



Novatti Group Limited
ACN 606 556 183

Retail Entitlement Offer Information Booklet

**1 for 4 accelerated pro rata non-renounceable
entitlement offer at \$0.14 per New Share**

Last date for acceptance and payment: 5.00pm (AEST) on 24 May 2017

If you are an Eligible Shareholder, this is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this document you have any questions about the securities being offered for issue under it or any other matter, you should contact your stockbroker, solicitor, accountant or other professional adviser.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Lead Manager



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IMPORTANT NOTICES

This Information Booklet is dated 10 May 2017. Capitalised terms in this section have the meaning given to them in this Information Booklet.

The Entitlement Offer is being made without a prospectus under section 708AA of the Corporations Act (as notionally modified by ASIC Class Order 08/35). This Information Booklet does not contain all of the information which a prospective investor may require to make an informed investment decision. The information in this Information Booklet does not constitute financial product advice and does not take into account your investment objectives, financial situation or particular needs.

This Information Booklet is important and should be read in its entirety before deciding to participate in the Entitlement Offer. This Information Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC.

Novatti may make additional announcements after the date of this Information Booklet and throughout the period that the Entitlement Offer is open that may be relevant to your consideration about whether you should participate in the Entitlement Offer.

No party other than Novatti has authorised or caused the issue of this Information Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information Booklet.

Neither Novatti nor any other person warrants or guarantees the future performance of Novatti or any return on any investment made under this Information Booklet. Neither ASX nor ASIC takes any responsibility for the contents of this Information Booklet or the merits of the investment to which this Information Booklet relates.

By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares or Top-Up Shares through BPAY in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have read this Information Booklet and you have acted in accordance with and agree to the terms of the Entitlement Offer detailed in this Information Booklet.

No overseas offering

This Information Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. In particular, this Information Booklet does not constitute an offer to Ineligible Shareholders and may not be distributed in the United States and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States.

This Information Booklet is not to be distributed in, and no offer of New Shares or Top-Up Shares is to be made in countries other than Australia and New Zealand. The distribution of this Information Booklet (including an electronic copy) in other jurisdictions may be restricted by law and therefore persons who come into possession of this Information Booklet should seek advice on and observe these restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction outside Australia or New Zealand.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply. Your Application for New Shares is subject to all requisite authorities and clearances being obtained for Novatti to lawfully receive your Application Monies.

New Zealand

The New Shares are not being offered or sold to the public within New Zealand other than to existing Novatti shareholders with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This document has not been registered, filed with or approved by a New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Definitions, currency and time

Defined terms used in this Information Booklet are contained in section 5. All references to currency are to Australian dollars and all references to time are to Melbourne time, unless otherwise indicated.

Taxation

There will be tax implications associated with participating in the Entitlement Offer and receiving New Shares. Novatti considers that it is not appropriate to give advice regarding the tax consequences of subscribing for New Shares under this Information Booklet or the subsequent disposal of any New Shares. Novatti recommends that you consult your professional tax adviser in connection with the Entitlement Offer.

Privacy

Novatti collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's shareholding in Novatti.

By submitting an Entitlement and Acceptance Form, you will be providing personal information to Novatti (directly or through the Share Registry). Novatti collects, holds and will use that information to assess your Application. Novatti collects your personal information to process and administer your shareholding in Novatti and to provide related services to you. Novatti may disclose your personal information for purposes related to your shareholding in Novatti, including to the Share Registry, Novatti's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory bodies. You can obtain access to personal information that Novatti holds about you. To make a request for access to your personal information held by (or on behalf of) Novatti, please contact Novatti through the Share Registry.

Governing law

This Information Booklet, the Entitlement Offer and the contracts formed on acceptance of the Applications are governed by the law applicable in Victoria, Australia. Each Applicant submits to the exclusive jurisdiction of the Victorian courts and courts competent to hear appeals from those courts.

No representations

No person is authorised to give any information or to make any representation in connection with the Retail Entitlement Offer which is not contained in this Information Booklet. Any information or representation in connection with the Retail Entitlement Offer not contained in the Information Booklet may not be relied upon as having been authorised by Novatti or any of its officers.

Past performance

Investors should note that Novatti's past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guidance as to) Novatti's future performance including Novatti's future financial position or share price performance.

Future performance

This Information Booklet contains certain forward-looking statements with respect to the financial condition, results of operations, projects and business of Novatti and certain plans and objectives of the management of Novatti. These forward-looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

Forward-looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Neither Novatti, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. In particular, those forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of Novatti. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements. Investors should consider the forward-looking statements contained in this Information Booklet in light of those disclosures.

Risks

Refer to the 'Risk factors' in section 3 of this Information Booklet for a summary of general and specific risk factors that may affect Novatti.

Chairman's letter

10 May 2017

Dear Shareholder

I am pleased to write to you, as a valued shareholder of Novatti Group Limited (**Novatti**), and offer you the opportunity to participate in Novatti's recently announced a 1 for 4 accelerated non-renounceable entitlement issue of new ordinary Shares in Novatti (**New Shares**) at an Issue Price of \$0.14 per New Share (**Entitlement Offer**).

On 8 May 2017, Novatti announced its proposed acquisition of basis2 and intention to raise approximately \$3.25 million through the Entitlement Offer (before costs). The institutional component of the Entitlement Offer (**Institutional Entitlement Offer**) was successfully completed on 8 May 2017. This information booklet (**Information Booklet**) relates to the retail component of the Entitlement Offer (**Retail Entitlement Offer**).

The proceeds of the Entitlement Offer will be applied principally for the acquisition of basis2, general working capital, and costs associated with the acquisition and the Entitlement Offer. The benefits that are expected to flow for Novatti and its shareholders from the acquisition are described in Novatti's Investor Presentation lodged with the Australian Securities Exchange (**ASX**) on 8 May 2017.

Under the Retail Entitlement Offer, Eligible Retail Shareholders have the opportunity to invest at the price of \$0.14 per New Share, which is the same price as the institutional investors who participated in the Institutional Entitlement Offer.

The number of New Shares you are entitled to subscribe for under the Retail Entitlement Offer (**Entitlement**) is set out in your personalised Entitlement and Acceptance Form that is enclosed in this Information Booklet. If you take up your Entitlement, you can also apply for additional New Shares under a 'top-up' facility (refer to section 4 of this Information Booklet for more information).

Hunter Capital Advisors Pty Ltd will act as the lead manager to the Entitlement Offer. The terms of the Lead Manager Agreement are set out in section 1.5 of this Information Booklet.

The Entitlement Offer is non-renounceable and therefore your Entitlements will not be tradeable on ASX or otherwise transferable.

Other information

This Information Booklet contains important information, including:

- information on Novatti, the proposed acquisition of basis2, the Entitlement Offer and key risks for you to consider;
- instructions on how to apply, detailing how to participate in the Retail Entitlement Offer if you choose to do so, and a timetable of key dates;
- a personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions on that form; and
- instructions on how to take up all or part of your Entitlement via BPAY.

The Retail Entitlement Offer closes at 5.00pm (AEST) on 24 May 2017.

Please read in full the details on how to submit your application, which are set out in this Information Booklet.

You should also consult your stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

On behalf of the Board of Novatti, I encourage you to consider this investment opportunity and thank you for your ongoing support.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Pawlowitsch', written in a cursive style.

