



**NOVATTI GROUP LIMITED**  
**ACN 606 556 183**

**NOTICE OF ANNUAL GENERAL MEETING**  
**EXPLANATORY MEMORANDUM**  
**AND**  
**PROXY FORM**

**Date of Meeting**  
Wednesday 16 November 2016

**Time of Meeting**  
10.00am (AEST)

**Place of Meeting:**  
**Legacy House, Level 2, 293 Swanston St**  
**Melbourne, Victoria 3000**

**NOVATTI GROUP LIMITED**  
**ACN 606 556 183**

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that an annual general meeting of Shareholders of Novatti Group Limited (**Company**) will be held at held at 10.00am (AEST) on Wednesday, 16 November 2016 at Legacy House, Level 2, 293 Swanston St, Melbourne VIC 3000 (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 14 November 2016 at 7pm (AEST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1.

## **AGENDA**

### **1. Annual Report**

To table and consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2016, which includes the Financial Report, the Directors' Report and the Auditor's Report.

### **2. Resolution 1 - Adoption of Remuneration Report**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2016."*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

## **Voting Exclusion**

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by, or on behalf of, a member of the Key Management Personnel whose remuneration details are included in the remuneration report, or a Closely Related Party of such member. However, a vote may be cast by such person if:

- (a) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.

### **3. Resolution 2 - Re-election of Director – Peter Pawlowitsch**

To consider, and if thought fit, to pass as an ordinary resolution the following:

*"That, for the purpose of clause 6.3 (c) of the Constitution and for all other purposes, Peter Pawlowitsch, a Director, retires and being eligible, is re-elected as a Director."*

#### **4. Resolution 3 - Re-election of Director – Brandon Munro**

To consider, and if thought fit, to pass as an ordinary resolution the following:

*"That, for the purpose of clause 6.3 (i) and (j) of the Constitution and for all other purposes, Brandon Munro, a Director, retires and being eligible, is re-elected as a Director."*

#### **5. Resolution 4 - Re-election of Director – Kenneth Lai**

To consider, and if thought fit, to pass as an ordinary resolution the following:

*"That, for the purpose of clause 6.3 (i) and (j) of the Constitution and for all other purposes, Kenneth Lai, a Director, retires and being eligible, is re-elected as a Director."*

#### **6. Resolution 5 - Re-election of Director – Paul Burton**

To consider, and if thought fit, to pass as an ordinary resolution the following:

*"That, for the purpose of clause 6.3 (i) and (j) of the Constitution and for all other purposes, Paul Burton, a Director, retires and being eligible, is re-elected as a Director."*

#### **7. Resolution 6 – Issue of Options to Kenneth Lai**

To consider, and if thought fit, to pass as an ordinary resolution the following:

*"That, for the purpose of Section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue 750,000 Options to Kenneth Lai (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Kenneth Lai and any associates of Mr Lai. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **8. Resolution 7 – Issue of Options to Paul Burton**

To consider, and if thought fit, to pass as an ordinary resolution the following:

*"That, for the purpose of Section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue 750,000 Options to Paul Burton (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Paul Burton and any associates of Mr Burton. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 9. Resolution 8 – Approval of 10% Placement Capacity

To consider, and if thought fit, to pass as a special resolution the following:

*“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the Shares on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 10. Resolution 9 – Re-Appointment of Auditor

To consider, and if thought fit, pass the following resolution as an ordinary resolution with or without amendment:

*“That for the purposes of Section 327B(1)(a) of the Corporations Act, William Buck Audit (Vic) Pty Ltd, having consented to act as the Company’s auditor, be re-appointed as auditor of the Company.”*

Dated 30 September 2016

**BY ORDER OF THE BOARD**



**Ian Hobson**  
Company Secretary

## **NOVATTI GROUP LIMITED**

**ACN 606 556 183**

### **EXPLANATORY MEMORANDUM**

#### **1. Introduction**

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the Meeting to be held at 10.00am (AEST) on Wednesday, 16 November 2016 at Legacy House, Level 2, 293 Swanston St, Melbourne VIC 3000 **(Meeting)**.

