

ASX ANNOUNCEMENT

31 October 2017

Strong performance in all Divisions

Highlights

- Cash receipts increase by 42% over previous quarter to \$4.0m driven by growth in Flexepin transactions
- Launch of remittance service from Australia to allow Australian-based consumers and small businesses to send funds overseas
- Increasing focus on rapidly growing cryptocurrency market through integration of cryptocurrencies into digital wallet platforms
- Novatti well-funded for its next phase of growth following \$10 million placement announced post the reporting period
- Company remains on track to be profitable in FY18

Novatti Group Limited (ASX: NOV, “Novatti”) is pleased to provide its quarterly update for the three months ended 30 September 2017.

Operating overview

Novatti has made strong progress in the first quarter of FY18 across a number of areas of its business including the addition of new clients in its Platforms Division, the launch of remittance services in Australia and further revenue growth in its Flexepin Division.

Cash receipts for the quarter increased by 42% over the previous quarter to \$4.0 million, highlighting the rapid growth that Novatti is seeing in its recurring revenues as it tracks towards profitability in FY18.

The Company also completed a significant capital raising post the reporting period ensuring it is well funded to pursue a number of new opportunities in FY18 and beyond. The placement to a sophisticated investor, which will raise up to \$10 million, will allow Novatti to pursue multiple opportunities, particularly across the cross-border and China payments areas where it has identified a number of immediate and medium-term opportunities for growth.

Platforms Division

During the quarter, Novatti commenced projects for two new Software as a Service (SaaS) clients for its technology platforms, bringing the total number of clients to five since the start of 2016.

The growth in SaaS clients has partly been driven by growing opportunities for new financial services businesses to utilise Novatti's technology through cloud solutions.

Clients are using the Novatti platform for a range of new financial applications including Loyalty, Fundraising, Digital Wallet, Remittances and Vouchers and the Company expects that there will be further growth across this division in FY18.

Launch of remittance service from Australia

Novatti also launched its new remittance service in Australia, during the quarter, a significant step for the Company which will provide access to the large and growing local remittance market.

The new service will allow Australian-based retail consumers and small businesses to send funds overseas, a crucial activity for many migrants living and working in Australia. The most recent available data shows that a total of \$16.5 billion in remittances was sent from Australia to other countries in 2015, demonstrating the size of the industry¹.

Novatti has already signed two affiliate agent networks for its service, each with more than 1,000 consumer remittance clients and is in the process of evaluating and negotiating with three other potential affiliates.

Revenues from the service will be directly proportional to the growth in affiliates, consumers and transactions. Net transaction fees are typically 0.3% to 1% with remittance transaction values typically ranging from \$200 to \$5,000.

Cryptocurrency

During the quarter, Novatti also made further inroads into establishing itself as a provider to the rapidly growing cryptocurrency market with one of its SaaS clients, TiENPAY integrating a Bitcoin exchange to the Novatti Payments Platform.

Novatti has been under contract since late 2016 with the Hong Kong global fintech start-up to design and deploy a global digital wallet system. The wallet system will include the ability to hold Bitcoin and in August, TiENPAY launched an initial coin offering (ICO) whereby the value held in the ICO will be accessed via the TiENPAY wallet on the Novatti Payments Platform.

Novatti is also currently undertaking further R&D to ensure it can further take advantage of the growth in the cryptocurrency market.

Flexepin revenue growth

The rapid growth in Flexepin sales continued with sales growing at 46% from the previous quarter. This growth continues to be highest in Canada, driven by demand

¹ <http://www.pewglobal.org/interactives/remittance-map/>

for Bitcoin as Flexepin can be used as a payment method for Bitcoin through a growing number of merchants in Canada.

Funded for next phase of growth

Post the reporting period, Novatti also completed a placement to a sophisticated investor to raise up to \$10 million as it positions itself for its next phase of growth.

The placement will be conducted in two tranches. The first tranche (**Tranche A**) of \$3.5 million has already been completed through the placement of 25 million shares at an issue price of \$0.14 cents per share.

The second tranche (**Tranche B**) will be completed following the receipt of shareholder approval at a general meeting to be conducted before 28 February 2018 and will include the following:

- **Tranche B1:** \$6.5 million through the placement of 33.8 million shares at an issue price of \$0.19217 cents per share
- **Tranche B2:** The issue of 15 million options that expire 60 days after the issue date with an exercise price of \$0.25 cents per share, that is exercised will increase the investment to \$13.75m.

The investor is a Chinese investment group (Mr Chen Xiadi and associates) that is keen to increase its exposure to the e-commerce and payments processing industry and has identified Novatti as a key player in the growth of this market, particularly in China and Australia.

The capital raising places Novatti in a strong position to pursue its growth plans over the next few years, particularly in its cross-border remittance business where it has already made significant progress in the past 12 months.

Corporate and Financials

The Company finished the quarter with \$4 million in cash and, with the additional funds from the second tranche of the capital raising still to come, is well funded to pursue its growth plans over the long term.

As part of the recent share placement, Novatti has appointed Mr Steven Zhou to the board of the Company. Mr Zhou has extensive experience in start-up financial services business in both China and Australia. Steven recently represented Novatti on Austrade's 2017 Blockchain trade mission to China which has already resulted in the establishment of ties between Novatti and a number of Chinese companies involved in the cryptocurrency and Blockchain industries.

Outlook

Novatti remains focused on delivering on its objectives of growing its recurring and transactional revenues and pursuing the opportunities in the China Payments

Division with a particular focus on the cross-border commerce payments between China and Australia.

The Company will also progress its plans to obtain an authorised deposit-taking institutions licence (ADIs) as part of the proposals by the Australian Prudential Regulation Authority to support increase competition in the banking sector through the provision of these licenses to new entrants by reducing barriers to entry.

Importantly, Novatti is now fully funded to pursue these and other growth options as they present. The Company remains on track to achieve EBITDA profitability in FY18.

For further information, contact:

Peter Cook

CEO

+61 411 111 153

www.novatti.com

Media Enquiries:

Melissa Mack

melissa.mack@mcpartners.com.au

+61 430 119 951

About Novatti Group Limited

Novatti, an Australian-based company, is an award-winning global software technology and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitize cash transactions. Novatti's robust and efficient software solutions include Consumer Digital Wallet, Branchless banking, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems. Novatti's transaction processing services include Flexepin, an open loop cash voucher service and TransferBridge, a global remittance network.