Peter Pawlowitsch
Chairman
Novatti Group Limited

Summary of the Entitlement Offer

Entitlement Offer	
Ratio	1 New Share for every 4 existing Shares held
Issue Price	\$0.14 per New Share
Size	Approximately 23,220,956 New Shares
Gross proceeds	Approximately \$3,250,934

Key dates

Activity	Date
Trading halt (before market open)	4 May 2017
Announcement of the Entitlement Offer and Appendix 3B and cleansing notice lodged	8 May 2017
Institutional Entitlement Offer opens	8 May 2017
Institutional Entitlement Offer closes	8 May 2017
Announcement of results of Institutional Entitlement Offer and release of the Retail Entitlement Offer documentation to ASX (before commencement of trading following the trading halt)	10 May 2017
Trading halt is lifted, and Existing Shares resume trading on an ex-entitlement basis	10 May 2017
Record Date for Entitlement Offer (7.00pm (AEST))	10 May 2017
Information Booklet and Entitlement and Acceptance Form despatched, and announcement of despatch	15 May 2017
Retail Entitlement Offer opens	15 May 2017
Settlement of the Institutional Entitlement Offer	15 May 2017
Updated Appendix 3B for New Shares issued under the Institutional Entitlement Offer lodged (if required)	15 May 2017 (before noon)
Expected issue and quotation of New Shares issued under the Institutional Entitlement Offer	16 May 2017
Closing date for acceptances under the Retail Entitlement Offer (5.00pm (AEST))	24 May 2017
Announcement of results of the Retail Entitlement Offer and under-subscriptions	25 May 2017
Settlement of the Retail Entitlement Offer	26 May 2017
Expected issue of New Shares under the Retail Entitlement Offer	29 May 2017
Updated Appendix 3B for New Shares issued under the Retail Entitlement Offer lodged (if required), along with other required information (e.g. distribution schedule)	29 May 2017 (before noon)
Expected quotation of New Shares under the Retail Entitlement Offer	30 May 2017
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	2 June 2017

Notes:

All times are in AEST.

This timetable is indicative only and subject to change. The Directors may vary these dates, in consultation with the Lead Manager, subject to the Listing Rules. An extension of the Closing Date will delay the anticipated date for issue of the New Shares. The Directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time before the allotment and issue of the New Shares. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.

Enquiries

For further information, or if you have lost your Entitlement and Acceptance Form and would like a replacement form, you should contact the Share Registry on 1300 288 664 or +61 (0)2 9698 5414. Alternatively, contact your stockbroker, solicitor, accountant or other professional adviser.

1 Description and Effect of the Offer

1.1 Overview

The Entitlement Offer is an accelerated non-renounceable offer of 1 New Share for every 4 existing Shares at \$0.14 per New Share to raise approximately \$3,250,934 (before direct offer costs including fees paid to the brokers, advisers and to providers of specific services to cover share registry, printing and postage costs).

The proceeds of the Entitlement Offer will fund:

- (a) the proposed acquisition of basis2 and costs associated with the acquisition;
- (b) general working capital; and
- (c) costs associated with the Entitlement Offer.

The Entitlement offer has two components:

- (a) the Institutional Entitlement Offer – an initial offer to Eligible Institutional Shareholders; and
- (b) the Retail Entitlement Offer – an offer to Eligible Retail Shareholders.

1.2 Institutional Entitlement Offer

Novatti has already raised approximately \$1.67 million from Eligible Institutional Shareholders under the Institutional Entitlement Offer.

New Shares issued under the Institutional Entitlement Offer were issued at the same price and at the same ratio as those being offered under the Retail Entitlement Offer. Novatti's ASX announcement of 10 May 2017 in relation to completion of the Institutional Entitlement Offer is set out in section 2.

1.3 Retail Entitlement Offer

The Retail Entitlement Offer constitutes an offer to Eligible Retail Shareholders only. The Retail Entitlement Offer consists of approximately 11,310,905 New Shares being issued to raise approximately \$1,583,527 (before costs).

Eligible Retail Shareholders who are on Novatti's share register on the Record Date are entitled to acquire one New Share for every four Shares held on the Record Date (**Entitlement**).

Fractional Entitlements will be rounded up to the nearest whole number of New Shares.

The Entitlement Offer is non-renounceable. Accordingly, Entitlements do not trade on ASX, nor can they be transferred or otherwise disposed of.

An Entitlement and Acceptance Form setting out your Entitlement accompanies this Information Booklet. Eligible Retail Shareholders may subscribe for all or part of their Entitlement.

Eligible Retail Shareholders who do not take up all of their Entitlements will have their percentage shareholding in Novatti diluted.

Eligible Retail Shareholders should be aware that an investment in Novatti involves risks. The key risks identified by Novatti are summarised in section 3 of this Information Booklet.

1.4 Issue of additional Shares under the Top-Up Facility

Any New Shares not taken up by the Closing Date may be made available to those Eligible Retail Shareholders who took up their full Entitlement and applied for additional New Shares under the Top-Up Facility (**Eligible Top-Up Facility Participants**).

There is no guarantee that those Shareholders will receive the number of New Shares applied for under the Top-Up Facility, or any. The number of New Shares available under the Top-Up Facility will not exceed the shortfall from the Retail Entitlement Offer. The Directors propose that New Shares available under the Top-Up Facility be allocated to Eligible Top-Up Facility Participants in a manner determined by the Directors at their discretion.

1.5 Lead Manager and Corporate Advisor

Lead Management Agreement

Hunter Capital Advisors Pty Ltd have agreed to act as lead manager of the Entitlement Offer for the purpose of assisting the Company in leading and managing the capital raising under the Entitlement Offer on the terms set out in the Lead Manager Agreement.

Pursuant to the Lead Manager Agreement, the Company will pay the Lead Manager a fee of 2% on the value of all funds raised under the Entitlement Offer, payable in Shares at a deemed price equal to the issue price under the Entitlement Offer, and a shortfall placement fee of 6% on the value of any Shortfall Shares placed, payable in cash. The Company and the Lead Manager will agree in good faith appropriate fees for any third party broker who introduce additional investors into Novatti.

The Company will issue to the Lead Manager (and/or its nominees) a total of 10 million Options at an exercise price of \$0.20 each exercisable on or before 31 December 2019. If total funds raised under the Entitlement Offer is less than \$2.5 million, the number of Options to be issued will reduce to 6 million.

The Lead Manager Agreement contains other terms and conditions which are customary for an agreement of this nature.

Corporate Advisory Mandate

The Company has appointed the Lead Manager as corporate advisor for the provision of ongoing corporate advisory services for a monthly fee of \$10,000 (plus GST), for a period of 12 months or unless terminated earlier. The mandate is terminable by either party on 7 days' prior notice, subject to the payment by Novatti of an early termination fee of \$20,000 (plus GST) if this occurs in the first six months.

The terms of the mandate are otherwise customary for a document of this nature.

1.6 Shortfall facility

A shortfall may arise if applications received for New Shares under the Retail Entitlement Offer (including after the completion of the Top-Up Facility (if any) and the Entitlements of Ineligible Shareholders) are less than the number of New Shares offered.

The Directors, in consultation with the Lead Manager, reserve the right, subject to the requirements of the Listing Rules and the Corporations Act, to place Shortfall Shares within two months after the Closing Date to either existing or new Shareholders at their discretion. If issued, Shortfall Shares will be issued at a price not less than the Issue Price of New Shares under the Retail Entitlement Offer. Shareholders will not receive any payment or value for the Entitlements not taken up under the Retail Entitlement Offer that are subsequently taken up as Shortfall Shares.

1.7 Eligibility of Retail Shareholders

The Retail Entitlement Offer is being offered to all Eligible Retail Shareholders.

An Eligible Retail Shareholder is a Shareholder on the Record Date who:

- (a) has a registered address on the Novatti share register in Australia or New Zealand or is a Shareholder that Novatti has otherwise determined is eligible to participate;
- (b) is not in the United States and is not a person (including nominee or custodian) acting for the account or benefit of a person in the United States;
- (c) was not invited to participate in the Institutional Entitlement Offer and was not treated as an Ineligible Institutional Shareholder under the Institutional Entitlement Offer; and
- (d) is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus to be lodged or registered.

The Retail Entitlement Offer is not being extended to the Ineligible Retail Shareholders because of the small number of those Shareholders, the number and value of the Shares they hold and the cost of complying with applicable regulations in jurisdictions outside Australia and New Zealand.