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

#### **2. Action to be taken by Shareholders**

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

##### **2.1 Proxies**

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

##### **2.2 Voting Prohibition by Proxy Holders**

In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report;  
or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 1 as proxy if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy :
  - (i) does not specify the way the proxy is to vote on Resolution 1; and
  - (ii) expressly authorises the Chairman to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of the Key Management Personnel.

### 3. Annual Report

There is no requirement for Shareholders to approve the Annual Report. Shareholders will be offered the following opportunities:

- (a) discuss the Annual Report which is online at [www.novatti.com/investors/annual-reports](http://www.novatti.com/investors/annual-reports) and click on the direct link;
- (c) ask questions or make comment on the management of the Company;
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and the content of the Auditor's Report; and
- (b) the conduct of the audit;
- (c) accounting policies by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

### 4. Resolution 1 - Remuneration Report

Section 250R(2) of the Corporations Act provides that the Company is required to put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

Section 250R(3) of the Corporations Act provides that Resolution 1 is advisory only and does not bind the Directors of the Company of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report.

However, the Corporations Act was amended in 2011 by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (**Director and Executive Remuneration Act**).

The Director and Executive Remuneration Act introduced new sections 250U and 250Y, amongst others, into the Corporations Act, giving Shareholders the opportunity to remove the Board if the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general

meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

In summary, if the Remuneration Report receives a 'no' vote of 25% or more at this Meeting, Shareholders should be aware that if there is a 'no' vote of 25% or more at the next annual general meeting the consequences are that it may result in the re-election of the Board.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, the Shareholder is considered to have provided the Chairman with an express authorization for the Chairman to vote the proxy in accordance with the Chairman's intention.

## **5. Resolution 2 - Re-election of Director- Peter Pawlowitsch**

Clause 6.3 of the Constitution requires that a Director (excluding the managing Director) must not hold office (without re-election) past the third annual general meeting following the Director's appointment or three years, whichever is longer.

At each annual general meeting one-third of the Directors (except for the managing Director) or, if their number is not three or a multiple of three, then the number nearest but not exceeding one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election. Nothing in this clause shall prevent any other Directors from retiring at an annual general meeting.

A Director who retires under clause 6.3 of the Constitution is eligible for re-election.

The Company currently has 5 Directors (including 1 Managing Director).

Mr Peter Pawlowitsch, a director since 19 June 2015 is the longest serving director who retires and seeks re-election. Mr Pawlowitsch's details are set out in the annual report.

The Board unanimously supports the re-election of Mr Pawlowitsch.

## **6. Resolution 3 - Re-election of Director- Brandon Munro**

Mr Brandon Munro was appointed by the Company on 12 October 2015. Pursuant to Article 6.3 (i) of the Company's Constitution, a Director appointed by the Company pursuant to Article 6.2 (b) may retire at the next general meeting of the Company and is eligible for re-election. Article 6.3 (j) of the Company's Constitution requires that unless a Director appointed under Article 6.2(b) of the Company's Constitution has retired under Article 6.3 (i), that Director must retire at the next AGM and is eligible for re-election. This requirement to retire does not apply to a Managing Director.

Resolution 3 seeks approval for the re-election of Mr Brandon Munro, who is retiring pursuant to Article 6.3 (i) and (j) of the Company's Constitution. Mr Munro's details are set out in the annual report.

The Board unanimously supports the re-election of Mr Munro.

## **7. Resolution 4 - Re-election of Director- Kenneth Lai**

Mr Kenneth Lai was appointed by the Company on 31 May 2016. Pursuant to Article 6.3 (i) of the Company's Constitution, a Director appointed by the Company pursuant to Article 6.2 (b) may retire at the next general meeting of the Company and is eligible for re-election. Article 6.3 (j) of the Company's Constitution requires that unless a Director appointed under Article 6.2(b) of the Company's Constitution has retired under Article 6.3 (i), that Director must retire at the next AGM and is eligible for re-election. This requirement to retire does not apply to a Managing Director.

