

ASX ANNOUNCEMENT

29 July 2016

Quarterly Update

Highlights:

- **Novatti Group expands into UK; gains licensing for Flexepin sales in UK and EU**
- **Total revenue for the 12 months to 30 June 2016 of \$4.9m (unaudited), up 58% compared with \$3.1m for FY15**
- **Transaction processing revenue continues to grow**
- **Cash burn expected to fall significantly from Q2FY17 following significant milestones in its expansion strategy being achieved**
- **Company well-funded, Novatti Group cash on hand was \$4.33m at end of 4QFY16**
- **New Board appointments mean company is well-placed to expand into Africa and Asia**

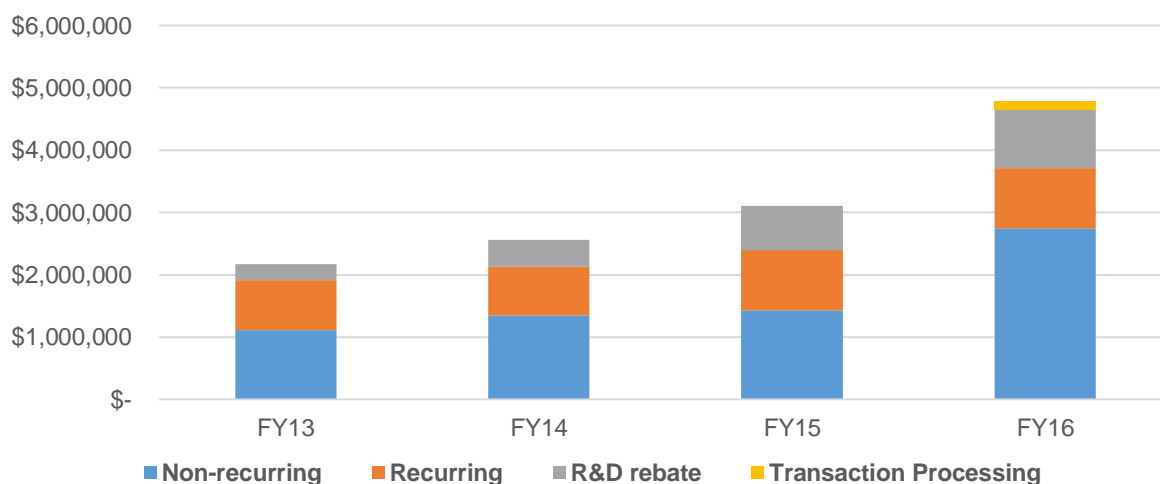
Novatti Group Limited (ASX: NOV, “Novatti” or the “Company”) is pleased to provide its quarterly update for the three months ended 30th June 2016.

Operating overview

Novatti achieved significant progress with its expansion strategy during the quarter which leaves the Company in a strong position to achieve further growth in its operations in FY17.

Total revenue for the 12 months to 30 June 2016 of \$4.9m (unaudited), up 58% compared with \$3.1m for FY15 and continues to show solid growth trajectory of Novatti’s various revenue streams. Importantly, transaction processing revenue – revenue derived from Novatti collecting a percentage of the total transaction that is processed on any of its payment platforms – has been steadily increasing over the quarter.

Figure 1: Novatti Group Revenues – 4th Consecutive Year of Revenue Growth



In early June, the Company expanded its Flexepin electronic vouchers into the UK and European Union (EU) markets after its UK subsidiary, Flexe Payments Limited was approved to be registered as an Appointed Representative of CFS-Zipp Limited by the UK's Financial Conduct Authority.

As a result, Flexe Payments has signed a heads of agreement to distribute Flexepin vouchers in the UK and is negotiating distribution agreements to various countries in the EU, allowing the acceleration of Flexepin's global rollout. Novatti expects significant growth from the move, which paves the way for the Company to finalise a number of key partnerships in the region over the coming months.

Also during the quarter, Novatti appointed two non-executive directors, putting the Company in a strong position to expand into Africa and Asia with Mr Paul Burton and Mr Kenneth Lai having extensive experience in those markets, respectively.

Mr Burton has significant expertise in the payments industry, most notably as the Chief Executive Officer of Datacash Group plc, a payments gateway company bought by MasterCard. Datacash has a significant presence in Africa and Mr Burton spearheaded the Company's expansion in that market.

Meanwhile, Mr Lai is the Managing Director of Hong Kong-based investment firm, Prestige Team Limited and a substantial shareholder in Novatti through the Company's IPO. Mr Lai has a wide range of business and investment experience in Asia and is well placed to help the Company expand in this region.

Post the reporting period, Novatti achieved its first milestone in its Asian expansion efforts with the commencement of commercial operations in Malaysia. The establishment of the Malaysian operations was through the Company's joint venture, Novatti (Malaysia) Sdn Bhd, which uses the Novatti Payments Platform. The service provides Malaysian retailers and consumers access to payment of mobile phones and utility bills.

The Novatti Payments Platform is currently connected to approximately 3,000 independent retail agents in Malaysia and this is planned to expand to 20,000 by the end of 2016.

Also during the quarter, Novatti implemented Software-as-a-Service (SaaS) solutions for two international organisations, demonstrating the global appeal of its unique platform.

Corporate & Financials

Novatti has sufficient funds to achieve its commercial milestones and reach profitability.

As at quarter end 30 June 2016, cash at bank was \$4.33 million, which excludes client funds, representing a cash burn rate of \$988,000 for the quarter albeit that delayed receipts of approximately \$500,000 would have significantly improved this figure. The cash burn rate has been high this quarter due to the Company's investment in expanding its business, as previously highlighted during the recent capital raise.

However, expenses are expected to fall significantly going forward as Novatti moves its focus towards consolidating this growth.

Outlook

The Company's contract and customer pipeline has strengthened considerably over the last 3 months. Novatti expects it achieve further growth opportunities for its TransferBridge Division and Flexepin business going forward, and expects to make further announcements in relation to the growth of these businesses in the near term. Novatti is also expecting further contract wins for its Technology Division in the months ahead.

Novatti is confident of a significant reduction in its cash burn rate from the December quarter following its investment in the business and achievement of significant milestones in its expansion strategy over the past two quarters.

"Our achievement of significant milestones with our corporate growth strategy puts us in a strong position for further growth over FY17," said Novatti CEO, Peter Cook.

"We are confident that our unique payments platform technology will gain further traction in our key markets over the months ahead and we look forward to expanding our offering and continuing the global rollout of the platform."

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About Novatti Group

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, Electronic Top-Up, Mobile Money, Bill Payments, Remittance and Voucher Management Systems. Novatti's transaction processing services include Flexepin, an open loop cash voucher service and TransferBridge, a global remittance network.