1.8 Ranking of New Shares

The New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally with Existing Shares.

1.9 Allotment

Novatti has applied for quotation of the New Shares on ASX. It is expected that allotment of the New Shares under the Retail Entitlement Offer will take place on or about 29 May 2017.

Application Monies will be held by Novatti on trust for Applicants until the New Shares are allotted. No interest will be paid on Application Monies.

It is the responsibility of Applicants to determine the number of New Shares allotted and issued to them before trading the New Shares. The sale by an Applicant of New Shares before receiving their holding statement is at the Applicant's own risk.

1.10 Capital structure

Subject to the rounding up of fractional Entitlements and depending on the number of Options (if any) that are exercised before the Record Date, the capital structure of Novatti following the issue of New Shares is expected to be as follows:

Existing Shares on issue as at 8 May 2017 (announcement of the Entitlement Offer)	92,883,826
New Shares issued under the Entitlement Offer	23,220,956
Total number of Shares after the Entitlement Offer*	116,104,782

* Assumes full subscription of the Entitlement Offer and no Options are exercised before the Record Date.

As at the date of the document, Novatti has the following Options on issue:

Class of security	Number
Options exercisable at 20 cents by 30 June 2019	27,916,250
Options exercisable at 20 cents by 31 December 2019	1,000,000
Options exercisable at 25 cents by 31 May 2019	1,500,000

1.11 Director Participation

The Directors anticipate that they will take up their Entitlement as outlined in the table below.

As at the date of this Information Booklet, some of the Directors have either a direct or indirect interest in Shares. Set out below is a table summarising the Entitlement of each Director based on their current holding.

Director	Shareholding on Record Date	% Holding	Entitlement	Intention to participate ¹	Shareholding upon allotment of Entitlement Offer Shares	% Holding Post-Entitlement Offer ³
Peter Cook	10,707,904	11.5%	2,676,976	400,000	11,107,904	9.6%
Peter Pawlowitsch	1,875,000	2.0%	468,750	468,750	2,343,750	2.0%
Brandon Munro	1,250,000	1.3%	312,500	312,500	1,562,500	1.3%
Paul Burton	-	-	-	-	-	-
Kenneth Lai	10,335,000	11.1%	2,583,700	2,583,700 ²	12,918,750	11.1%

Notes:

1. The Directors' intentions are indicative as at the date of Novatti's announcement of the Entitlement Offer and subject to change without notice.
2. Subscribed for pursuant to the Institutional Entitlement Offer.
3. Assumes that the Entitlement Offer is fully subscribed and no Options are exercised before the Record Date.

1.12 Option Holders

Option Holders will not be entitled to participate in the Retail Entitlement Offer unless they:

- (a) have become entitled to exercise their Options under the terms of their issue and do so prior to the Record Date; and
- (b) participate in the Retail Entitlement Offer as a result of being a holder of Shares registered on the share register at 7:00pm (AEST) on the Record Date.

There are currently 30,416,250 Options on issue with various exercise prices and various expiry dates. Please refer to section 1.10 for further details on the Options on issue. If any of the Options are exercised before the Record Date, it may result in a proportionate increase in the number of New Shares issued under the Retail Entitlement Offer.

1.13 Effect on Novatti's financial position

An unaudited pro forma balance sheet for Novatti showing the effects of the Entitlement Offer (assuming the total funds raised under the Entitlement Offer is \$3,250,934 (before costs)) is set out below:

Novatti Group				
Consolidated Statement of Financial Position				
	Consolidated 31 December 2016	Acquisition of basis2	Entitlement Issue net of costs	Consolidated Pro forma
Current Assets				
Cash and cash equivalents	2,639,097	(2,141,831) ^{1,2}	3,055,878	3,553,144
Trade and other Receivables	1,513,034	73,136	-	1,586,170
Other assets	105,954	-	-	105,954
Financial Assets	32,216	7,698	-	39,914
Total current Assets	4,290,301	(2,060,997)	3,055,878	5,285,182
Non-current assets				
Intangible assets	-	2,750,000	-	2,750,000
Investments accounted for using the equity method	9,120	-	-	9,120
Property, plant and equipment	32,049	-	-	32,049
Total non-current assets	41,169	2,750,000	-	2,791,169
Total assets	4,331,470	689,003	3,055,878	8,076,351
Current liabilities				
Trade and other Payables	1,432,595	517,643	-	1,950,238
Employee benefits	229,690	77,727	-	307,417
Total current liabilities	1,662,285	595,370	-	2,257,655
Non current liabilities				
Employee benefits	14,654	93,633	-	108,287
Total non current liabilities	14,654	93,633	-	108,287
Total liabilities	1,676,939	689,003	-	2,365,942
Net assets	2,654,531	-	3,055,878	5,710,409
Equity				
Issued capital	11,940,604	-	3,055,878	14,996,482
Reserves	1,000,129	-	-	1,000,129
Accumulated losses	(10,286,202)	-	-	(10,286,202)
Total Equity	2,654,531	-	3,055,878	5,710,409

Notes:

1. On completion of the acquisition of basis2, an estimated \$2,338,284 is to be paid to the basis2 vendor after completion adjustments are taken into account.
2. Post-completion, an estimated \$196,453 is to be paid to Novatti pursuant to agreed post-completion adjustments.

1.14 Information availability

Eligible Retail Shareholders can obtain a copy of this Information Booklet from the Novatti website at www.novattigroup.com or by calling the Company Secretary on +61 8 9388 8290 at any time from 8.30am to 5.00pm (Perth time) during the Entitlement Offer period. Persons who access the electronic version of this Information Booklet should ensure that they download and read the entire Information Booklet. The electronic version of this Information Booklet will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling the Share Registry.



ASX ANNOUNCEMENT

8 May 2017

Novatti makes highly earnings accretive acquisition and undertakes accelerated non-renounceable entitlement offer

Highlights:

- Novatti acquires established billing business basis2 which will provide immediate and recurring revenues to the group
- The acquisition is strongly earnings accretive and is highly complementary to Novatti's existing businesses
- The acquisition is attractively priced at around 2.6 times EBITDA
- basis2 provides immediate positive cash flows post acquisition
- The transaction will assist with Novatti targeted profitability in FY2018
- The acquisition will be funded through a 1 for 4 accelerated non-renounceable entitlement offer raising approx. \$3.25m

Novatti Group Limited (ASX: NOV, Novatti or the Company) has entered into a conditional binding agreement with Prophecy International Limited to acquire 100% of its basis2 billing and customer information systems (CIS) business.

The consideration for the acquisition is \$2.75 million in cash, which equates to a multiple of around 2.6 times EBITDA. The acquisition is earnings accretive and will provide immediate cash flows to Novatti, with the actual cash payable being approximately \$2.3m due to advanced payments by customers being netted off the acquisition price and ongoing net cash flow of circa \$40k per month.

The revenues generated from the acquisition are expected to be a significant contributor to Novatti's targeted profitability in FY2018.

In addition to providing predictable and stable revenues to the Novatti business, the acquisition also builds on the Company's Transactions Division offering and will bring additional skills and expertise to Novatti.

Overview of basis2 and the acquisition

The basis2 business is profitable and has been operating for more than 10 years. It offers technologically advanced billing and CIS solutions to the utilities industry, providing a low cost and low risk way for utility providers to improve operational efficiencies and lower the cost of servicing their customers.

One of the key strengths of basis2 is its stable and predictable earnings stream that stems from a "sticky" client base in the US, Middle East and Africa. basis2 generated revenues of approximately \$1.7 million in FY2016 with EBITDA of approximately \$1.1 million.

Further details about the basis2 business is included in a presentation about the business, which is to be released after this announcement.