Resolution 4 seeks approval for the re-election of Mr Kenneth Lai, who is retiring pursuant to Article 6.3 (i) and (j) of the Company's Constitution. Mr Lai's details are set out in the annual report.

The Board unanimously supports the re-election of Mr Lai.

## **8. Resolution 5 - Re-election of Director- Paul Burton**

Mr Paul Burton was appointed by the Company on 31 May 2016. Pursuant to Article 6.3 (i) of the Company's Constitution, a Director appointed by the Company pursuant to Article 6.2 (b) may retire at the next general meeting of the Company and is eligible for re-election. Article 6.3 (j) of the Company's Constitution requires that unless a Director appointed under Article 6.2(b) of the Company's Constitution has retired under Article 6.3 (i), that Director must retire at the next AGM and is eligible for re-election. This requirement to retire does not apply to a Managing Director.

Resolution 3 seeks approval for the re-election of Mr Paul Burton, who is retiring pursuant to Article 6.3 (i) and (j) of the Company's Constitution. Mr Burton's details are set out in the annual report.

The Board unanimously supports the re-election of Mr Burton.

## **9. Resolutions 6 & 7 – Issue of Options to Directors**

### **9.1 General**

Resolutions 6 and 7 seek the approval of Shareholders for the issue of 750,000 Options exercisable at \$0.25 each on or before 31 May 2019 to each of Kenneth Lai and Paul Burton or their nominees, being a total of 1.5 million options (**Options**).

The Options will be issued to Kenneth Lai and Paul Burton in lieu of cash fees for their services as directors. In the ASX announcement dated 31 May 2016, it was stated that Mr Burton and Mr Lai will both be remunerated by way of 750,000 Options with a strike price of \$0.25 cents equally vesting over two years (subject to shareholder approval). The Options will be issued for no consideration and shall be issued on the terms and conditions set out in Annexure A and as otherwise set out in this Explanatory Statement.

### **9.2 Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The grant of Options constitutes giving a financial benefit and the Directors are related parties of the Company by virtue of their positions as Directors of the Company.

Other than:

- (a) Kenneth Lai, who has a material personal interest in Resolution 6; and
- (b) Paul Burton, who has a material personal interest in Resolution 7;



the Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Options because the Options are considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

The Company acknowledges that the grant of options to non-executive Directors is contrary to recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the issue of the Options in Resolutions 6 and 7 to be reasonable in the circumstances given the Company's size, stage of development, and the need to attract and retain directors of high calibre, whilst still maintaining a cash reserve.

### **9.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **9.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 6 and 7:

- (c) the Options will be granted to Kenneth Lai (or his nominee) and Paul Burton (or his nominee);
- (d) the number of Options to be issued is 1,500,000, as follows;
  - (i) *750,000 Options to be issued to Kenneth Lai (or his nominee); and*
  - (ii) *750,000 Options to be issued to Paul Burton (or his nominee);*
- (e) the Options will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (f) the Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (g) the terms and conditions of the Options are set out in Annexure A.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Options to the Directors (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

## **10. Resolution 8 - Approval of 10% Placement Capacity**

### **10.1 General**

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital at the time of the issue over a period up to 12 months after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 8, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 10.2 below).

The effect of Resolution 8 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue at the time of the issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing.

If and when the Company does utilise the 10% Placement Facility within the 12 months following the AGM, assuming Resolution 8 is passed, the Company will be required to give ASX details of who the allottees are and how many Equity Securities they each received. In addition the Company will be required to release by way of ASX announcement the information set out in Listing Rule 3.10.5A, namely:

- (a) details about the dilution to the existing Shareholders caused by the issue of Equity Securities under the Special Placement Facility;
- (b) if cash is raised, an explanation why a pro rata issue or other type of issue allowing existing shareholders to participate was not adopted instead of or as well as using the 10% Placement Facility;
- (c) details about any underwriting and underwriting fees paid, and
- (d) details about any other fees or costs incurred in connection with the issue of Equity Securities under the 10% Placement Facility.

