. Based on our discussions with management, we believe Probanx will form the core of a standalone technology licensing division, which aims to provide solutions for other neobanks, fintech companies and payment service providers. Management believe that core banking (centralized systems allowing customers to conduct business irrespective of a physical banking branch) is an area that is presently underserviced, with competing software starting at a much higher price point for a more complex product. An example of a competing banking software firm is Temenos AG (SWX: TEMN). **Temenos AG has a market capitalization of $15 billion, 2018 revenues of $1.17 billion, and net income of $234.50 million, and trades at an EV/R, EV/EBITDA, and P/E of 13.60, 47.30 and 68.20, respectively.**

As the fee structure of Probanx has not been announced by the company, and strategy is still undisclosed, Probanx will not be covered in detail in this report. However, cross-sector

M&A activity between banking technology companies and payment service providers would suggest positive synergies to be gained by the company from the acquisition of Probanx.

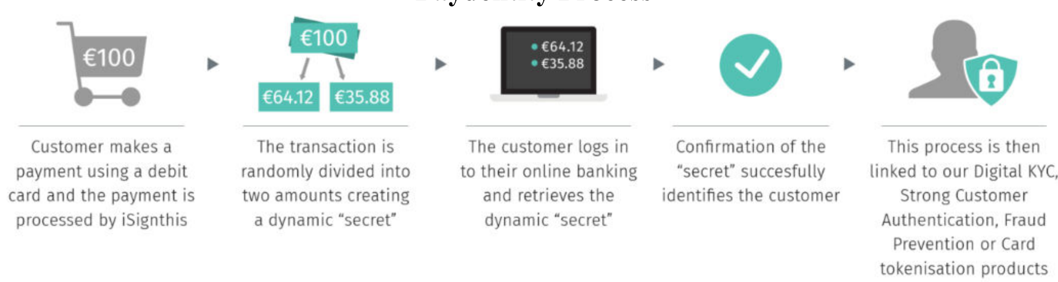
Paydentity®

The company's flagship solution, Paydentity was developed as a functional platform in 2015, and was issued a patent by the U.S. Patent Office ("USPTO") in December 2013. According to the company, ISX spent five years developing the platform and incurred R&D and establishment expenditures of approximately $15 million during the platform's development. As mentioned earlier, the Paydentity solution uses EDD KYC to provide identity verification services that satisfy regulatory requirements and facilitate the completion of transactions and payments. Apart from providing users with remote EDD KYC compliance, Paydentity also provides identity verification services across all major card schemes, and can prevent fraud, ensuring that users of Paydentity are receiving payments from legitimate paying customers.

The actual Paydentity process works by dynamically creating a one-time "secret"; randomly dividing a transaction amount (i.e. $100) into two random parts (i.e. $64 and $36). This "secret" is only retrievable by the card/ account holder accessing their online or telephone banking portal, who in the process of retrieving the "secret" confirms their identity. Note that the paying customer only has to log on to their banking portal to identify themselves once for KYC protocols, providing the lowest friction KYC solution currently available.

A simplified chart outlining the process is given below:

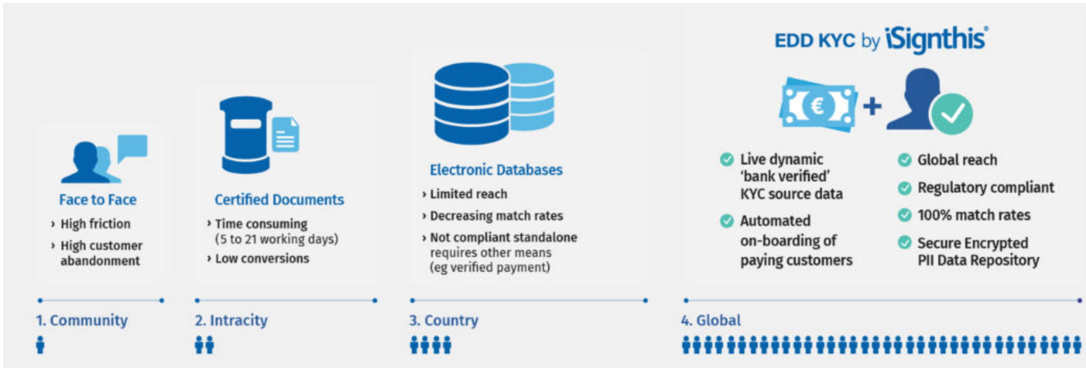
Paydentity Process



Source: Company

The process simplifies and automates a merchant's KYC process (which the company reports can take three to 21 business days if done manually) into as little as three to five minutes. Furthermore, the Paydentity process generates real-time KYC data on customers, without relying on historic credit scores or credit databases, providing merchants with an up-to-date, live KYC database on a customer. The KYC process is a significant element in every merchant's risk management practices, as KYC minimizes the risk of illegal activity initiated by a client by performing extensive identity verification and background due diligence. However, conventional methods of KYC exhibit various flaws depending on the method, whilst the EDD KYC process incorporated into Paydentity addresses issues of time consumption, customer conversion rate, regulatory compliance and customer reach.

Evolution of KYC

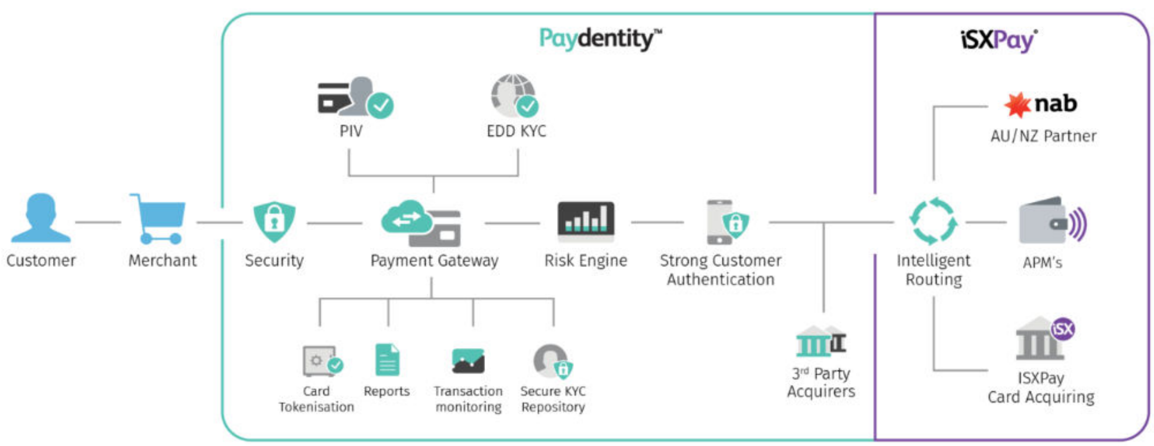


Source: company

ISXPay

ISXPay provides users with payment gateway and processing services, along with risk management and avoidance. As mentioned earlier, ISXPay offers card acquiring under Principal Card Scheme Licenses, with ISXPay being able to route and process transactions on behalf of major cards such as Visa, MasterCard, JCB, American Express, and more. ISXPay builds upon the payment gateway services provided by Paydentity (identity verification, automated EDD KYC, transaction monitoring), and upon the customer authentication process of the transaction being completed, routes transactions for processing by card acquirers, either by ISX themselves or by third-parties such as the National Australia Bank. The process of how ISXPay works and how it complements the company's Paydentity solution is outlined below:

How ISXPay Works



Source: Company

According to the company, benefits of utilizing their platform include:

➢ **Paydentity Acquirer Intelligent Routing ("PAIR"):** PAIR allows merchants to access multiple card acquirers via Paydentity, providing acquirer diversity, flexibility and cross-border options. This allows merchants to select an acquirer on the basis of country, currency, cost and/or dynamically calculated threshold ratio, to fit the needs of a transaction.