Novatti Group Limited
ACN 606 336 183

Legacy House
Suite 1, 293 Swanston St
Melbourne, Victoria
AUSTRALIA 3000

P.O. Box 21104
Little Lonsdale St
Melbourne, Victoria
AUSTRALIA 8011

t: +61 3 9011 8490
f: +61 3 8648 0618
www.novatti.com



Completion under the sale and purchase agreement for basis2 is conditional upon Novatti completing a \$2.75 million capital raising and certain key employees taking up employment with Novatti, as well as standard conditions relating to warranties remaining true and accurate and there being no material adverse event. Completion is anticipated to occur in late May or early June.

Strong synergies

The acquisition builds on Novatti's Transaction Division offering and follows the Company's recent strategic entry into billing and e-payments in India through its joint venture with Transaction Solutions International (TSN), which was announced to the market on 13 April, 2017.

Novatti believes that there is growth potential in the basis2 business, particularly in emerging markets in the Middle East and Africa where Novatti will be able to utilise its existing distribution network to drive growth where there is existing pent up demand.

There is an opportunity for basis2 to grow its business in these emerging markets, which currently only accounts for 5% of its revenue. There is also potential to cross-sell Novatti's offerings to basis2 clients and vice-versa.

Furthermore, the acquisition will include a team of four technical staff from basis2, which will provide additional technological knowhow and expertise to Novatti.

"This acquisition marks an important inflection point for Novatti assisting the Company with its target of being profitable in FY2018, basis2 will add significantly to our earnings growth over the period and beyond," said Novatti CEO Peter Cook.

"What's more, the cash flow generated from basis2 will ensure that current growth plans for our existing businesses are fully funded. This is on top of the immediate and longer term growth opportunities in the basis2 business that can be achieved under our ownership."

Capital Raising – Accelerated Non-Renounceable Entitlement Offer

The acquisition will be funded through a \$3.25 million accelerated 1 for 4 pro rata non-renounceable entitlement offer of Novatti fully paid ordinary shares to shareholders at \$0.14 per share (Entitlement Offer), with Hunter Capital Advisors Pty Ltd as Lead Manager to the offer.

Shareholders who are on the members' register at 7.00pm (AEST) on 10 May 2017 will be eligible to participate in the Entitlement Offer.

The funds raised from this Entitlement Offer will be used to fund:

- the acquisition of basis 2 and costs associated with the acquisition;
- general working capital; and
- the costs of the Entitlement Offer.

Novatti Group Limited
ACN 606 336 183

Legacy House
Suite 1, 293 Swanston St
Melbourne, Victoria
AUSTRALIA 3000

P.O. Box 21104
Little Lonsdale St
Melbourne, Victoria
AUSTRALIA 8011

t: +61 3 9011 8490
f: +61 3 8648 0618
www.novatti.com



The Entitlements are non-renounceable and will not be tradable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value for those Entitlements that they do not take up. Shareholders who are not eligible to receive Entitlements will not receive any value for the Entitlements they would have received had they been eligible.

Existing option holders need to exercise their options and be registered retail holders of fully paid ordinary shares on the Record Date if they wish to participate in the Entitlement Offer.

It is expected that approximately 23,220,956 New Shares will be issued as part of the Entitlement Offer. New Shares issued under the Entitlement Offer will rank equally with existing shares.

The Entitlement Offer includes an institutional component (Institutional Entitlement Offer) and a retail component (Retail Entitlement Offer).

Under the Institutional Entitlement Offer, eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place today, 8 May 2017. Eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Novatti has already received strong support with the Company's two largest shareholders who have provided confirmation of their intention to accept their full entitlements under the Institutional Entitlement Offer in the amount of \$1,667,407.

Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer and Entitlements that would otherwise have been offered to ineligible institutional shareholders are intended to be placed as shortfall by the Directors (in consultation with the Lead Manager and subject to legislative requirements) at their absolute discretion.

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on 15 May 2017 and close at 5.00pm (AEST) on 24 May 2017. The Retail Entitlement Offer will include a top-up facility under which eligible retail shareholders who take up their full Entitlement will be invited to apply for additional shares in the Retail Entitlement Offer from a pool of those not taken up by other eligible retail shareholders. There is no guarantee that applicants under this top-up facility will receive all or any of the shares they apply for under the facility. The Retail Entitlement Offer is not underwritten. Entitlements not taken up under the Retail Entitlement Offer may be placed as shortfall by the Directors (subject to listing rule and legislative requirements) at their absolute discretion.

Novatti will notify shareholders as to whether they are eligible to participate in the Entitlement Offer. On 15 May 2017 eligible shareholders will be sent an information booklet including a personalised entitlement and acceptance form which will provide further details of how to participate in the Entitlement Offer. A copy of the Information Booklet will also be lodged with ASX on 10 May 2017.

Novatti confirms that no dividend or distribution has been, or is planning to be, announced.

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Proposed timetable*

Novatti expects that the Entitlement Offer will be conducted according to the following timetable:

Activity	Date
Trading halt (before market open)	4 May 2017
Announcement of the Entitlement Offer and Appendix 3B and cleansing notice lodged	8 May 2017
Institutional Entitlement Offer opens	8 May 2017
Institutional Entitlement Offer closes	8 May 2017
Announcement of results of Institutional Entitlement Offer and release of the Retail Entitlement Offer documentation to ASX (before commencement of trading following the trading halt)	10 May 2017
Trading halt is lifted, and Existing Shares resume trading on an ex-entitlement basis	10 May 2017
Record Date for Entitlement Offer (7.00pm (AEST))	10 May 2017
Information Booklet and Entitlement and Acceptance Form despatched, and announcement of despatch	15 May 2017
Retail Entitlement Offer opens	15 May 2017
Settlement of the Institutional Entitlement Offer	15 May 2017
Updated Appendix 3B for New Shares issued under the Institutional Entitlement Offer lodged (if required)	15 May 2017 (before noon)
Expected issue and quotation of New Shares issued under the Institutional Entitlement Offer	16 May 2017
Closing date for acceptances under the Retail Entitlement Offer (5.00pm (AEST))	24 May 2017
Announcement of results of the Retail Entitlement Offer and under-subscriptions	25 May 2017
Settlement of the Retail Entitlement Offer	26 May 2017
Expected issue of New Shares under the Retail Entitlement Offer	29 May 2017
Updated Appendix 3B for New Shares issued under the Retail Entitlement Offer lodged (if required), along with other required information (e.g. distribution schedule)	29 May 2017 (before noon)
Expected quotation of New Shares under the Retail Entitlement Offer	30 May 2017
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	2 June 2017

* This timetable is indicative only. The directors may vary these dates subject to the ASX Listing Rules. An extension of the closing date will delay the anticipated date for issue of the New Shares. The directors of Novatti also reserve the right not to proceed with the whole or part of the Entitlement Offer any time prior to the issue of the New Shares under the Entitlement Offer. In that event, the relevant application monies (without interest) will be returned in full to applicants.

For more information on the Entitlement Offer, please contact the Company Secretary on +61 8 9388 8290.

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f: +61 3 8648 0618
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For further information on the basis2 acquisition please contact:

Peter Cook
CEO
+61 411 111 153
www.novatti.com

Media Enquiries:
Melissa Mack
melissa.mack@mcpartners.com.au
+61 430 119 951

About Novatti Group Limited

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

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ASX ANNOUNCEMENT

10 May 2017

Successful Completion of Institutional Entitlement Offer

Highlights

- Institutional component of accelerated non-renounceable entitlement offer successfully completed, raising approximately \$1.67 million
- Retail component of Entitlement Offer to open on 15 May 2017

Entitlement Offer

On 8 May 2017, Novatti Group Limited ACN 606 556 183 (Novatti or Company) announced an accelerated one for four pro rata non-renounceable entitlement offer of fully paid ordinary shares in Novatti (New Shares) to raise approximately \$3.25 million (before costs) (Entitlement Offer). The Entitlement Offer comprises an accelerated institutional component (Institutional Entitlement Offer) and a retail component (Retail Entitlement Offer).