The Directors of the Company believe that Resolution 8 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

Resolution 8 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 8 for it to be passed.

## **10.2 ASX Listing Rule 7.1A**

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately \$23,000,000.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class of Equity Securities on issue, being the Shares (ASX Code: NOV).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
  - (c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under this rule; and
  - (d) less the number of Shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

### 10.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to Resolution 3:

#### (a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 7.3(a)(i), the date on which the Equity Securities are issued.

#### (b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

**(10% Placement Capacity Period).**

#### (c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 8 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.120	\$0.240	\$0.360
		50% decrease in Issue Price	Current Issue Price	50% increase in Issue Price
92,883,826	Shares issued	9,288,383	9,288,383	9,288,383
(Current)		Shares	Shares	Shares
	Funds raised	\$1,114,606	\$2,229,212	\$3,343,818
139,325,739	Shares issued	13,932,574	13,932,574	13,932,574
(50% increase)		Shares	Shares	Shares
	Funds raised	\$1,671,909	\$3,343,818	\$5,015,727
185,767,652	Shares issued	18,576,765	18,576,765	18,576,765
(100% increase)		Shares	Shares	Shares
	Funds raised	\$2,229,212	\$4,458,424	\$6,687,635

\*The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

**The table above uses the following assumptions:**

1. The current shares on issue are the Shares on issue as at 13 September 2016.
2. The issue price set out above is the closing price of the Shares on the ASX on 13 September 2016.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
5. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

**(d) Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised to continue expansion of the Flexepin global expansion; or
- (ii) as non-cash consideration for product development and expansion. In such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

**(e) Allocation policy under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

**(f) Previous Approval under ASX Listing Rule 7.1A**

The Company has not previously obtained Shareholder approval under ASX listing Rule 7.1A. In the 12 months preceding the date of the 2016 Annual General Meeting, the Company issued 69,696,250 Equity Securities, representing 95% of the total number of Equity Securities on issue at 16 November 2015 as follows:

<b>Date</b>		<b>Ordinary Shares</b>	<b>Performance Shares</b>	<b>Options</b>
12-11-15	Opening balance	52,883,826	20,000,000	
11-01-16	Options to promoters			13,750,000
11-01-16	Options to promoters			3,450,000
11-01-16	\$7m raising	35,000,000		
11-01-16	Broker options			2,859,250
03-02-16	Options			750,000
03-02-16	Performance Options			4,500,000
08-02-16	Corporate advisory fee options			4,000,000
21-06-16	ESOP options			3,637,000
21-07-16	Options			1,000,000
	<b>Total</b>	<b>87,883,826</b>	<b>20,000,000</b>	<b>33,946,250</b>

The details of these issues are set out in Annexure B.

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

The Board recommends that shareholders approve Resolution 8. The Chairman intends to vote all available proxies in favour of Resolutions 8.

## **11. Resolution 9 – Re-Appointment of Auditor**

Pursuant to section 327B(1)(a) of the Corporations Act a public company must appoint an auditor at its first annual general meeting. William Buck Audit (Vic) Pty Ltd was appointed as auditor of the Company by the Directors pursuant to section 327A of the Corporations Act. It is proposed that William Buck Audit (Vic) Pty Ltd be re-appointed as auditor of the Company pursuant to section 327B(1)(a) of the Corporations Act.

William Buck Audit (Vic) Pty Ltd have consented to act in this capacity and all other requirements of the Corporations Act in relation to the appointment of auditors have been met at the date on this Notice.

## Schedule 1 - Definitions

In this Notice and the Explanatory Memorandum:

**\$** means Australian Dollars.

**Annual Report** means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2016.

**ASX** means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors.

**Business Day** means:

- (a) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and
- (b) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Melbourne.

**Chair or Chairman** means the person appointed to chair the Meeting convened by this Notice.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Novatti Group Ltd (ACN 606 556 183).