- **Advanced Reporting**: Dynamic dashboard reporting provides merchants with real-time statistics, monthly reconciliation statements and instant campaign management.
- **Transaction Monitoring**: ISXPay offers advanced transaction monitoring, allowing merchants to customize their risk management system to suit their business.
- **ISX Product Integration:** The Paydentity gateway gives merchants the ability to integrate with any of ISX's digital KYC and fraud prevention solutions.
- **Card Tokenization:** ISXPay allows for the tokenization and secure storage of customer card details for future transactions, without the merchant being required to ensure that their systems are compliant with strict Payment Card Industry ("PCI") standards with each transaction.

With regards to pricing, ISX charges EU, Australian and New Zealand merchants at least 1.75% plus $0.30 per successful domestic card charge. For non-domestic cards, the fee is at least 2.75% plus $0.30 per successful card charge. However, the average charges through the unified ISX platform come up to 1.50% on GPTV, as mentioned earlier, due to tiered discounting based on merchant volume. As ISX's business is focused on wholesale merchants rather than retail merchants, the GPTV of ISX's contracted merchants is much higher than would be the case if ISX was focused on retail merchants. As a result, volume-based discounts apply, and the average MSF on processed transaction value comes to a lower percentage than would be suggested by the company's general fee schedule. The below table outlines the company's various fees by service:

ISXPay Standard Rate Schedule

EUROPEAN DOMICILED MERCHANT

SERVICES	MERCHANT SERVICE FEE (per transaction)*
VISA domestic and intra-regional	1,90%
VISA international	2,90%
MasterCard domestic and intra-regional	1,90%
MasterCard international	2,90%
JCB domestic and intra-regional	2,25%
JCB international (non-domestic)	3,75%
American Express	conveyed **
China UnionPay	2,90%
WeChat Pay	2,90%
Alipay	2,90%
Klarna Pay Now	2,00% (min. €0,20)
Trustly	2,00% (min. €2,00)
iDEAL	€0,50
Transaction / refund fee	€0,30
Chargeback fee	€35,00
Retrieval fee	€5,00
Setup fee	€250

AUSTRALIAN DOMICILED MERCHANT	
SERVICES	MERCHANT SERVICE FEE (per transaction)*
VISA domestic	1,75%
VISA international	2,90%
VISA multicurrency accept & settlement	3,90% (USD, HKD, SGD, NZD, CAD, GBP, EUR, JPY)
MasterCard domestic	1,50%
MasterCard international	2,50%
MasterCard multicurrency accept & settlement	3,90% (USD, HKD, SGD, NZD, CAD, GBP, EUR, JPY)
American Express	conveyed**
JCB domestic	2,90%
JCB international	3,75%
China UnionPay	2,25%
WeChat Pay	2,90%
Alipay	2,90%
Transaction / refund fee	AUD$0,30
Chargeback fee	AUD$35,00
Retrieval fee	AUD$5,00
Bpay BatchPay transaction	AUD$0,30
Setup fee	AUD$250

Source: Company

According to management, in January 2018, the company had contracted 7 merchants (details of clients undisclosed) with a contracted GPTV of $75 million per annum. **However, by June 30, 2018, ISX reported contracted GPTV of over $600 million, a 700% increase.** Note that this is contracted GPTV, and not live merchant transactions, and ISX will need to onboard contracted merchants before revenue generation begins on contracted GPTV. Contracted GPTV is the expected GPTV of merchants who have contracted with ISX for services but have yet to be onboarded to their platform, which means they are not utilizing the ISX unified platform, and as a result, are not being charged by the company for processed transactions. The process for contracting and onboarding merchants is outlined further below.

ISX Revenue and EBIT Guidance

Moving forward, the company is projecting contracted GPTV of $880 million in calendar 2019, and $1.50 billion in calendar 2020. Whilst our own forecasts and valuation have been adjusted to reflect our own assumptions, the company's guidance is useful in providing short-term benchmarks. We discuss the below projection and their impact on our forecasts in the valuation section of the report.

ISX Projections

	2018 (Jan)	CY/FY 2019	CY/FY 2020 Target
Integrated Active Merchants	7 →	25 (Jan) →	50+ (Jan)
Contracted GPTV	$75m/pa →	$880m/pa →	$1.50Bn / pa (Jan)
Contracted Average MSF	92bps →	>100bps	>100bps
Contracted EMA's	$0 →	$400m/pa →	>$1.5Bn+
Contracted average EMA Services Fee on inflows	$0 →	Circa 100bps	Circa 100bps
Below the Line Costs	~$7m	$7.25m	$7.75m
Projected GP		~17.7	Guidance to follow FY/CY2019
Projected EBIT		~10.7m (Jan-Dec)	Guidance to follow FY/CY2019

* line costs refers to fixed costs and operating costs that the company have forecasted.

Source: Company

On April 3, 2019, the company announced that with the onboarding of 13 new merchants (since 22 January 2019), actual annual GPTV now exceeds $302 million. However, as we believe there are more contracted merchants awaiting onboarding onto the ISX platform, actual annualized GPTV should grow throughout 2019, to converge with the forecasted contracted GPTV.

Merchant Onboarding Process

As mentioned, contracted GPTV needs to be brought live via the onboarding of contracted merchants onto the ISX unified platform, before live merchant transactions can be processed. As the onboarding process is key to actualizing contracted GPTV, and therefore key to card acquiring revenue generation, we have outlined the merchant onboarding process below:

- The underwriting process involves the receipt of a merchant application form along with financial, incorporation and ownership details of the merchant applicant. The underwriting process can take as little as five days, or over 30 days, depending on the complexity of the applicant's ownership structure and the quality of the submitted information.
- ISX then verifies the applicant's incorporation, operating licenses, directors, ownership structure and ultimate beneficial owners. A financial assessment, including past processing performance, is also conducted.
- Once underwriting is satisfied, an agreement (with a security deposit if applicable) is executed and the merchant is granted access to the ISX unified platform API (active programming interface) and dashboard. Integration can take less than three business days, though it usually takes around a month.
- Once a merchant is integrated, it usually takes merchants between two and six weeks to cycle between their currency card processing and ISX facilities. A gradual ramp up on ISX's platform can take another two to six weeks, before the merchant's GPTV is fully actualized.

