

ASX Announcement

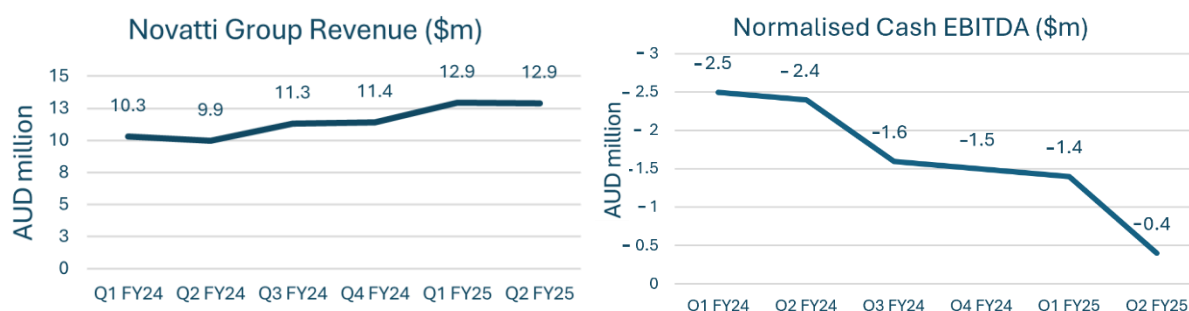
31 January 2025

December 2024 Quarter Activities Report and Appendix 4C¹

Positive operating cashflow on track for H2 FY25²

Highlights

- \$12.9m quarterly revenue maintained – up 30% YoY
- Expenses down a further 7% QoQ and 28% YoY to \$5.1m³
- Q2 FY25 cost reduction program implemented with full benefit from Q3 FY25
- Payments AU/NZ quarterly gross margin up 15% YoY to 49% with further gains expected across CY25
- Normalised net operating cash outflow of \$2.16m, with balance sheet strengthened through removal of legacy liabilities
- \$6.25m cash available at end of Q2 FY25
- Sales drive to follow brand refresh launch in February 2025 to align to value AU/NZ value proposition
- Expect to come within \$30k of positive monthly operating cashflow⁴ in January and remain on track to achieve positive operating cashflow for the half-year ending June 2025



Novatti Group Limited (ASX:NOV) (Novatti or the Company), a leading fintech enabling businesses to pay and be paid, is pleased to release its December 2024 quarter (Q2 FY25) Activities Report and Appendix 4C.

¹ All figures throughout this document related to the December 2024 quarter and FY25 remain unaudited unless stated otherwise.

² Operating cashflow as measured by cash EBITDA and excludes historic creditor liabilities

³ Normalised excluding COGS and expenses associated with investments in IBoA and AUDD Stablecoin

⁴ Operating cashflow as measured by cash EBITDA and excludes historic creditor liabilities

Commenting on the Company's Q2 FY25 performance, Novatti CEO, Mark Healy, said:

"Novatti's Q2 FY25 results highlight how the business is closing in on a significant turning point, following the implementation of our turnaround strategy since the beginning of FY24.

"First, in Q2 FY25 we continued to maintain our high quarterly revenue of \$12.9m, up 30% YoY. Second, quarterly expenses were reduced by a further 7% on the prior quarter and 28% YoY to \$5.1m.⁵ With quarterly expenses sitting at \$8.9m⁶ prior to the introduction of Novatti's turnaround strategy, the impact of Novatti's cost out and efficiency programs is now clearly visible, and will increase further, with the full impact of the cost reduction program to be seen from Q3 FY25.

"At the same time, we are starting to see a real impact on improved margins in the core Payments AU/NZ business. This follows the ongoing review and exit of low profitability services, solutions, and customers. Gross margin within this core business increased to 49% in Q2 FY25, representing a 15% increase year on year, with further gains expected across CY25. We are increasingly implementing new measures to grow sales and ultimately deliver higher margins with our three year, 70%+ gross margin target remaining firmly in place.