**Constitution** means the constitution of the Company as at the commencement of the Meeting.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**Equity Securities** has the same meaning as in the Listing Rules.

**Explanatory Memorandum** means the explanatory memorandum attached to the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listing Rules** means the listing rules of ASX.

**Meeting** has the meaning in the introductory paragraph of the Notice:

**Notice** means this notice of meeting.

**Options:** means the unlisted options exercisable at \$0.25 cents per share and expiring 31 May 2019 on the terms set out in Annexure A.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution contained in the Notice.

**Schedule** means a schedule to this Notice.

**Section** means a section contained in this Explanatory Memorandum.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**AEST** means Australian Eastern Standard Time, being the time in Melbourne.

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.

## **Annexure A – Terms and Conditions of Options**

(a) Entitlement

The Options entitle the holder to subscribe for one (1) Share upon the exercise of each Option.

(b) Exercise Price

The exercise price of each Option will be \$0.25 each.

(c) Expiry Date

31 May 2019.

(d) Vesting and ESOP

The Options are issued in accordance with the terms of the Company's Employee Share Option Plan. 50% of the Options will vest on 31 May 2017 and 50% on 31 May 2018.

(e) Notice of Exercise

The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(f) Shares Issued on Exercise

Shares issued on exercise of the Options rank equally with the Shares of the Company.

(g) Quotation of Shares on Exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

(h) Timing of Issue of Shares

After an Option is validly exercised, the Company must as soon as possible (but subject to any Shareholder or regulatory approvals (if applicable)):

(i) issue the Share; and

(ii) do all such acts, matters and things to obtain:

(A) the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Option; and

(B) receipt of cleared funds equal to the sum payable on the exercise of the Options.

(i) Participation in New Issues

There are no participation rights or entitlements inherent in the Options and holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.



However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holder of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(j) Adjustment for Bonus Issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(k) Adjustment for Rights Issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S + D)]}{N + 1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one (1) Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one (1) new share.

(l) Adjustments for Reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Option holder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(m) Quotation of Options

The Options will be unlisted Options. No application for quotation of the Options will be made by the Company until such time as the Company in its absolute discretion determines otherwise. Should the Company make an application for quotation of the Options and the ASX accepts the application for quotation of the Options then the Options will be listed Options from time to time that the ASX accepts such application.

(n) Options Transferable

The Options are transferable with the consent of the Company.

(o) Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.

## ANNEXURE B

Date of issue	Number issued	Class/Type of equity security and Summary of terms	Names of persons who received securities or basis on which those persons was determined	Issue Price	Consideration	
11 January 2016	35,000,000	Ordinary shares	Applicants to the prospectus	\$0.20	Total cash consideration	\$7,000,000
					Amount of cash consideration spent and description of what consideration was spent on	\$2.5m spent. Working capital and development of the business
					Intended use for remaining cash consideration	Working capital and development of the business
					Non-cash consideration paid and current value of that non-cash consideration	N/A
11 January 2016	13,750,000	Unlisted options exercisable at 20 cents per share expiring 30 June 2019	Promoters to the IPO	Nil	Total cash consideration	N/A
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Paid: \$804,802 Current Value:\$804,802
11 January 2016	3,450,000	Unlisted options exercisable at 20 cents per share expiring 30 June 2019	Employees	Nil	Total cash consideration	N/A
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Paid: \$201,932 Current Value:\$201,932
11 January 2016	2,859,250	Unlisted Options exercisable at 20 cents expiring 30 June 2019	Brokers to the IPO	Nil	Total cash consideration	N/A
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Paid: \$233,959 Current value: \$233,959