NAB Exit and Growth Catalysts

To date, the bulk of the company's revenues have been generated from European clientele, with the remaining minority derived from Australian merchants. According to management, ISX began with European operations as it can take a significant amount of time (years) to obtain regulatory authorization, card scheme licensing, third-party certification, and independent financial audits of a payment processing platform within the EU. However, moving forward, a number of significant catalysts have the potential to kick start growth in ISX's Australia operations. Previously, Australian revenues were derived from MSF on GPTV from Paydentity and ISXPay, as well as revenue sharing with card acquiring partners. Catalysts include:

- **Licensing as an Authorized Deposit-Taking Institution ("ADI") with the Australian Prudential Regulation Authority ("APRA"), anticipated in Q2-2019.** As an ADI with APRA, ISX will be able to accept deposits from the public in the form of EMAs. As a result, the ADI license is a significant growth driver for the company's EMA banking business.
- **ISX has filed an Australian Financial Services License ("AFSL") application**

with the Australian Securities and Investments Commission ("ASIC"). The company is expecting comments from ASIC in the near future, though a date has not been disclosed. An AFSL is required by ISX to operate as a financial services business in Australia.

- **An Exchange Settlement Account ("ESA") with the Reserve Bank of Australia ("RBA"), anticipated in Q2-2019.** An ESA is an account with the RBA held by banks and other approved institutions for the purpose of settling payment obligations to each other. Again, this is to enable ISX's digital banking functions in Australia.

In addition to the above, a crucial opportunity in the Australian payment processing landscape has opened up, with the departure of the incumbent acquirer, National Australia Bank Limited. (ASX: NAB / market capitalization of $67.91 billion), offering ISX the chance to accelerate the growth of their card acquiring (ISXPay) operations. ISX and the National Australia Bank ("NAB"), had previously maintained a Payment Facilitator Program Services Agreement, originally announced in August 2016, with ISX providing identity verification and payment authentication services, and NAB acting as the card acquirer for processed transactions. The two parties shared (percentage share undisclosed) the merchant fees charged on transactions.

At the end of June 2018, the company disclosed that it had received notification from the NAB that their risk appetite had changed, and the NAB intended to exit processing of all transactions from certain High Brand Risk ("HBR") AML regulated sector merchants. Specifically, the NAB intended to discontinue payment processing for CFD, FOREX, equities, remittance and binary traders. On February 6, 2019, ISX announced it had entered into agreements with Tier 1, 2, and 3 card schemes to continue card acquiring services for all major cards, including Visa and Mastercard, as an alternative to the NAB. As part of the announcement, the company also disclosed that their Visa and Mastercard payment facility agreement with the NAB will terminate effective April 30, 2019. **As a result of the NAB's new policy, merchants in the HBR AML regulated sectors outlined in the above paragraph who had originally looked to the NAB for card acquiring services, will now be bereft of vital card acquiring services.**

Seizing the opportunity presented, ISX has now stepped in to offer card acquiring services through ISXPay, announcing that it will be accepting merchants across multiple categories that include the AML regulated sectors discontinued by the NAB. To support their delivery of payment processing facilities to these targeted merchant sectors, the company has entered into direct licensing agreements with major card schemes, including Mastercard, Diners/ Discover (anticipated to go live late April 2019), American Express (anticipated to go live late April 2019) and China Union Pay (anticipated to go live late July 2019). **On February 14, 2019, the company further announced that it had received more than a dozen applications from Australian merchants for ISXPay's payment processing and transactional banking capabilities.** The applications came predominantly from merchants in the equities/ CFD/ FOREX trading sector, with some from merchants in the gambling sector.

By targeting the Australian HBR AML regulated merchants who now lack payment processing facilities, the company has the potential to dramatically increase their Australian GPTV. It's worth noting that the targeted AML regulated merchants include CFD, FOREX, binary, and equity traders, who may benefit from the flexible and multi-currency payment processing solution in ISXPay. Furthermore, merchants who choose to adopt ISX as their principal card acquirer will also have the option to set up an EMA with ISX, opening up a second revenue stream to ISX from these merchants, though these EMAs can only be set up once ISX receives their ADI license with APRA. **Based on our discussions with management, ISX estimates that NAB's departure leaves as much as $40 billion in GPTV associated with the departed sectors up for grabs.** Reflecting the expected growth in their Australian business, the company have disclosed that they will be segregating their GPTV reporting, separating GPTV from Australian merchants from that of European merchants. Though readers may wonder if ISX's move into the vacated HBR AML merchant sectors might raise the company's business risk profile, our discussions with management suggest that the NAB's departure arose from their inability to manage regulatory risk (for example, by establishing transaction monitoring/ AML compliant technology) in a cost effective way, as opposed to the explicit risk of the merchant sectors themselves. By comparison, ISX has a full spectrum merchant acquiring solution that also provides regulatory compliance through their EDD KYC capabilities.

With regards to the European side of their business, outsized growth is expected to continue due to the competitive advantages granted to the company by EU legislation in the payment processing space. In particular, management have identified the EU's 5th AML Directive (a broad set of legislation designed to increase transparency and combat money laundering), the Payment Services Directive 2 (EU directive to regulate payment services and payment service providers in the European Economic Area), and revised rules by major card schemes on AML regulated sectors and cryptocurrency operations as major tailwinds. We see it as unlikely that authorities in these spaces would switch to less onerous regulations (especially noting international AML treaty obligations), nor that major card schemes would reverse the changes in their risk appetites. As a result, we expect growth from lack of competition to continue over the short to medium-term for ISX's European operations.

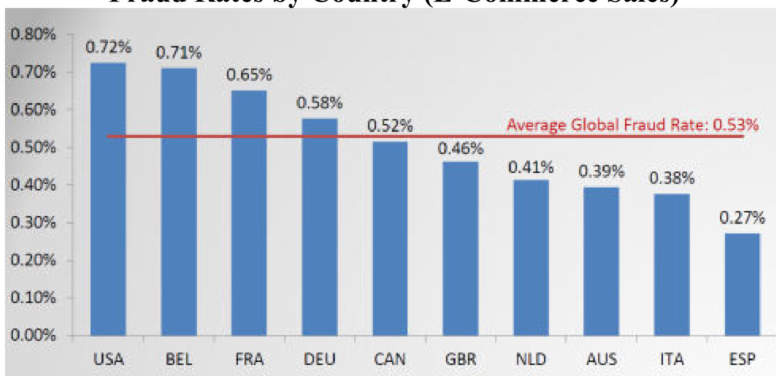
Recent events appear to have vindicated that belief. On February 25, 2019, ISX announced that Windsor Brokers Ltd., a leading FOREX broker in Europe with a track record of over 30 years, had gone live on the ISXPay platform. The full spectrum of the company's services, comprising identity verification from Paydentity through to payment processing/ card acquiring, are now being utilized by Windsor Brokers Ltd. In addition to Windsor Brokers Ltd., the company anticipates that 75 EU-based merchants will be onboarded to the company's platform within 2019.