"In February we will launch our brand refresh which follows our team seeking customer feedback to deepen our market positioning. We are also implementing initiatives to streamline and automate customer onboarding, while enriching our payments capabilities and reducing costs by switching to more innovative service providers. These initiatives are contributing to our market led, customer focused approach, which was endorsed in Q2 FY25 with a tier one Australian telecommunications company renewing a multi-year service agreement, while we have also now onboarded nearly 40% of the 500 merchant pipeline identified at the beginning of FY25.

"Moving forward, we will also continue to streamline and optimise Novatti's business, with the strategic review of all business units and subsidiaries ongoing. This includes active communication with parties interested in acquiring non-core assets.

"Following these achievements, we expect to come within \$30k of positive monthly operating cashflow⁷ in January while we remain on track to achieve positive operating cashflow for the half-year ending June 2025. To highlight the extent of the progress under new leadership, net cash outflow has now fallen from \$2.5m in Q1 FY24 to \$0.4m in Q2 FY25⁸, including an improvement of \$1m on the prior quarter and an improvement of \$2m or 85% on Q2 FY24.

"Achieving positive operating cashflow will represent a significant milestone in the delivery of Novatti's turnaround strategy and will be a key step in our commitment to improving Novatti's financial performance moving forward."

⁵ Normalised excluding COGS and expenses associated with investments in IBoA and AUDD Stablecoin

⁶ Normalised excluding COGS and expenses associated with investments in IBoA and AUDD Stablecoin

⁷ Operating cashflow as measured by cash EBITDA and excludes historic creditor liabilities

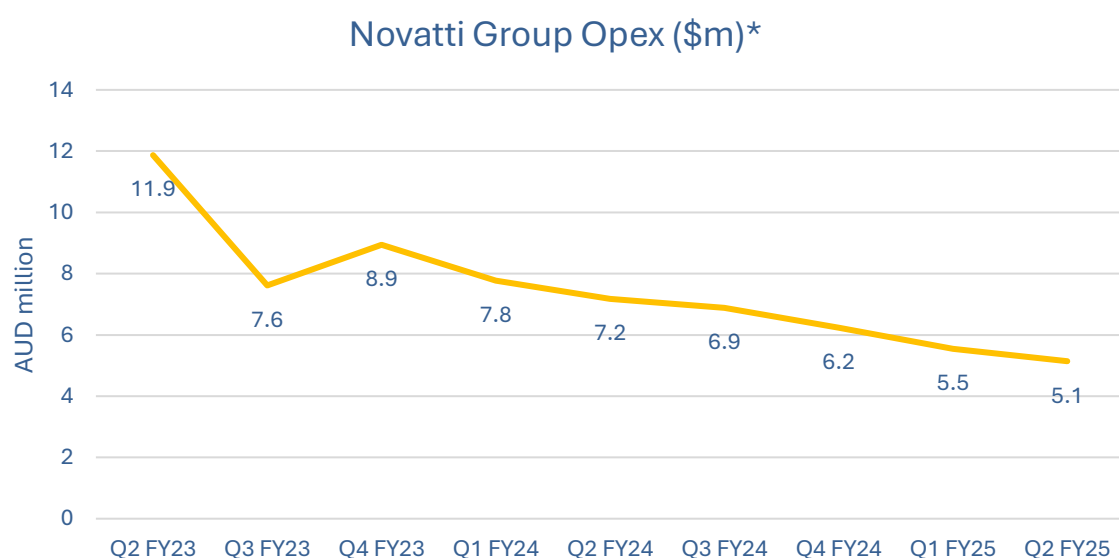
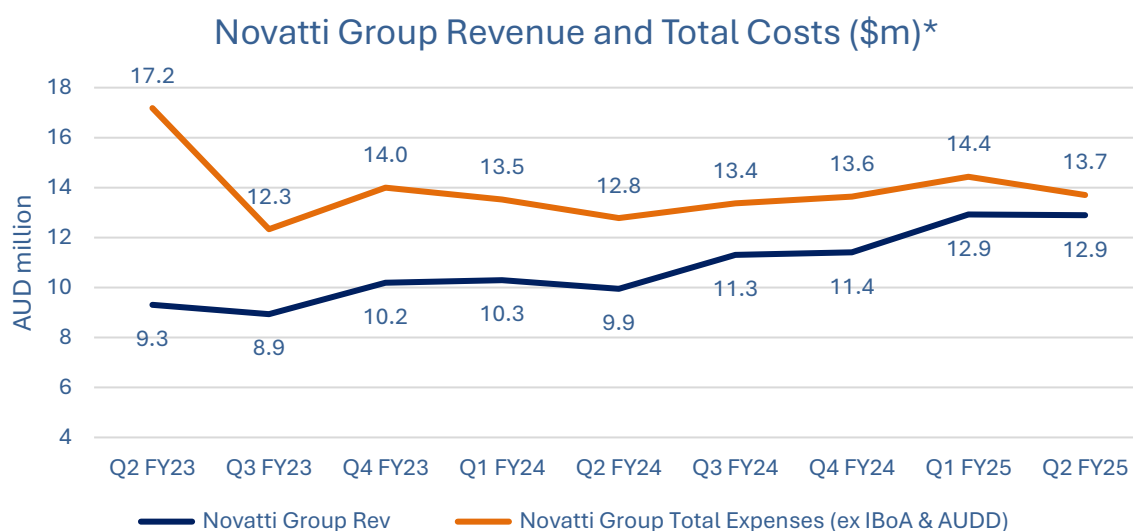
⁸ Operating cashflow as measured by cash EBITDA and excludes historic creditor liabilities