Novatti is today pleased to announce the successful completion of the Institutional Entitlement Offer. 11,910,051 New Shares will be issued to successful applicants under the Institutional Entitlement Offer on 16 May 2017 at an issue price of \$0.14 per New Share (Offer Price), raising \$1,667,407.

As a result of the successful completion of the Institutional Entitlement Offer, Novatti shares will recommence normal trading on an ex entitlement basis from the opening of the market on 10 May 2017.

Under the Retail Entitlement Offer, eligible retail shareholders will be able to subscribe for one New Share for every four existing Novatti shares held at 7.00pm (AEST time) on 10 May 2017 at the Offer Price. There is also the ability for shareholders who subscribe for their full entitlement under the Retail Entitlement Offer to apply for additional New Shares under a 'top-up' facility.

Eligible retail shareholders will receive an Information Booklet including a personalised Entitlement and Acceptance Form which will provide further details of how to participate in the Retail Entitlement Offer. A copy of the Information Booklet will be lodged today with ASX and is due to be despatched (along with the Entitlement & Acceptance Form) on 15 May 2017, when the Retail Entitlement Offer will open. The Retail Entitlement Offer closes at 5.00pm (AEST time) on 24 May 2017.

For more information please contact the Company Secretary on +61 8 9388 8290.

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3 Risks

Activities in the Company, as in any business, are subject to risks, which may impact on the Company's future performance.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which Shareholders need to be aware of in evaluating the Company's business and risks of increasing your investment in the Company.

The New Shares offered under this Information Booklet are considered speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to carefully consider the following risk factors in addition to the other information presented in this Information Booklet.

3.1 Risks associated with the acquisition of basis2

A number of specific risk factors related to the Company's proposed acquisition of basis2 are set out below. Additional risks in respect of basis2 that apply to the Company generally are set out in section 3.2.

(a) Acquisition/completion risk

The Company has agreed to acquire basis2 under a sale and purchase agreement and completion under that agreement is subject to the fulfilment of certain conditions. There is a risk that one or more of the conditions will not be satisfied and the sale and purchase will not complete, however the Company will have already raised the funds sought under the Entitlement Offer.

While in this case the Company will retain the funds raised under the Entitlement offer and expects to use them for general working capital purposes, in pursuit of general growth strategies and potentially for other acquisitions, there is a risk that it will not be able to employ the funds raised in a manner which is anticipated to be as productive as the application of those funds to the acquisition of basis2.

(b) Performance under sale and purchase agreement

The ability of the Company to realise full potential for basis2 will depend on the performance by the parties of their obligations under the basis2 sale and purchase agreement, including the assignment or novation of key client contracts.

If the basis2 vendor defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

(c) Reliance on key clients

basis2 derives a significant proportion of its revenue from a small number of key clients who are generally contracted on rolling 12 month terms, with one client representing approximately 79% of annual revenue for 2017. Failure to retain these clients and/or a reduction in demand for basis2 by these clients is beyond the control of the Company to some extent, and is likely to have a significantly adverse effect on basis2 and on the operations and profitability of Novatti's business.

(d) Integration risk

Substantial effort and cost will be required to integrate basis2 into the broader Novatti business, and there is no guarantee that the integration process will proceed smoothly. This may result in anticipated benefits from the acquisition not being achieved or achievement being delayed.

(e) Reliance on key personnel

Novatti's operational success for basis2 will depend substantially on the continuing efforts of key personnel in basis2. The loss of services of one or more these personnel may have an adverse effect on the performance and operations of basis2 and on the operations and profitability of Novatti's business.

3.2 Company specific risks

A number of specific risk factors that may impact the future performance of the Company and its operations are described below.

(a) Regulatory and licencing risk

Novatti operates in a complex regulatory environment and in jurisdictions that have varying degrees of enactment and implementation of regulations.

The financial services sector in Australia is subject to stringent and complex regulations, which are constantly evolving to meet challenges associated with new technology. Future changes in Australian regulation may affect Novatti's business. A failure to properly understand or comply with such regulations or the conditions of licences issued under those regulations may also negatively impact on Novatti's business.

Novatti has obligations under legislation and regulation to the customer for errors in processing and its responses to incidents and breaches are subject to audit and review. A failure to properly respond in such a circumstance may negatively impact on Novatti's business.

Novatti, its subsidiaries and partners are required to hold various licences and authorisations that enable them to operate in Australia and elsewhere. Any failure to comply with or maintain such licences and authorisations may affect the development or sales of the products and services sold by Novatti and its subsidiaries.

A failure to comply with, or adjust to variations of the Australian Financial Services Licence (AFSL) held by Novatti's Flexewallet business, Austrac registration requirements or overseas financial regulations may result in Novatti adapting or withdrawing certain products, which may adversely affect Novatti and its business units.

Novatti's products and services are or will be offered in many different jurisdictions, the majority of which are developing nations that may not have a well-developed or enforced regulatory structure in the relevant sectors. Changes to the regulations themselves or the way such regulations are interpreted, implemented or enforced may affect Novatti's platforms or products in those jurisdictions or the ability of Novatti or its partners to conduct business in those jurisdictions.

(b) Commercialisation, technology, third party service provider reliance, competition and development timeframes

One of Novatti's key strengths is technology advantages, however such advantages are typically short lived in the information and communications technology industry. Accordingly, Novatti's success will depend, in part, on its ability to commercialise and expand the Novatti Platform and grow its customer base and generate revenue in response to changing technologies, customer and third party service providers' demands and competitive pressures. Failure or delay to do so may impact the success of Novatti.

(c) Product distribution and usability of the Novatti products and services depend upon various factors outside the control of Novatti including (but not limited to) device operating systems, mobile device design and operation and platform provider standards

Novatti deploys its products and services for use across a number of customer systems using telecommunications and internet access, client owned hardware and cloud based solutions, a range of mobile and desktop devices and software operating systems and other applications. Novatti will be dependent on the ability of its products and services to operate on such platforms, devices, operating systems and applications. Novatti cannot control the operational efficiencies, maintenance, upkeep and continued supply of effective service from external suppliers in these areas. Any changes in such platforms, devices, operating systems and applications that adversely affect the functionality of its products and services or give preferential treatment to competitive products could adversely affect their usage.

(d) Reliance on access to and confidence in telecommunications and internet

In some instances, Novatti will depend on the ability of the end consumer and its customers to access a deployed solution over telecommunications and internet access and to feel confident processing financial transactions online. Access is provided by various classes of entities in the telecommunications, broadband and internet access marketplace. Novatti has multiple clients in emerging markets where telecommunications and internet access is less available and less reliant than the level of service provision in developed markets. Should any of these entities disrupt, restrict or affect the access to its products and services, including applying prohibitive costs, their usage may be negatively impacted. Further, any reduction in levels of trust or confidence in online integrity may negatively impact usage of Novatti products and services.

(e) Ability to run effective and reliable financial systems.

Novatti develops, deploys, maintains and operates financial systems technology. There is little tolerance for error or downtime in such systems and Novatti must maintain effective and reliable system performance for all customers. Should Novatti experience significant and unanticipated errors and downtime, there may be a loss of ongoing confidence in the Novatti products and services that may negatively impact ongoing revenue and sales prospects.

(f) Risk of theft

Novatti operates some financial systems for customers, for example pin based top-ups, and there is a risk of theft particularly from criminal cyber activity. Even though Novatti designs for and mitigates such risk, if theft was to occur, this has the potential to directly cost Novatti or to undermine confidence in Novatti or its solutions. A

reduction in confidence may negatively impact the current and future prospects of Novatti.

(g) Risk of fraud

Novatti and its business units require high degrees of integrity in their staff, systems, relationships with partners and the interaction between Novatti and its customers. Any incident of internal or external fraud, either directly affecting Novatti or indirectly affecting Novatti's relationships or products, has the potential to directly cost Novatti or to undermine confidence in Novatti or its solutions. A reduction in confidence may negatively impact the current and future prospects of Novatti.