The growth in the company's EU, and Australian GPTV, and EMAs on deposit, resulting from the increased merchant onboarding in both regions, should herald significant improvements to the company's top and bottom lines.

Market Overview

The company was founded in 2013, with an initial goal of developing a process by which to mitigate and prevent cases of Card Not Present ("CNP") fraud, a payment card transaction where the cardholder is unable to present the card for a merchant's examination at such a time that an order is given and payment for the order is affected. CNP fraud can occur when the criminal perpetrator obtains the cardholder's contact details and other sensitive information, which is possible electronically without physical theft of the payment card. CNP fraud, and more generally identity fraud, is a major issue facing highly regulated merchants, who may not successfully perform KYC procedures, and as result, face major losses due to fraudulent transactions related to faulty identification verification.

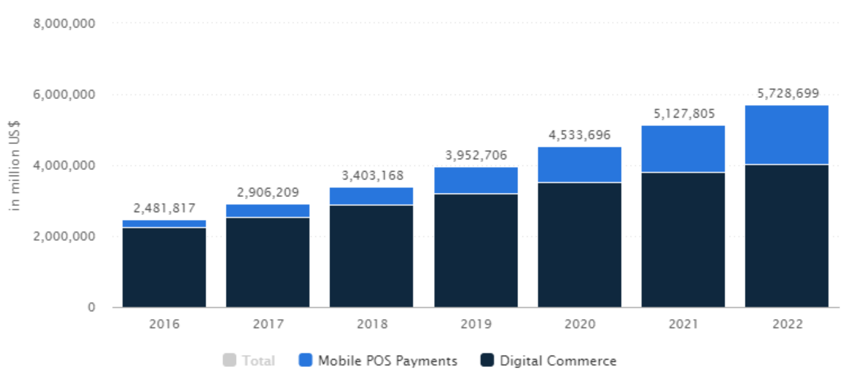
Fraud Rates by Country (E-Commerce Sales)



Source: U.S. Payments Forum

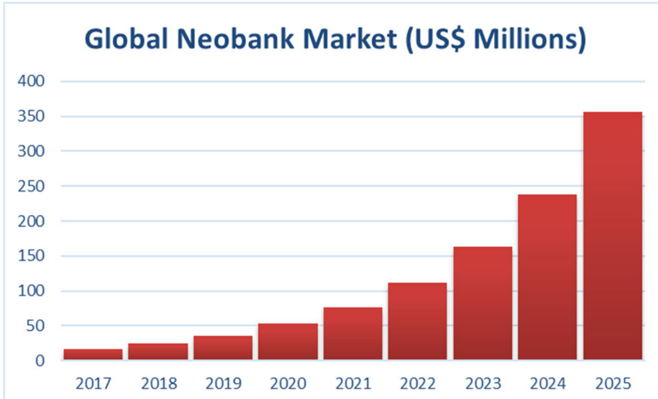
The impact of CNP and identity fraud is even more pronounced considering the scale of digital commerce internationally, and the rapid rate of growth in digital payments. According to Statista, the total transaction value of digital payments (including mobile payments) globally was US$2.48 trillion in 2016, and is forecasted to grow at a CAGR of 14.98% to reach US$5.73 trillion in 2022. **Assuming an average global fraud rate of 0.53% per the above chart, and global digital payments transaction value of US$3.40 trillion in 2018 per the chart below, identity fraud in digital transactions may pose a US$18.04 billion problem.**

Global Digital Payments Transaction Value



Source: Statista

Though the issue of CNP fraud poses a serious threat to merchants globally, it also provides ISX with ample growth opportunity, due to their innovative Paydentity identification verification solution. Apart from the growing issue of online fraud and problems it poses to highly regulated merchants, ISX also benefits from the burgeoning popularity of neobanks and challenger banks. In a report published by Variant Market Research, the global neobank/ challenger market is expected to grow at a CAGR of 45.80% from US$17 million in 2017, to reach US$356 million in 2025. According to the report, the popularity of neobanks and challenger banks as an alternative to traditional banking and finance institutions is likely to be driven by higher interest rates relative to incumbent banks, convenience of use (driven by increased internet and smartphone usage) and proactive banking regulations.



Source: Variant Market Research, FRC

Management Overview

The company's Board of Directors has five members, four of which are independent. **Management, directors and insider-controlled entities currently own 503.61 million common shares, or approximately 46.67% of the basic shares outstanding – aligning their interests with shareholders.**

Individual	Position	Common Shares	% of Total
Nickolas John Karantzis	CEO & Managing Director	153,154,654	14.19%
Todd Richards	CFO	24,115,783	2.23%
Timothy Hart	Chairman	15,641,220	1.45%
Christakis Taoushanis	Director	2,000,000	0.19%
Barnaby Egerton-Warburton	Director	4,953,667	0.46%
Scott Minehane	Director	10,104,633	0.94%
iSignthis Ltd. (BVI)*	Insider-Controlled	293,643,100	27.21%
		503,613,057	**46.67%**

[*]iSignthis Ltd. (BVI) is a holding entity of which Mr. Karantzis is a major shareholder. Shares directly held by Mr. Karantzis through iSignthis Ltd. (BVI) are deducted from iSignthis Ltd. (BVI)'s holdings.

Source: FRC, Prospectus

Brief biographies of the senior management and board members, as provided by the company, follow:

Nickolas John Karantzis – CEO & Managing Director

John is the founder and Managing Director/CEO of Australian Securities Exchange listed iSignthis Ltd. John holds qualifications in engineering (University of Western Australia), law, and business (University of Melbourne), with a broad understanding of international regulatory regimes as they relate to payments, money laundering and identity. John has over 20 years' experience across a number of sectors including payments, online media, AML, defence and secure communications.

Todd Richards – CFO

Todd is a co-founder of iSignthis, and a Certified Practising Accountant with more than 20 years' experience in statutory corporations and international and ASX listed companies. His experience has been gained in a number of industries including manufacturing, logistics, professional sport, IT, online media and telecommunications. Todd's previous public company experience includes executive and Company Secretary roles with ASX listed Destra Corporation Limited (ASX:DES) and Reeltime Media Limited (ASX:RMA).