Operations Update

Business performance

The implementation of Novatti's turnaround strategy continued throughout Q2 FY25. Notably, this included the successful third stage of Novatti's cost reduction program, which has ultimately seen \$9.8m in annualised costs removed from the business overall.

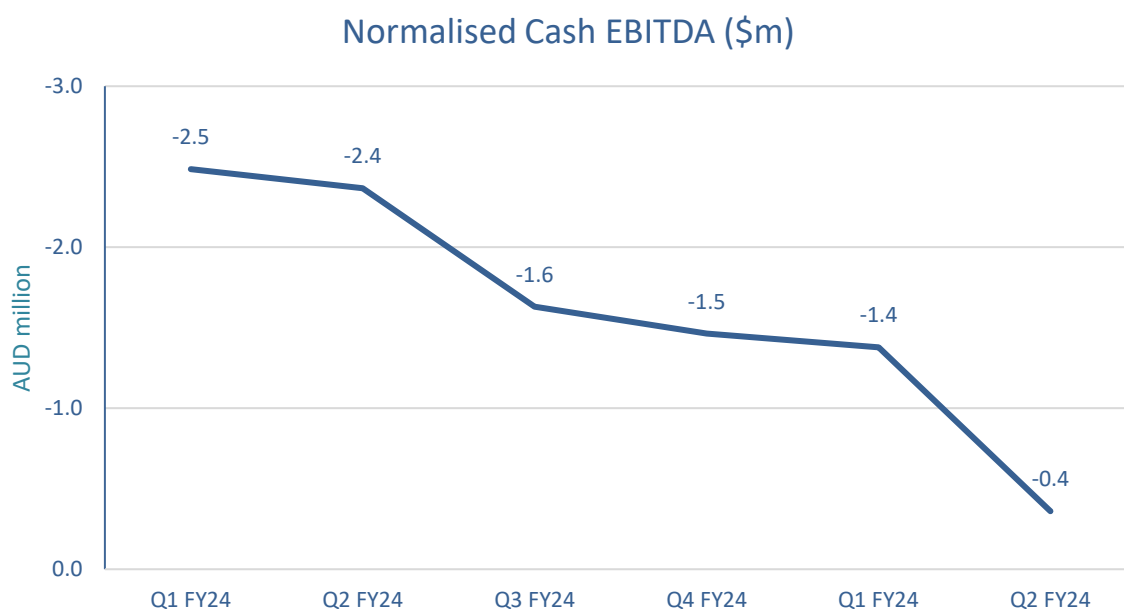
Novatti maintained its high quarterly revenue of \$12.9m (up 30% YoY) while expenses were reduced a further 7% on the previous quarter and 28% YoY to \$5.1m.⁹ Importantly, this figure does not reflect the full impact of the third stage of Novatti's cost reduction program, which will be shown from Q3 FY25.