(h) Limited operating history and acquisition and retention of customers of the TransferBridge and Flexewallet business units

The TransferBridge and Flexewallet business units have limited relevant operating history in the development and commercialisation of their businesses. No assurances can be given that they will achieve commercial viability through the successful growth of transaction volume and network extensions.

(i) Reliance on key senior personnel

Novatti's operational success will depend substantially on the continuing efforts of senior executives. The loss of services of one or more senior executives may have an adverse effect on Novatti's operations. Furthermore, if Novatti is unable to attract, train and retain key senior individuals, its business may be adversely affected.

(j) Need to attract and retain skilled staff

Novatti's future success will in part depend on its ability to hire and train suitable staff, other highly skilled contractors and specialist consultants. Competition for such personnel is intense and there can be no assurance that Novatti will be successful in attracting and retaining such personnel. A failure to do so may have an adverse effect on the operations and profitability of Novatti's business.

(k) Need to remain globally competitive

The majority of Novatti's staff is in Victoria, which is a relatively high cost economy. Given that Novatti competes in many overseas markets, Novatti may fail to be sufficiently competitive if productivity becomes unduly impacted by the impost of Australian labour conditions including high salary structures, high compliance burdens, increases in payroll taxes and increases in pay on-costs.

(l) Maintenance of key business partner relationships with channel partners

Novatti will rely on relationships with key business channel partners to enable it to continue to promote its products and services. A failure to recruit, train and maintain channel partners and develop relationships could result in a withdrawal of support, which in turn could impact Novatti's financial position.

(m) Reliance on continual product development

Novatti's ability to grow the use of its products and services and generate revenue will depend in part on its ability to continue to develop them. Novatti may introduce significant changes to the existing product, including technologies with which Novatti has little or no prior development or operating experience. If the enhanced products

fail to attract customers, Novatti may fail to generate sufficient revenue or operating profit to justify its investments, and accordingly operating results could be adversely affected.

(n) Management of growth

There is a risk that Novatti will not be able to manage rapid growth of the business. The capacity of Novatti to properly implement and manage business growth particularly in its subsidiaries may affect Novatti's financial performance.

(o) Brand establishment and maintenance

Novatti believes that establishing and maintaining the brand credibility of its products and services in the mobile payments industry is important to growing its proposed customer base and product acceptance. This will depend largely on Novatti's ability to provide solutions utilising useful and innovative features of its products and services. The actions of external industry participants may affect the brand if customers do not have a positive experience using platforms, devices or operating systems that provide access to its products and services. If Novatti fails to successfully establish and maintain brand, its business and operating results could be adversely affected.

(p) Foreign Corruption and Bribery

Novatti and its channel partners operate in many overseas countries and in particular in many emerging markets. It is possible that a staff member or representative of Novatti fails to adhere to relevant legislation from Australia and other countries in relation to acts of corruption and bribery and places Novatti in an adverse legal position. Such an event could lead to reputational damage, contract termination or renegotiation, direct costs and loss of revenue to Novatti.

(q) Operating system changes

Novatti uses third party operating systems with the providers of these systems regularly updating their systems. It is possible when these updates occur one or more of them could cause some of Novatti's product to not operate as efficiently as before. It is also possible that third party operating systems may be discontinued or substantially modified. This will require Novatti to change the code on its system, which may take some time to remedy.

(r) The Novatti platform and possible future products contain or will contain open source software, and Novatti licenses some of its software through open source projects, which may pose particular risks to its proprietary software and products in a manner that could have a negative effect on its business

Novatti utilises open source software in a number of its products and services and will use open source software in the future. The terms of many open source licences to which Novatti will be subject have not been interpreted by Australian or foreign courts, and there is a risk that open source software licences could be construed in a manner that imposes unanticipated conditions or restrictions on Novatti's ability to provide or distribute its products.

(s) Protection of Novatti's intellectual property rights and infringement of third party intellectual property rights

Novatti has trade secrets and other intellectual property rights that are important assets. Novatti may therefore rely on a combination of confidentiality and license agreements with its consultants and third parties with whom it has relationships, as well as domain name, trade secret and copyright, to protect its brand and other intellectual property rights. Novatti does not currently have any patent protection of its intellectual property and it is not yet known whether it will be in fact possible to obtain any patent protection of its intellectual property. If Novatti relies upon copyright protection alone there is a risk that copyright offers no protection against a developer who creates a software program with similar functionality but written using different code and, further, enforcement of copyright infringement can be problematic especially where a work is similar but not the same. If Novatti fails to protect its intellectual property secrets, competitors may gain access to its technology, which could harm its business.

If a third party accuses Novatti of infringing its intellectual property rights or if a third party commences litigation against Novatti for the infringement of patent or other intellectual property rights, Novatti may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation is expensive. Costs that Novatti incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In addition, parties making claims against Novatti may be able to obtain injunctive or other equitable relief that could prevent Novatti from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against Novatti, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent Novatti from commercialising available products and could cause it to incur substantial expenditure.

(t) Novatti products and services may contain programming errors and not be adequately documented or tested, which could harm its brand and operating results

Novatti products and services contain complicated programming and its objectives are to quickly develop and launch new and innovative products and features. They may therefore contain, now or in the future, errors, bugs or vulnerabilities or not be sufficiently documented or tested. Any errors, bugs or vulnerabilities discovered may take time to be remedied if not properly documented and could result in (among other consequences) damage to the Novatti brand, loss of customers, loss of platform partners, fall in revenues or liability for damages, any of which could adversely affect Novatti's business and operating results.

(u) Novatti will rely on third party providers and internet search engines (amongst other facilities) to direct customers to Novatti's products

Should Novatti's brand or its products fail to attract a high level of internet search ranking, direction of potential new customers to its products could be limited and its business and operating results could be adversely affected. Should any operators of Apps platforms utilised by Novatti make changes to limit or make more difficult for customers to access its products, Novatti's business and operating results may be affected. Novatti's search result rankings is outside of its control and competitors'

search engine procedures may result in their websites or Apps receiving a higher search result ranking. Reduced numbers of potential customers directed to Novatti's products could adversely affect its business and operating results.

(v) Customer service

Novatti needs to recruit and retain staff with interpersonal skills sufficient to respond appropriately to service requests by customers. Poor customer service experiences may result if Novatti loses key customer service personnel or fails to provide adequate training and resources for customer service personnel. Poor experiences may result in adverse publicity, litigation, regulatory enquiries and reduction in the use of Novatti's products or services. If this occurs it may negatively affect Novatti's revenues.

Additionally Novatti can sell its product through channel partners and is therefore dependent on the channel partners' customer service departments for the end consumer's customer service experience. Poor experiences may result in adverse publicity, litigation, regulatory enquiries and reducing the use of its products and services. If this occurs it may negatively affect Novatti's revenues.

(w) Competition

Novatti will compete with other businesses and companies. Some of these companies have greater financial and other resources than Novatti and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that Novatti can compete effectively with these companies.

(x) Changes in technology

Novatti's success will depend, in part, on its ability to expand its products and grow its business in response to changing technologies, customer and third party service providers' demands and competitive pressures. Failure to do so may impact the success of Novatti. Further, the cost of responding to changing technologies is unpredictable and may impact Novatti's profitability or, if such cost is prohibitive, may reduce Novatti's capacity to expand or maintain its business. Novatti will seek to offset such costs where possible through applications for the research and development tax concession. However, these concessions are available in only limited circumstances and, even where Novatti makes a claim which it and its advisors believe has merit, it can't be assured that the Australian Taxation Office and Ausindustry will deem the claim to be compliant.