Timothy Hart – Non-Executive Chairman

Mr. Hart is the Managing Director and Chief Executive Officer of Ridley Corporation Limited (ASX: RIC). Mr. Hart was Chief Executive Officer of Sugar Australia and Sugar New Zealand (joint ventures between Wilmar/ CSR and Mackay Sugar Limited). Eight years prior to this, Mr. Hart held management positions with SCA Hygiene Australasia, Carter Holt Harvey, ACI Plastics Packaging, Amcor Limited and Pasminco Limited. He has also been Deputy Chairman of the Australian Food & Grocery Council, Chaired the Corporate Affairs Committee and was a Director of the World Sugar Research organisation. Mr. Hart is the former Chair of the AFGC Agribusiness Forum and is an Ambassador of not for profits National Association of Women in Operations (NAWO) and Enactus (SIFE). Mr. Hart has an extensive background of senior management, in the agribusiness, food, resources, automotive and packaging industries across Australia, New Zealand, Europe and Asia

Barnaby Egerton-Warburton – Director

Mr Egerton-Warburton holds a Bachelor of Economics Degree and is a graduate of the Australian Institute of Company Directors. He has over 20 years of trading, investment banking, international investment and market experience. He has held positions with global investment banks in Hong Kong, New York and Sydney including JPMorgan, Banque Nationale de Paris and Prudential Securities.

Scott Minehane – Director

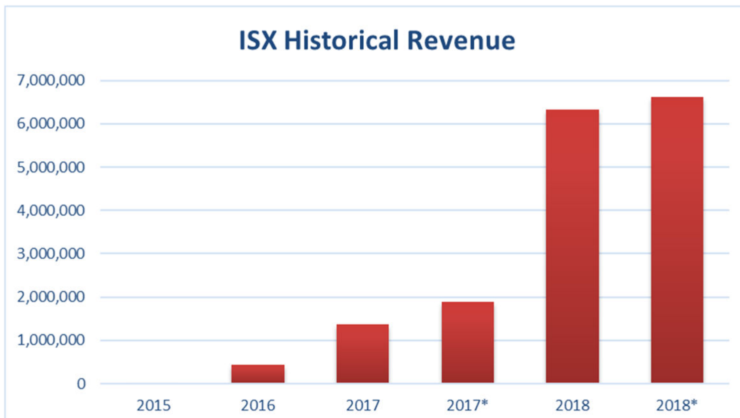
Mr. Minehane has international regulatory and strategy experience in the telecommunications sector and has been involved in advising investors, telecommunications operators, Governments and regulators in Australia, Asia, the Pacific and South Africa for over 25 years. He is also an independent director of ASX listed Etherstack plc (ASX: ESK) which specializes in wireless technology including waveforms and public mobile radio solutions. Mr. Minehane has a Bachelor of Economics and a Bachelor of Laws from the University of Queensland and holds a Master of Laws, specializing in Communications and Asian Law from the University of Melbourne.

Christakis Taoushanis – Director

Mr. Taoushanis holds a BSc degree in Economics, and a Master's in Business Administration received from the London School of Economics and the London Business School, respectively. Mr. Taoushanis brings extensive banking and finance knowledge and experience to our organisation having spent over 30 years in the industry in various senior roles. Mr. Taoushanis has worked for some of the world's largest banks in a number of different locations including Chicago, Greece, Hong Kong and Cyprus. This includes serving at Continental Illinois National Bank of Chicago for four years, the HSBC Group for eighteen years, with twelve of those as the Managing Director of the Cyprus subsidiary, and eight years as the Chief Executive Officer of the Cyprus Development Bank. Since 2011, Mr. Taoushanis has been working with the private firm TTEG & Associates, providing services as an advisor to several companies.

Financials

The following chart outlines the historical revenues of the company. ISX has been a revenue generating entity since 2015. Revenue grew from $28.96k for the financial year ending June 30, 2015, to $6.62 million for the newly adjusted financial year ending December 31, 2018, demonstrating a CAGR of 461.72% during the period.



**The company has adjusted their financial year from June 30 to December 31*
Source: FRC, Company Financials

The company reported revenues of $6.62 million for the year ended December 31, 2018, up 250.46% YoY from $1.89 million in 2017. The major growth in revenue is attributable to the growth in ISX's GPTV, which grew from $75 million in January 2018, to $600 million at the end of June 30, 2018, demonstrating 700% growth over the period. GPTV at the end of 2018 was not disclosed. With regards to segmented revenues, the following table provides a geographical breakdown of the company's different sources of sales. In 2018, the percentage of revenue generated from Australian operations was 29.77% versus 70.23% from European operations. This compares to a 16.17% Australian and 83.28% European breakdown in 2017. Note that the revenues under consideration in the table below are operating revenues and do not include a cash R&D tax concession and interest income.

Segmented Revenues (Geography)	2017	2018
Australia	$ 207,989	$ 1,813,285
Europe & BVI	$ 1,036,119	$ 4,278,709
Australia (%)	16.72%	29.77%
Europe & BVI (%)	83.28%	70.23%

Source: Company Financials

The table below outlines the company's consolidated income statements. Note that the company recently adjusted their financial year-end from June 30 to December 31, as we mentioned earlier. As investors will note, the difference between the revenue reported for 2018, and the revenue reported for the previous FY2018 ended June 30, 2018, is relatively small. This implies that there was little revenue growth experienced in the six months between the two fiscal periods, and management report that decline in revenue growth was due to a shift in focus to developing internal infrastructure to avoid excessive costs related to technical issues with third-party partnerships. This was an issue noted in the previous FY2018, as COGS grew significantly YoY.

STATEMENTS OF OPERATIONS	*YE JUN 30	*YE JUN 30	*YE JUN 30		*YE JUN 30	
(in A$) - YE Dec 31st	**2015***	**2016***	**2017***	**2017**	**2018***	**2018**
Revenue	28,962	443,881	1,371,192	1,889,915	6,338,969	6,623,413
COGS			263,252		4,363,097	
Gross Profit	**28,962**	**443,881**	**1,107,940**	**1,889,915**	**1,975,872**	**6,623,413**
EXPENSES						
SG&A Expense	1,507,519	3,407,019	4,272,272	4,940,918	5,456,648	11,639,283
Share-based Compensation	4,601,216	4,834,907	979,347	248,080	312,380	486,204
R&D	15,805	521,347	345,583	324,608	342,500	333,964
Other Expenses	369,169	781,006	1,042,191	1,151,940	1,222,015	1,967,349
EBITDA	**(6,464,747)**	**(9,100,398)**	**(5,531,453)**	**(4,775,631)**	**(5,357,671)**	**(7,803,387)**
Depreciation & Amortization	7,305	107,546	122,719	126,878	149,493	178,997
EBIT	**(6,472,052)**	**(9,207,944)**	**(5,654,172)**	**(4,902,509)**	**(5,507,164)**	**(7,982,384)**
Financing Costs	2,086	1,391	4,574	4,574		4,564
EBT	**(6,474,138)**	**(9,209,335)**	**(5,658,746)**	**(4,907,083)**	**(5,507,164)**	**(7,986,948)**
Non-Recurring Expenses	13,665,287	25,882	41,316	43,403	25,013	43,104
Taxes						8,598
Net Profit (Loss)	**(20,139,425)**	**(9,235,217)**	**(5,700,062)**	**(4,950,486)**	**(5,532,177)**	**(8,038,650)**
FOREX Translation Adj.	-5,818	-60,540	-12,754	7,400	7,066	-50,484
Comprehensive Net Profit (Loss)	**(20,145,243)**	**(9,295,757)**	**(5,712,816)**	**(4,943,086)**	**(5,525,111)**	**(8,089,134)**
Shares outstanding	389,476,571	605,377,229	626,705,330	636,253,853	654,851,402	798,352,882
EPS	$ -0.05	$ -0.02	$ -0.01	$ -0.01	$ -0.01	$ -0.01

Source: FRC, Financial Statements

Note that the company no longer reports COGS in their financial statements. In previous financial reporting, COGS was outlined in the foot notes of ISX's statements. However, moving forward, we do not believe this will be the case. In their new year-end financials, ISX did not report COGS, and as a result, gross margin was 100% for both 2018 and 2017. This convention is common with companies that offer services connected to digital platforms.