⁹ Normalised excluding COGS and expenses associated with investments in IBoA and AUDD Stablecoin

Gross margin in Novatti's core Payments AU/NZ business increased to 49%, representing a 15% increase year on year. This figure reflects the ongoing review of low profitability services, solutions, and customers, which will continue to be a core focus moving forward, with further gains expected across FY25, as Novatti's three year, 70%+ gross margin target remains firmly in place.

As a result of the implementation of Novatti's turnaround strategy and these improved results, Novatti expects to come within \$30k of positive monthly operating cashflow in January¹⁰ and to achieve positive operating cashflow for the half-year ending June 2025.¹¹ The substantial progress made here is highlighted by the below graph:¹²



Cash consumption was \$3.56m in Q2 FY25. This reflected a specific focus on strengthening Novatti's balance sheet, including through the removal of legacy liabilities. On a normalised basis, this figure reduced to \$2.16m, as highlighted in the table below. At the end of Q2 FY25, Novatti held \$6.25m in cash.

¹⁰ Operating cashflow as measured by cash EBITDA and excludes historic creditor liabilities

¹¹ Operating cashflow as measured by cash EBITDA and excludes historic creditor liabilities

¹² Operating cashflow as measured by cash EBITDA and excludes historic creditor liabilities

Reconciliation of Reported Dec-24 quarter (Q2 FY25) 4C Cashflow to Normalised Cashflow

	Reported Q2 FY25 cashflow	Normalisation adjustments	Normalised Q2 FY25 cashflow
	\$'000	\$'000	\$'000
Receipts from customers	25,357		25,357
Product manufacturing and operating	(22,951)		(22,951)
Staff Costs	(4,321)	1,095 (Historic PAYG and staff exit costs)	(3,226)
Fixed Costs	(2,007)	298 (Historic creditor payments)	(1,709)
Other	367		367
Net Operating	(3,555)	1,393	(2,162)

Continued commercial progress through market led, customer focus approach

Novatti is increasingly implementing new measures to grow sales and ultimately deliver higher margins, including across Q2 FY25. The measures include:

- **Brand refresh:** Novatti will soon launch a brand refresh which will highlight its commitment to being a one-stop-shop for all customer payment needs in Australia-New Zealand. The brand refresh takes into account feedback from customers following a series of deep dive interviews as well as a focus on better market positioning moving forward
- **Solution upgrades:** Novatti is actively removing a number of customer pain-points at 3rd party vendors that have impacted serviceability and efficiency in the past. This includes moving to a globally best in class acquiring payment gateway and processor owned by Visa, which will enable superior functionality and customer experience, while ultimately reducing costs and customer churn.

Our market led, customer focused approach is seeing continued results, including the renewal of a multi-year service agreement with a tier one Australian telecommunications provider in Q2 FY25. This follows Novatti securing a contract with a major global airline in Q1 FY25. At the same time, Novatti has now onboarded nearly 40% of the 500 merchant acceptance pipeline identified at the beginning of FY25. Onboarding the remainder of this pipeline in H2 is expected to greatly benefit from initiatives being undertaken to improve the onboarding process.

Investments and Business Portfolio Update

Novatti's strategic review of all business units and subsidiaries remains ongoing. This includes active communication with parties interested in acquiring non-core assets.