(y) Disruption by new forms of payments including crypto-currencies

Novatti creates solutions and offers services that compete with traditional systems and business processes and also new forms of payments such as crypto-currencies, which may adversely affect Novatti by rapidly transitioning the foreign exchange market, financial process flows and technology. Should Novatti fail to react appropriately to any such changes Novatti's competitiveness may be negatively affected which would in turn negatively affect the revenues and prospects of Novatti's business units.

(z) Hosting provider disruption risk

Novatti relies on various hosting providers, to host the application and store all data gathered from its customers.

Should the provider suffer outages, for example due to catastrophic destruction following a natural disaster, service to the Novatti products and services delivered by that provider may also be disrupted.

(aa) Data loss, theft or corruption

Novatti, its hosting providers, and networks will be required to adhere to their own and customers' security and compliance standards. If adequate safe guards and measures to mitigate breaches are not provided and maintained, it could negatively impact upon Novatti's reputation, revenues and profitability. If Novatti's security measures are breached, or if its products are subject to cyber-attacks that expose or restrict customer access to the platform or their data, its' solutions may be perceived as less secure than competitors and customers may stop using Novatti products and services.

(bb) Misuse of the Novatti products and services – privacy and surveillance legislation

Users of Novatti products and services are subject to Novatti's terms and conditions of use, which state that a user must protect the privacy and details contained within the systems and is liable if they are used unlawfully (for example, the user causing any data or information to be exposed or shared without consent). Although Novatti has strategies and protections in place to try and minimise misuse the system (including disclaimers and indemnities in Novatti's terms and conditions of use), there is no guarantee these strategies will be successful in the event a User uses Novatti products and services in an unlawful manner. In the event of a User misusing Novatti products and services, this may result in adverse publicity, litigation, regulatory enquiries in respect of state and federal privacy and surveillance legislation, and reducing the use of its products and services. If this occurs it may negatively affect Novatti's revenues.

(cc) Insurance

Novatti will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

Accordingly, Novatti may not be fully insured against all losses and liabilities that could unintentionally arise from its operations. If Novatti incurs uninsured losses or liabilities, the value of Novatti's assets may be at risk.

(dd) Liquidity and realisation risk

There can be no guarantee that there will be an active market in the Shares or that the price of the Shares will increase.

On completion of the Entitlement Offer (assuming full subscription) approximately 18% of the Shares will still be subject to escrow with approximately 82% of the Shares freely tradeable.

There is a risk that once the Shares subject to escrow are released from escrow and the trading restrictions attaching to them, there may be a significant sell down by the holders of those Shares. This may affect the prevailing market price at which Shareholders are able to sell their Shares.

(ee) Additional requirements for capital

Novatti's capital requirements depend on numerous factors. Depending on Novatti's ability to generate income from its operations, Novatti may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If Novatti is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its product development as the case may be.

(ff) Potential acquisitions

As part of its business strategy, Novatti may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

(gg) If securities or industry analysts do not publish or cease publishing research or reports about Novatti, its business or its market, or if they change their recommendations regarding Novatti's securities adversely, the price of its securities and trading volumes could be adversely affected

The market for Novatti's securities trading on ASX may be influenced by any research or reports compiled by securities or industry analysts. If any of the analysts who may cover Novatti and its products change previously disclosed recommendations on Novatti or for that matter its competitors, the price of its securities may be adversely affected.

(hh) Novatti does not expect to declare any dividends in the foreseeable future

Novatti does not anticipate declaring or paying any dividends to Shareholders in the foreseeable future. Consequently, investors may need to rely on sales of their securities to realise any future gains on their investment.

(ii) If Novatti's goodwill or intangible assets become impaired, it may be required to record a significant charge to earnings

Under Generally Accepted Accounting Principles, Novatti reviews its intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually.

3.3 General risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

(a) Share investments

Prospective investors should be aware that there are risks associated with any investment in securities. The prices at which the Shares trade may be above or below the issue price for the Entitlement Offer and may fluctuate in response to a number of factors. Furthermore, the stock market and in particular the market for small technology companies, has experienced extreme price and volume fluctuations that

have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices and volumes will be sustained. These factors may materially affect the market price of the Shares, regardless of the Company's operational performance.

(b) Sharemarket conditions

The market price of the Shares may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Economic risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption in Australia, the rate of growth of Australia's gross domestic product, interest rates and the rate of inflation.

(d) Global credit and investment markets

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which the Company's Shares trade regardless of operating performance, and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

(e) Changes in legislation and government regulation

Government legislation in Australia or any other relevant jurisdiction, including changes to the taxation system, may affect future earnings and relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

(f) Exchange rate risk

The Company currently only operates in Australia but source products and services from overseas. If the Australian dollar falls in relation to the exchange rate where the product or service is sourced from, then since Novatti's financial statements are prepared in Australian dollars, this may impact its performance and position.

(g) Unforeseen risks

There may be other risks which the Directors are unaware of at the time of issuing this Information Booklet which may impact on the Company, its operation and/or the valuation and performance of the Company's Shares.

(h) Combination of risks

The Company may not be subject to a single risk. A combination of risks, including any of the risks outlines in this Section could affect the performance valuation, financial performance and prospects of the Company.

(i) **Long term investment**

Investors are strongly advised to regard an investment in the Company as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. The Company cannot guarantee its future earnings and cannot provide a guaranteed level of return to investors.

3.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Information Booklet. Therefore, the New Shares to be issued pursuant to this Information Booklet carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for New Shares pursuant to this Information Booklet.

4 How to Apply

4.1 Shareholder's choices

The number of New Shares to which Eligible Retail Shareholders are entitled under the Entitlement Offer (i.e. their Entitlement) is shown on the accompanying Entitlement and Acceptance Form. Eligible Retail Shareholders may:

- (a) take up their Entitlement in full and, if they do so, they may apply for additional New Shares under the Top-Up Facility (refer to section 4.2);
- (b) take up part of their Entitlement, in which case the balance of the Entitlement lapses (refer to section 4.3); or
- (c) allow their Entitlement to lapse (refer to section 4.4).

Ineligible Retail Shareholders may not take up any of their Entitlements.

Novatti reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

The Closing Date for acceptance of the Retail Entitlement Offer is **5.00pm (AEST) on 24 May 2017** (however, that date may be varied by Novatti in accordance with the Listing Rules).

4.2 Taking up all of your Entitlement and participating in the Top-Up Facility

If you wish to take up your Entitlement in full, follow the instructions set out in the Entitlement and Acceptance Form.

If you have applied to take up all of your Entitlement, you may also apply for additional New Shares under the Top-Up Facility.

Please return your completed Entitlement and Acceptance Form together with your Application Monies in accordance with section 4.6 for the amount shown on the Entitlement and Acceptance Form to the Share Registry so that it is received no later than **5.00pm (AEST) on 24 May 2017** at the address set out below:

Hand delivery

Novatti Group Limited
C/- Automic Registry Services
Suite 310, 50 Holt Street
Surry Hills NSW 2010

Post

Novatti Group Limited
C/- Automic Registry Services
PO Box 2226
Strawberry Hills NSW 2012

You may also take up all of your Entitlement by payment of the Application Monies through BPAY in accordance with the instructions on the Entitlement and Acceptance Form. If payment is being made through BPAY, you do not need to return the Entitlement and Acceptance Form. Your payment must be received by no later than **5.00pm (AEST) on 24 May 2017**.

If you do not return the Entitlement and Acceptance Form, amounts received by Novatti in excess of the Issue Price multiplied by your Entitlement (**Excess Amount**) may be treated as an application to apply for as many additional New Shares under the Top-Up Facility as your Excess Amount will pay for in full.

If you apply for additional New Shares under the Top-Up Facility and your application is successful (in whole or in part) your New Shares will be issued at the same time that other New Shares are issued under the Retail Entitlement Offer. There is no guarantee you will receive any New Shares under the Top-Up Facility. The Directors reserve their right to allot and issue New Shares under the Top-Up Facility at their discretion.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders), or by direct credit to the nominated bank account as noted on the share register as at the closing date of the offer.