Margins	2017	2018
Gross	100.00%	100.00%
EBITDA	-252.69%	-117.82%
EBIT	-259.40%	-120.52%
Net	-261.94%	-121.37%

Source: FRC, Financial Statements

Selling, General and Administrative ("SG&A") expenses grew 135.57% YoY to $11.64 million in 2018, versus $4.94 million in 2017. EBITDA was -$7.80 million in 2018 and

-$4.78 million in 2017. The YoY increase in SG&A expenses, and subsequent EBITDA deterioration, can be attributed to the costs of growing the GPTV and related business so significantly YoY.

The company reported a net loss of $8.04 million (EPS: -$0.01) in 2018, compared to a net loss of $4.95 million (EPS: -$0.01) in 2017.

The following table provides a summary of ISX's cashflows. Free cash flows ("FCF") have deteriorated, largely due to deteriorating operating cashflows. The change in investing cash outflows YoY was largely due to the company's acquisition of Probanx during the fiscal period.

Summary of Cash Flows ($, mm)	2017	2018
Operating	-$4.79	-$6.74
Investing	-$0.23	-$0.94
Financing	$6.26	$8.50
Effects of Exchange Rate	$0.01	-$0.04
Net	**$1.24**	**$0.78**
Free Cash Flows to Firm (FCF)	**-$5.03**	**-$7.68**

Source: FRC, Financial Statements

At the end of 2018, the company had a cash position of $8.43 million, working capital of $9.85 million, and a current ratio of 1.96x. There is no debt on the company's balance sheet, demonstrating a solid liquidity and solvency position.

(in A$) - YE Dec 31st Liquidity & Capital Structure	2017	2018
Cash	$ 7,653,681	$ 8,433,874
Working Capital	$ 8,068,165	$ 9,850,889
Current Ratio	9.15	1.96
LT Debt	$ -	$ -
Total Debt	$ -	$ -
LT Debt / Capital	-	-
Total Debt / Capital	-	-
Total Invested Capital	$ 1,700,594	$ 3,010,090

Source: FRC, Financial Statements

Stock Options and Warrants: We estimate that the company has 14.36 million stock options (weighted average exercise price of $0.41) and 2.57 million employee incentive performance rights outstanding. 9.36 million of the options are currently in the money. Note that the performance rights convert to shares on the conversion date assuming the employee holding the rights is still with the company, and there is no up-front cost to the employee to exercise their right. These performance rights are tied to milestones however, and are not exercisable unless those milestones are met. The company can raise up to $2.75 million if all the in-the-money options are exercised.

Valuation

Our revenue forecasts for the company through to 2023 are provided below:

	2019E	2020E	2021E	2022E	2023E
Contracted GPTV	$ 880,000,000	$ 1,500,000,000	$ 3,000,000,000	$ 5,000,000,000	$ 8,000,000,000
Average Servicing Fee	1.50%	1.50%	1.50%	1.50%	1.50%
Payment Processing Revenue	$ 13,200,000	$ 22,500,000	$ 45,000,000	$ 75,000,000	$ 120,000,000
Contracted EMAs	$ 400,000,000	$ 1,500,000,000	$ 3,000,000,000	$ 5,000,000,000	$ 8,000,000,000
Average EMA Service Fees	1.00%	1.00%	1.00%	1.00%	1.00%
EMA Revenues	$ 4,000,000	$ 15,000,000	$ 30,000,000	$ 50,000,000	$ 80,000,000
Total Revenue	$ 17,200,000	$ 37,500,000	$ 75,000,000	$ 125,000,000	$ 200,000,000

Source: FRC

Our income statement forecasts for the company through to 2023 are provided below:

STATEMENTS OF OPERATIONS (in A$) - YE Dec 31st	2019E	2020E	2021E	2022E	2023E
Revenue	17,200,000	37,500,000	75,000,000	125,000,000	200,000,000
COGS					
Gross Profit	**17,200,000**	**37,500,000**	**75,000,000**	**125,000,000**	**200,000,000**
EXPENSES					
SG&A Expense	10,320,000	22,500,000	44,250,000	72,500,000	115,000,000
Share-based Compensation	516,000	1,500,000	3,750,000	6,250,000	10,000,000
R&D	344,000	378,400	416,240	457,864	503,650
Other Expenses	2,262,451	2,601,819	2,992,092	3,440,906	3,957,042
EBITDA	**3,757,549**	**10,519,781**	**23,591,668**	**42,351,230**	**70,539,308**
Depreciation & Amortization	172,937	165,397	243,395	364,857	547,274
EBIT	**3,584,612**	**10,354,384**	**23,348,273**	**41,986,373**	**69,992,034**
Financing Costs					
EBT	**3,584,612**	**10,354,384**	**23,348,273**	**41,986,373**	**69,992,034**
Non-Recurring Expenses					
Taxes			7,004,482	12,595,912	20,997,610
Net Profit (Loss)	**3,584,612**	**10,354,384**	**16,343,791**	**29,390,461**	**48,994,424**
FOREX Translation Adj.					
Comprehensive Net Profit (Loss)	**3,584,612**	**10,354,384**	**16,343,791**	**29,390,461**	**48,994,424**
Shares outstanding	1,079,170,635	1,079,170,635	1,079,170,635	1,079,170,635	1,079,170,635
EPS	$ 0.00	$ 0.01	$ 0.02	$ 0.03	$ 0.05

Source: FRC

Assumptions behind our revenue forecasts include:

- Contracted GPTV and EMA schedule is as per the company's guidance to the public. This guidance is only for 2019 and 2020. Past these years, we forecast that the NAB's exit, and the estimated $40 billion GPTV vacuum in the regulated AML merchant sectors, will be assumed in part by the company.

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- We believe that ISX could grow to a GPTV and EMA value representing 20% of the exited AML merchant sector value, or $8 billion. We believe that this is a fair assumption – there are few companies like ISX that meld compliant KYC and payment processing, and therefore, there are few companies suited to providing card acquiring to HBR AML regulated merchants. Also note that the estimated $40 billion in departed GPTV is Australia specific, meaning that it does not account for the company's business in the EU.