Novatti's majority owned Stablecoin business (AUDC Pty Ltd) continued to strengthen AUDD's position as the leading Australian dollar-backed stablecoin. Testing was completed for AUDD on Hedera, with live deployment expected in Q3 2025. Ripple On-Demand Liquidity (ODL) testing progressed, enhancing AUDD's cross-border transaction capabilities. New partnerships included an

agreement with XDC Networks for AUDD deployment on XRC-20, targeting trade finance and custodial services with Fireblocks.

This quarter saw the successful Monetary Authority of Singapore cross-border trade pilot and acceptance into the DFCRC's Project Acacia. Regulatory focus intensified with responses being prepared for ASIC's Info225 update and AUSTRAC's AML/CTF Amendment Bill. AUDD Stablecoin revenue increased by 60% in Q2 and AUDD remains independent and self-funded through FY25, investing in compliance, infrastructure, and scalability without any further capital injection from Novatti.

Corporate

On 11 October 2024 the Company announced it would be undertaking a partially underwritten capital raising comprising a placement to professional and sophisticated investors in two tranches (**Placement**) and a pro-rata 1 for 3 non-renounceable entitlement offer to eligible shareholders (**Entitlement Offer**) of fully paid ordinary shares in the Company (**Shares**) at an issue price of 4 cents each. Recipients of Shares under the Placement and Entitlement Offer were also offered a free-attaching 6.4 cents, 31-Dec-27 option (**Options**) on a 1:1 basis.

The first tranche of Shares under the Placement, comprising 50,612,567 Shares, were issued on 23 October 2024 within the Company's existing 15% share issue capacity pursuant to Listing Rule 7.1.

The partially underwritten Entitlement Offer was made under a prospectus lodged with ASIC on 24 October 2024, and the offer closed on 19 November 2024 raising an aggregate \$3,007,500 from accepted entitlements and shortfall subscribed for pursuant to the partial underwriting. In addition, the Placement was supported by major shareholder, Brayter Limited, and Novatti directors Peter Pawlowitsch and Peter Cook. The second tranche of Shares under the Placement, comprising 50,000,000 shares, was issued on 9 December 2024, with the issue having been approved by shareholders at the Company's Annual General Meeting held on 28 November 2024. The Placement raised \$4,024,502 in aggregate.

The Company on 9 December 2024 also issued an aggregate of 155,852,587 Options to recipients of Shares under the Placement and to GBA Capital Pty Ltd and Ord Minnett Limited (and their nominees) in connection with lead manager and underwriting services for the Capital Raising, with these issues also having been approved by shareholders at the Company's Annual General Meeting 2024 Annual General Meeting.

The total funds raised by the Company under the capital raising was \$7,032,002 and a total of 175,800,067 Shares and 231,040,087 Options were issued.

In addition, the Company issued Shares and Options to holders of existing convertible notes (that were issued by the Company in early 2024) under a matching incentive offer of a free-attaching Option on a 1:1 basis for every Share issued to holders who elected to convert their notes into Shares by 30 November 2024 at a conversion price of 4 cents, being the same price as under the Placement and Entitlement Offer. A total of 9,295,492 Shares and 9,295,492 Options were issued to those noteholders who accepted the offer.

Proceeds from the capital raising have been allocated to unlocking internal growth, new business initiatives, and a brand refresh. As highlighted in the above discussion on cash use, proceeds also contributed to strengthening Novatti's balance sheet across Q2 FY25 through the repayment of legacy liabilities.

Listing Rule 4.7C Disclosure

In accordance with Listing Rule 4.7C, payments made to related parties and their associates are included in item 6.1 of the Appendix 4C, which incorporates directors' fees, salaries and superannuation.

Novatti invites investors to keep up-to-date with company news, events and industry research by joining the Novatti mailing list at <https://www.novatti.com/subscribe>

Investors can view all Novatti announcements at: <https://www.novatti.com/asx-announcements>

This announcement has been approved for release by Mark Healy, CEO and the Board.