4.3 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement, complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up and follow the other steps required under section 4.2.

You may arrange for payment through BPAY in accordance with the instructions on the Entitlement and Acceptance Form. If payment is made through BPAY and Novatti receives an amount that is less than the Issue Price multiplied by your Entitlement (**Reduced Amount**), your payment may be treated as an application for as many New Shares as your Reduced Amount will pay for in full.

4.4 Allow your Entitlement to lapse

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse.

4.5 Consequences of not accepting your Entitlement

If you do not accept all of your Entitlement in accordance with the instructions set out above, any New Shares that you would have otherwise been entitled to under the Retail Entitlement Offer (or New Shares that relate to the portion of your Entitlement that has not been accepted) may be dealt with under the Top-Up Facility or by the Directors (in consultation with the Lead Manager) at their absolute discretion under the Shortfall Facility.

4.6 Payment

The consideration for the New Shares (including under the Top-Up Facility) is payable in full on application by a payment of \$0.14 per New Share. The Entitlement and Acceptance Form must be accompanied by a cheque for the Application Monies. Cheques must be drawn in Australian currency on an Australian bank and made payable to '**Novatti Group Limited – Entitlement Offer**' and crossed 'Not Negotiable'.

Alternatively, you may arrange for payment of the Application Monies through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.

Eligible Retail Shareholders must not forward cash by mail. Receipts for payment will not be issued.

4.7 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form, or a payment made through BPAY, constitutes a binding offer to acquire New Shares on the terms of this Information Booklet and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid Application for New Shares. The Directors'

(or their delegates') decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are an Eligible Retail Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Retail Entitlement Offer;
- (b) you acknowledge that the New Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended, or under the laws of any other jurisdiction outside Australia or New Zealand; and
- (c) you have not and will not send any materials relating to the Retail Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States.

4.8 Brokerage, fees and stamp duty

No brokerage fee is payable by Eligible Retail Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for New Shares under the Retail Entitlement Offer.

Novatti has agreed to pay certain fees to the Lead Manager and other brokers in respect of the Entitlement Offer. Please see section 1.5 for an outline of these fees.

4.9 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Information Booklet or any Entitlement and Acceptance Form in any country outside Australia, except to beneficial holders of Shares in New Zealand, as well as any other country to the extent Novatti may determine it is lawful and practical to make the Retail Entitlement Offer.

5 Definitions

These definitions are provided to assist the understanding some of the expressions used in this Information Booklet.

Term	Definition
\$	means Australian dollars.
Applicant	means an Eligible Retail Shareholder who has applied to subscribe for New Shares by submitting an Entitlement and Acceptance Form or has arranged for payment through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.
Application	means the submission of an Entitlement and Acceptance Form accompanied by the relevant Application Monies or arranging for payment of the relevant Application Monies through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.
Application Monies	means the aggregate amount of money payable for the New Shares applied for in a duly completed Entitlement and Acceptance Form or through BPAY.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
basis 2	means the billing and customer information systems (CIS) business known as “basis2”, as further detailed in the Company’s ASX announcement of 8 May 2017 (as set out in section 2 of this Information Booklet) and Novatti investor presentation announced to ASX on 8 May 2017.
Closing Date	means 5.00pm (AEST) on 24 May 2017, the day the Retail Entitlement Offer closes, or any other date that the Directors in their absolute discretion determine, subject to the Listing Rules).
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Directors	means the directors of Novatti.
Eligible Institutional Shareholder	means an institutional or sophisticated Shareholder on the Record Date who: (a) is not an Ineligible Institutional Shareholder; and (b) has been invited by the Company to participate under the Institutional Entitlement Offer (either directly or through a nominee).
Eligible Retail Shareholder	has the meaning set out in section 1.7.
Eligible Shareholder	means a Shareholder as at the Record Date who is not an Ineligible Shareholder.
Eligible Top-Up Facility Participants	has the meaning set out in section 1.4.

Term	Definition
Entitlement	means the right to subscribe for New Shares under the Entitlement Offer.
Entitlement and Acceptance Form	means the Entitlement and Acceptance Form accompanying this Information Booklet.
Entitlement Offer	means the Institutional Entitlement Offer and the Retail Entitlement Offer.
Existing Shares	means the Shares already on issue in Novatti as at the Record Date.
Ineligible Institutional Shareholder	means a Shareholder who is an institutional or sophisticated Shareholder on the Record Date who either: (a) has a registered address outside Australia or New Zealand or any other jurisdiction that Novatti determines ASX Listing Rule 7.7.1(a) applies in respect of; or (b) was not invited by Novatti to participate in the Institutional Entitlement Offer.
Ineligible Retail Shareholder	means a Shareholder (or beneficial holder of Shares) on the Record Date with a registered address outside Australia or New Zealand or any other jurisdiction that Novatti determines to which ASX Listing Rule 7.7.1(a) applies.
Ineligible Shareholder	means a Shareholder as at the Record Date whose registered address is not located in Australia or New Zealand.
Information Booklet	means this document.
Institutional Entitlement Offer	means the accelerated pro rata non-renounceable offer to Eligible Institutional Shareholders.
Investor Presentation	means the presentation to investors contained in section 2 of this Information Booklet.
Issue Price	means \$0.14 per New Share.
Lead Manager	means Hunter Capital Advisors Pty Ltd ACN 603 930 418.
Lead Manager Agreement	means the agreement between the Company and the Lead Manager for lead manager services in respect of the Entitlement Offer dated 4 May 2017.
Listing Rules	means the official listing rules of ASX.
New Shares	means Shares to be allotted and issued under the Entitlement Offer, including (as the context requires) the shortfall from the Entitlement Offer issued under the Top-Up Facility or to the Underwriter.
Novatti or Company	means Novatti Group Limited ACN 606 556 183.
Option	means an option to acquire a Share.
Option Holder	means a holder of an Option.
Record Date	means 7.00pm (AEST) on 10 May 2017.
Retail Entitlement Offer	means the pro rata non-renounceable offer to Eligible Retail Shareholders to subscribe for one New Share for every four Shares of which the Shareholder is the registered holder on the Record Date, at the Issue Price under this Information Booklet.

Term	Definition
Shareholders	mean holders of Shares.
Shares	means fully paid ordinary shares in the capital of Novatti.
Share Registry	means Automatic Registry Services.
Shortfall Shares	means those New Shares not taken up by Eligible Shareholders under the Entitlement Offer, together with those New Shares to which any Ineligible Shareholders would otherwise have been entitled.
Top-Up Facility	means the facility described in section 1.4 under which certain Eligible Shareholders may apply for New Shares in excess of their Entitlement.
Top-Up Shares	means extra Shares a Shareholder may apply for in excess of their Entitlement under the Top-Up Facility.

6 Corporate Information

Company

Novatti Group Limited

Registered Office

Suite 5
95 Hay Street
Subiaco WA 6008

Tel: +61 8 9388 8290

www.novattigroup.com

Head Office

Legacy House
Level 1, 293 Swanston Street
Melbourne Vic 3000

Tel: +61 3 9088 0325

Directors

Peter Cook (CEO and Managing Director)
Peter Pawlowitsch (Non-Executive Chairman)
Brandon Munro (Non-Executive Director)
Paul Burton (Non-Executive Director)
Kenneth Lai (Non-Executive Director)

Company Secretary

Ian Hobson

Lead Manager

Hunter Capital Advisors Pty Ltd
Level 8, 65 Hunter Street
Sydney NSW 2000

Lawyers

Milcor Legal
Level 1, 6 Thelma Street
West Perth WA 6005

Share Registry

Automic Registry Services
Suite 310, 50 Holt Street
Surry Hills NSW 2010
Telephone: 1300 288 664 +61 (02) 9698 5414
Email: info@automic.com.au

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