

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

Novatti Group Limited

ABN

98 606 556 183

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,706	14,239
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(5,642)	(10,444)
(c) advertising and marketing	(134)	(214)
(d) leased assets	-	-
(e) staff costs	(2,112)	(3,842)
(f) administration and corporate costs	(547)	(763)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	13
1.5 Interest and other costs of finance paid	(39)	(52)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	461
1.8 Other:		
- Other Working Capital	(120)	(319)
- Write-off to profit and loss of capitalised banking related costs	(615)	(1,139)
1.9 Net cash from / (used in) operating activities	(2,498)	(2,060)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(52)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(c) investments – (including Intangibles Licenses)	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	(147)	(147)
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (Loan)	-	-
2.6 Net cash from / (used in) investing activities	(147)	(199)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	50	50
3.2 Proceeds from issue of convertible notes	2,575	3,375
3.3 Proceeds from exercise of share options	40	40
3.4 Transaction costs related to issues of shares, convertible notes or options	(271)	(290)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(403)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other	-	-
3.10 Net cash from / (used in) financing activities	2,394	2,772

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,542	1,807
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,498)	(2,060)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(147)	(199)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,394	2,772
4.5	Effect of movement in exchange rates on cash held	(57)	(86)
4.6	Cash and cash equivalents at end of quarter	2,234	2,234

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,234	2,542
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,234	2,542

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 3.5
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
30
-

--

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

NA

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify) – Convertible Note Facility	3,375	3,375
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Convertible note facility of \$1.1m into Novatti's dedicated banking entity for the provision of its working capital. \$1.1m raised from the issue of one converting note. Maturity date of 31 March 2020 or such other date agreed by the parties. Note converts in Novatti B Holding Pty Ltd (NBHC) shares automatically upon confirmation by the Australian Regulation Authority (APRA) at any time before maturity that a Restricted Authorised Deposit-taking Institution (RAD) licence will be raised on terms and conditions acceptable to NBHC. Converts into 1.1m NBHC shares. The note is unsecured and no interest is payable on the note.

Convertible note facility of \$2.275m was issued to sophisticated investors of Novatti Group Ltd. The funds will be used to continue its growth in its core payments units. The primary terms are, aggregate funds raised amount to \$2.275m from the issue of 2.275m notes. Conversion price at lower of 25 cents or the lowest capital raising price prior to maturity. Convertible at the election of noteholders at any time prior to maturity, 30 July 2021. 9% coupon, which may be capitalised at the election of noteholders. One free attaching option to be issued for each \$1 note with a 25 cent exercise price expiring 30 October 2022. The notes are secured over Novatti's share capital in its wholly-owned subsidiary, Novatti Inc, which owns the basis2 business.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs-Flexepin	4,540
9.2 (a) Product manufacturing and operating costs-Other	640
9.3 Advertising and marketing	80
9.4 Leased assets	-
9.5 Staff costs	2,491
9.6 Administration and corporate costs	585
9.7 Other – Licences	-
9.8 Total estimated cash outflows	8,336

* Please note that the above estimated cash outflows for the next quarter do not include inflows of receipts from customers. The cash outflows are estimates only and variable outflows are calculated on forecast revenue for the quarter. Variable outflows will change if actual revenue differs from forecast revenue.

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

Compliance statement

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

Sign here:  Date: 31 January 2020.....
(Director)

Print name:

Notes

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