Date of issue	Number issued	Class/Type of equity security and Summary of terms	Names of persons who received securities or basis on which those persons was determined	Issue Price	Consideration	
3 February 2016	750,000	ESOP Options exercisable at \$0.2 and expiring 30 June 2019	Employee pursuant to ESOP	Nil	Total cash consideration	N/A
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Paid: \$57,359 Current value: \$57,359
3 February 2016	4,500,000	Unlisted performance options exercisable at \$0.2 and expiring 30 June 2019	Employee pursuant to ESOP	Nil	Total cash consideration	N/A
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Paid: \$344,152 Current value: \$344,152
8 February 2016	4,000,000	Unlisted options exercisable at \$0.2 and expiring 30 June 2019	Brokers to the issue	Nil	Total cash consideration	N/A
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Paid: \$334,550 Current value: \$334,550
21 June 2016	3,637,000	Unlisted options exercisable at \$0.2 and expiring 30 June 2019	Employees pursuant to ESOP	Nil	Total cash consideration	N/A
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Paid: \$110,748 Current value: \$110,748

Date of issue	Number issued	Class/Type of equity security and Summary of terms	Names of persons who received securities or basis on which those persons was determined	Issue Price	Consideration	
21 July 2016	1,000,000	Unlisted options exercisable at \$0.2 and expiring 31 December 2019	Employees pursuant to ESOP	Nil	Total cash consideration	N/A
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Paid: \$36,835 Current value: \$36,835

[Name/Address 1]  
[Name/Address 2]  
[Name/Address 3]  
[Name/Address 4]  
[Name/Address 5]  
[Name/Address 6]

Holder Number: [HolderNumber]

## Vote by Proxy


STEP 1: Please appoint a Proxy	<h3>Appoint a proxy, by paper:</h3> <p>I/We being a Shareholder entitled to attend and vote at the Annual General Meeting of the Company, to be held at <b>10.00am (AEST) on Wednesday, 16 November 2016</b> at <b>Legacy House, Level 2, 293 Swanston St, Melbourne, VIC 3000</b> hereby:</p> <p><b>Appoint the Chairman of the Meeting (Chair)</b> OR if you are not appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy</p> <div style="border: 1px solid black; height: 25px; width: 350px; margin-left: 500px;"></div> <p>or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.</p> <p><b>The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.</b></p> <p>Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.</p> <p><b>AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS</b></p> <p>Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.</p>																																																							
	<table border="1"> <thead> <tr> <th>Resolutions</th> <th>For</th> <th>Against</th> <th>Abstain</th> <th>Resolutions</th> <th>For</th> <th>Against</th> <th>Abstain</th> </tr> </thead> <tbody> <tr> <td>1 Adoption of Remuneration Report</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>6 Issue of Options to Kenneth Lai</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>2 Re-election of director – Peter Pawlowitsch</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>7 Issue of Options to Paul Burton</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>3 Re-election of director – Brandon Munro</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>8 Approval of 10% Placement Capacity</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>4 Re-election of director – Kenneth Lai</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>9 Re-appointment of Auditor</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>5 Re-election of director – Paul Burton</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p><i>Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.</i></p>									Resolutions	For	Against	Abstain	Resolutions	For	Against	Abstain	1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Issue of Options to Kenneth Lai	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2 Re-election of director – Peter Pawlowitsch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Issue of Options to Paul Burton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3 Re-election of director – Brandon Munro	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4 Re-election of director – Kenneth Lai	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Re-appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Re-election of director – Paul Burton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
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## HOW TO COMPLETE THIS PROXY VOTING FORM

### LODGING YOUR PROXY VOTE


This Proxy Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10.00am (AEST) on Monday, 14 November 2016, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting Forms received after that time will not be valid for the scheduled Meeting.

Proxy Voting Forms can be lodged:

 **BY MAIL**  
Novatti Group Limited  
PO Box 226  
Subiaco WA 6904

 **BY HAND**  
Novatti Group Limited  
Suite 5, 95 Hay Street  
Subiaco WA 6008

 **BY EMAIL**  
ianhobson@bigpond.com

 **BY FACSIMILE**  
+61 8 9388 8256

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#loginsah> Shareholders sponsored by a broker should advise their broker of any changes.

### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

### DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services on 1300 288 664 or you may copy this form.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

**Individual:** Where the holding is in one name, the Shareholder must sign.

**Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.

**Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided.

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.