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About Novatti Group Limited (ASX:NOV)

Novatti is a leading fintech that enables businesses to pay and be paid from any device, anywhere. From corner stores and start-ups to global organisations, our solutions will unlock your ambitions. Solutions include acquiring, billing, issuing, and processing.

Important Notices

Some of the statements appearing in this announcement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which Novatti operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside of Novatti's control. Novatti does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of Novatti, its directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to

place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect views held only as at the date of this announcement. This announcement is not an offer, invitation or recommendation to subscribe for, or purchase, securities by Novatti. Nor does this announcement constitute investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used for the basis of making an investment decision. Investors should obtain their own advice before making any investment decision. By reviewing or retaining this announcement, you acknowledge and represent that you have read, understood and accepted the terms of this important notice.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Novatti Group Ltd

ABN

98 606 556 183

Quarter ended ("current quarter")

31 December 2024

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	25,357	54,047
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(22,951)	(48,950)
(c) advertising and marketing	(51)	(72)
(d) leased assets	-	-
(e) staff costs	(4,321)	(8,855)
(f) administration and corporate costs	(1,956)	(4,425)
1.3 Dividends received	-	-
1.4 Interest received	327	692
1.5 Interest and other costs of finance paid	(94)	(147)
1.6 Income taxes paid	-	(16)
1.7 Government grants and tax incentives	134	268
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(3,555)	(7,458)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	(48)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5.1	Cash reduction from disposal of IBOA Group Holdings Pty Limited ("IBOA")	-	(4,877)
2.5.2	Proceed from disposal of IBOA	-	2,869
2.6	Net cash from / (used in) investing activities	-	(2,056)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities	7,032	7,032
3.1.1	Proceeds from issues of equity securities of IBOA	-	1,103
3.1.2	Proceeds from issues of equity securities of the AUDC	-	169
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(762)	(762)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(618)	(641)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(79)	(154)
3.10	Net cash from / (used in) financing activities	5,573	6,747

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,617	9,469
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,555)	(7,458)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(2,056)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,573	6,747
4.5	Effect of movement in exchange rates on cash held	(384)	(451)
4.6	Cash and cash equivalents at end of period	6,251	6,251

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	6,251	4,617
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,251	4,617

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	230	230
7.2	Credit standby arrangements	-	-
7.3	Other (convertible notes)	3118	3,118
7.4	Total financing facilities	3,348	3,348
7.5	Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>As at 31 December 2024, one related party has provided an unsecured loan of \$0.23m at 12% interest per annum on the principal amount, which accrues from day to day.</p> <p>Novatti Group Limited issued a convertible note facility in the amount of \$3.50m. The first tranche of the convertible note facility was issued on 3rd January 2024 to the value of \$1.46m and the second tranche issued on 14th February 2024 to the value of \$2.04m and subsequently \$382k was converted to shares with current balance being \$3.118m.</p> <p>The Convertible Notes have a \$1.00 face value, a coupon of 10% per annum and a maturity date of 22 December 2026. They are convertible into Shares at a conversion price of the lower of \$0.06 and the next equity capital raising price, subject to a floor price of \$0.04. During the quarter ended 31 December 2024, \$370,000 was converted into ordinary shares. Current balance is \$3,118,000.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,555)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,251
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,251
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.758
	<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	

8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	<div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> Answer: No. Cash outflows reduce to \$2.16m on a normalised basis in the current quarter and the company remains focussed on continuously reducing costs and increasing revenue to reach operating cash positive, supported by divestment of non-core assets within the portfolio. </div>
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	<div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> Answer: No </div>
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	<div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> Answer: Yes, refer to 8.6.1 </div>
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

Date: 31 January 2025

This announcement has been approved for release to the ASX by Chairman, Peter Pawlowitsch and CEO, Mark Healy.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and

Risk Committee]. If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.