- Average processing fee of 1.50%, and an average servicing fee of EMAs of 1%.
- Long-term EBITDA margins grow to approximately 35%. This is based on the average EBITDA margins exhibited in the payment processors sector, which is 33.10%.
- Australian corporate tax rate of 30%, to begin upon the exhaustion of the company's deficit, forecasted in our models for 2021.

Discounted Cash Flow Valuation

Our DCF valuation on ISX's shares is $0.42 per share.

DCF Model		2019E	2020E	2021E	2022E	2023E	Terminal
EBIT(1-tax)		$ 2,509,228	$ 7,248,069	$ 16,343,791	$ 29,390,461	$ 48,994,424	
Non-Cash Expenses		$ 688,937	$ 1,665,397	$ 3,993,395	$ 6,614,857	$ 10,547,274	
Investment in WC		$ -383,476	$ -958,290	$ -2,203,588	$ -4,837,687	$ -3,165,135	
CFO		$ 2,814,690	$ 7,955,176	$ 18,133,598	$ 31,167,631	$ 56,376,563	
CAPEX		$ -165,000	$ -247,500	$ -371,250	$ -556,875	$ -835,313	
FCF		$ 2,649,690	$ 7,707,676	$ 17,762,348	$ 30,610,756	$ 55,541,250	$ 57,207,488
PV		$ 2,468,504	$ 6,411,271	$ 13,191,770	$ 20,298,256	$ 32,883,823	$ 376,337,081
Discount Rate	12.00%						
Terminal Growth Rate	3.00%						
Total PV	$ 451,590,704						
Cash - Debt	$ 8,433,874						
Equity Value	$ 460,024,578						
Shares O/S (dil)	1,083,851,591						
Fair Value (A$)	**$ 0.42**						

Source: FRC

For our discount rate, we utilized a weighted average cost of capital ("WACC") of 12%. This is based on the average cost of equity for non-bank/ insurance financial services firms and the debt-to-capital structure exhibited in comparable sectors. We also used a return on debt that reflects the average rate of long-term corporate debt.

Comparables Valuation (Peer Companies)

The companies listed below are not perfect comparables, as there are very few companies which merge identity verification and payment processing/ card acquiring into the same platform. Furthermore, the companies below are largely focused on retail merchants, whereas ISX targets wholesale merchants and regulated sector merchants. Because of ISX's focus on regulated merchants, and the resulting need for payment processors in that particular space to incorporate regulatory compliant KYC measures into their processes, there are few truly comparable companies to ISX. However, the nature of ISX's business is such that many investors will likely value the company on a similar basis to other prominent payment processors and payment regulatory technology companies.

Company	Ticker	Market Cap (A$, M)	Enterprise Value (A$, M)	Revenues (A$, M)	EBITDA (A$, M)	EBIT (A$, M)	EV/R	EV/EBITDA	EV/ EBIT
Leading Technology Comps:									
iSignthis Ltd.	ASX: ISX	$ 409.99	$ 404.47	$ 6.62	$ -7.80	$ -7.98	61.07		
SafeCharge International Group	LSE: SCH	$ 837.20	$ 706.40	$ 194.70	$ 45.60	$ 40.00	3.63	15.49	17.66
EML Payments Ltd.	ASX: EML	$ 440.40	$ 391.90	$ 80.00	$ 11.00	$ 6.30	4.90	35.63	62.21
Mint Payments Ltd.	ASX: MNW	$ 20.42	$ 25.83	$ 3.53	$ -4.34	$ -4.41	7.32		
GB Group	LSE: GBG	$ 1,793.00	$ 1,758.80	$ 228.50	$ 44.10	$ 26.20	7.70	39.88	67.13
PayPal Holdings Inc.	NASDAQ: PYPL	$ 172,665.00	$ 162,668.30	$ 21,721.00	$ 3,842.10	$ 3,119.50	7.49	42.34	52.15
Square Inc.	NYSE: SQ	$ 45,460.00	$ 45,144.40	$ 4,636.60	$ 25.90	$ -44.90	9.74		
Global Payments Inc.	NYSE: GPN	$ 30,578.60	$ 37,342.80	$ 4,732.40	$ 1,850.00	$ 1,115.00	7.89	20.19	33.49
Average (Excluding Outliers)							**6.95**	**30.70**	**46.53**

Source: FRC, Capital IQ

Based upon the above comparables, and the income statement projections we outlined further above, we value the company's equity at $831.53 million on an EV/R basis and $1.29 billion on an EV/EBITDA basis. Our comparables valuation model is outlined below:

Comparables Valuation					
2023 Forecast (Gross Revenues)	$	200,000,000	2023 Forecast (EBITDA)	$	70,539,308
Average EV/ Revenue		6.95	Average EV/ EBITDA		30.70
Expected EV (A$)	$	1,390,220,865	Expected EV (A$)	$	2,165,899,111
Discounted EV (A$)		$823,095,917	Discounted EV (A$)		$1,282,344,957
Expected Market Cap (A$)		$831,529,791	Expected Market Cap (A$)		$1,290,778,831
Value per Share (A$)	**$**	**0.77**	**Value per Share (A$)**	**$**	**1.19**

Source: FRC

Comparables Valuation (Comparable Sectors)

The below table outlines sectors that we believe the company will begin the emulate in the long-term:

Sector	EV/R	EV/EBITDA	EV/EBIT	P/E	D/C
Payment Service Providers and Gateways	6.00	32.40	41.70	56.40	39.30%
Payment Processors	7.80	23.20	29.00	38.20	45.20%
Internet Merchant Services	8.60	21.60	25.70	33.70	28.30%
Data Processing and Outsourced Services	6.20	19.70	24.20	31.60	28.00%
Average	**7.15**	**24.23**	**30.15**	**39.98**	**35.20%**

Source: FRC, Capital IQ

Based upon the above comparable sectors, and the income statement projections we outlined further above, we value the company's equity at $855.08 million on an EV/R basis and $1.02 billion on an EV/EBITDA basis. Our comparables valuation model is outlined below:

Sector Comparables Valuation					
2023 Forecast (Gross Revenues)	$	200,000,000	2023 Forecast (EBITDA)	$	70,539,308
Average EV/ Revenue		7.15	Average EV/ EBITDA		24.23
Expected EV (A$)	$	1,430,000,000	Expected EV (A$)	$	1,708,814,737
Discounted EV (A$)		$846,647,602	Discounted EV (A$)		$1,011,723,007
Expected Market Cap (A$)		$855,081,476	Expected Market Cap (A$)		$1,020,156,881
Value per Share (A$)	**$**	**0.79**	**Value per Share (A$)**	**$**	**0.94**

Source: FRC

After reviewing ISX's business, the quality of the management team and their execution plan, and our valuation models, we are initiating coverage on ISX with a BUY rating and a fair value estimate of $0.82 per share. This is the average of all our valuation model outputs.

Risks

We believe the company is exposed to the following risks (list is non-exhaustive):

- Valuation is highly dependent on forecasted GPTV and contracted EMAs, which is difficult to forecast accurately given the lack of discrete factors which can predict GPTV/ EMA value.
- The payment processing landscape is dominated by large-scale players.
- Partner risk associated with third-party card acquirers.
- Failure to secure licensing with Australian financial regulatory authorities (outlined earlier in the report) may hinder the growth of the company's Australian business.
- Access to capital and share dilution.
- Interest rate risk.
- Liquidity risk.
- Exchange rate risk.

We are initiating coverage with a risk rating of 4 (Speculative).

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Appendix

STATEMENTS OF OPERATIONS	*YE JUN 30	*YE JUN 30				
(in A$) - YE Dec 31st	2015*	2016*	2017	2018	2019E	2020E
Revenue	28,962	443,881	1,889,915	6,623,413	17,200,000	37,500,000
COGS						
Gross Profit	**28,962**	**443,881**	**1,889,915**	**6,623,413**	**17,200,000**	**37,500,000**
EXPENSES						
SG&A Expense	1,507,519	3,407,019	4,940,918	11,639,283	10,320,000	22,500,000
Share-based Compensation	4,601,216	4,834,907	248,080	486,204	516,000	1,500,000
R&D	15,805	521,347	324,608	333,964	344,000	378,400
Other Expenses	369,169	781,006	1,151,940	1,967,349	2,262,451	2,601,819
EBITDA	**(6,464,747)**	**(9,100,398)**	**(4,775,631)**	**(7,803,387)**	**3,757,549**	**10,519,781**
Depreciation & Amortization	7,305	107,546	126,878	178,997	172,937	165,397
EBIT	**(6,472,052)**	**(9,207,944)**	**(4,902,509)**	**(7,982,384)**	**3,584,612**	**10,354,384**
Financing Costs	2,086	1,391	4,574	4,564		
EBT	**(6,474,138)**	**(9,209,335)**	**(4,907,083)**	**(7,986,948)**	**3,584,612**	**10,354,384**
Non-Recurring Expenses	13,665,287	25,882	43,403	43,104		
Taxes				8,598		
Net Profit (Loss)	**(20,139,425)**	**(9,235,217)**	**(4,950,486)**	**(8,038,650)**	**3,584,612**	**10,354,384**
FOREX Translation Adj.	-5,818	-60,540	7,400	-50,484		
Comprehensive Net Profit (Loss)	**(20,145,243)**	**(9,295,757)**	**(4,943,086)**	**(8,089,134)**	**3,584,612**	**10,354,384**
Shares outstanding	389,476,571	605,377,229	636,253,853	798,352,882	1,079,170,635	1,079,170,635
EPS	$ -0.05	$ -0.02	$ -0.01	$ -0.01	$ 0.00	$ 0.01

**Previously YE was 30 June*

BALANCE SHEET (in A$) - YE Dec 31st	2017	2018	2019E	2020E
ASSETS				
CURRENT				
Cash and Cash Equiv.	7,653,681	8,433,874	12,158,947	22,972,938
A/R	288,868	894,501	1,789,002	3,578,004
Prepaids	157,755	139,579	209,369	314,053
Security Deposits		120,306	120,306	120,306
Card Scheme Collateral	346,706	1,459,070	1,459,070	1,459,070
Funds Held on Behalf of Merchants	611,061	9,107,677	10,018,445	11,020,289
Total Current Assets	**9,058,071**	**20,155,007**	**25,755,138**	**39,464,660**
PPE	99,032	182,039	174,102	256,205
Intangibles	1,220,941	1,531,113	1,531,113	1,531,113
Total Assets	**10,378,044**	**21,868,159**	**27,460,353**	**41,251,978**
LIABILITIES				
CURRENT				
A/P	255,797	904,934	1,357,401	2,036,102
Employee Benefits	123,048	128,348	256,696	513,392
Other		163,159	163,159	163,159
Funds Held on Behalf of Merchants	611,061	9,107,677	10,018,445	11,020,289
Total Current Liabilities	**989,906**	**10,304,118**	**11,795,701**	**13,732,942**
Employee Benefits	33,863	29,130	29,130	29,130
Deferred Tax		90,947	90,947	90,947
Other				
Total Liabilities	**1,023,769**	**10,424,195**	**11,915,778**	**13,853,019**
SHAREHOLDERS EQUITY				
Share Capital	30,677,294	40,677,673	40,677,673	40,677,673
Reserves	4,518,891	1,024,087	1,540,087	3,040,087
Deficit	(25,841,910)	(30,257,796)	(26,673,184)	(16,318,800)
Total shareholders' equity (deficiency)	**9,354,275**	**11,443,964**	**15,544,576**	**27,398,960**
Total Liabilities and Shareholders Equity	**10,378,044**	**21,868,159**	**27,460,353**	**41,251,978**

STATEMENTS OF CASH FLOWS (in A$) - YE Dec 31st	2017	2018	2019E	2020E
OPERATING ACTIVITIES				
Net Profit for the Year	(4,950,486)	(8,038,650)	3,584,612	10,354,384
Adjusted for items not involving cash:				
Depreciation and Amortization	126,878	178,997	172,937	165,397
Share-based Compensation	248,080	486,204	516,000	1,500,000
FOREX	(135)	18,203		
Funds From Operations	**(4,575,663)**	**(7,355,246)**	**4,273,549**	**12,019,781**
Change in working capital				
A/R	(126,670)	(605,633)	(894,501)	(1,789,002)
Other Assets	(530,512)	(8,085,021)	(910,768)	(1,001,844)
A/P	(81,875)	649,137	452,467	678,701
Prepaids			(69,790)	(104,684)
Employee Benefits	32,368	567	128,348	256,696
Other Liabilities	488,060	8,659,775	910,768	1,001,844
NET CASH USED IN OPERATING ACTIVITIES	**(4,794,292)**	**(6,736,421)**	**3,890,073**	**11,061,491**
INVESTING ACTIVITIES				
PPE	(59,707)	(110,000)	(165,000)	(247,500)
Intangibles	(173,987)			
Deposits		(115,201)		
Acquisitions		(396,133)		
Loans		(320,000)		
Cash on Deposit Considered an Investment				
NET CASH USED IN INVESTING ACTIVITIES	**(233,694)**	**(941,334)**	**(165,000)**	**(247,500)**
FINANCING ACTIVITIES				
Proceeds from Shares	6,900,000	10,000,000		
Issue Costs	(167,000)	(307,693)		
Card Scheme Membership Security	(469,700)	(1,190,888)		
NET CASH FROM FINANCING ACTIVITIES	**6,263,300**	**8,501,419**	**-**	**-**
Foreign Exchange / Others	7,536	(43,471)		
INCREASE IN CASH FOR THE YEAR	**1,242,850**	**780,193**	**3,725,073**	**10,813,991**
CASH, BEGINNING OF THE YEAR	6,410,831	7,653,681	8,433,874	12,158,947
CASH, END OF THE YEAR	**7,653,681**	**8,433,874**	**12,158,947**	**22,972,938**

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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