

ASX Announcement

31 July 2018

June 2018 Quarterly Update

Highlights

- The June quarter delivers strong Transaction Processing revenue growth, up 49% from \$495k to \$736k (unaudited), as a result of increased demand for Flexepin, Chinese payments and remittance services
- Completed acquisition of pre-paid reloadable visa card provider - Vasco Pay, giving NOV access to the large international student market
- Supply agreement signed with leading bank; Banque Berno Saudi Fransi to provide agency banking services and mobile payments platform, increasing its global financial footprint
- Integration with Stellar blockchain network completed including initial trial transactions
- Strong revenue growth expected in the coming quarter and NOV remain on track to deliver strong growth in FY2019

Novatti Group (ASX: NOV or 'the Company'), an online financial transactions processor and financial technology developer, is pleased to provide its quarterly update for the three months ended 30 June 2018.

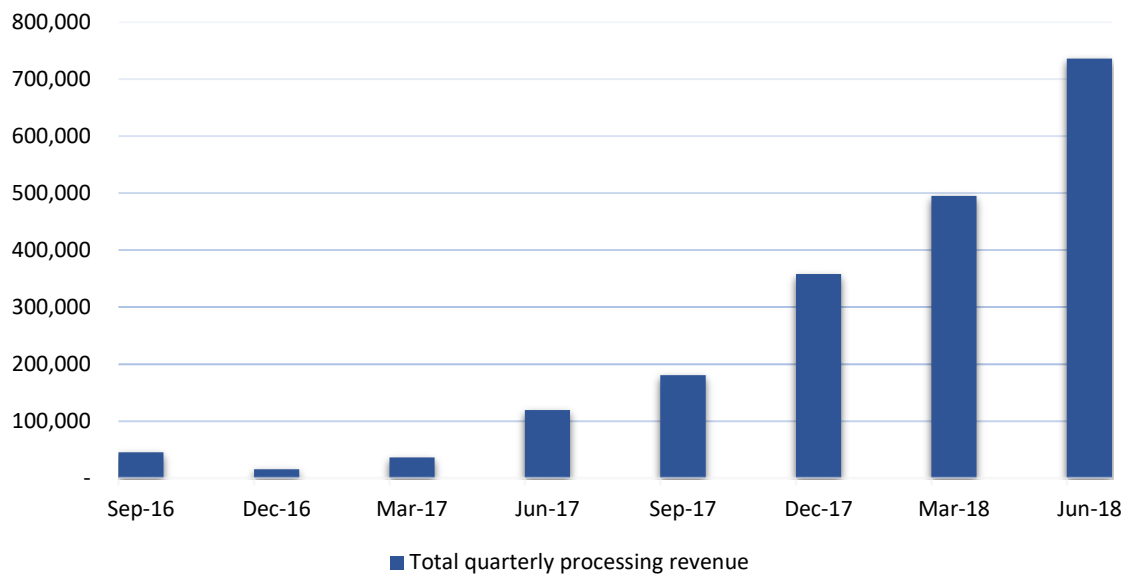
Financial Update

The balance sheet remains strong with \$4.5M cash at bank and nil debt. In addition, receipts of circa \$1.5M for the R&D Grant and the Annual Licence Fee for the City of Philadelphia that would normally have been received prior to 30 June were received in mid July.

FY18 Total Revenue is \$6.4M (unaudited), an increase of 82% on FY17's \$3.5M Total Revenue.

Transactional revenue has increased 49% from \$495k to \$736k (unaudited) over the June quarter, as a result of high growth in its Flexepin, remittance services and Chinese payments.

Novatti Payment Processing Revenue



Operational Update

The June quarter has seen significant progress across the Novatti group having delivered strong revenue growth due to increased demand for its payment processing services. This is as a result of ongoing business development and the acquisition of new clients.

The Company continues to develop its banking division and is finalising the business plan to apply to APRA for a bank licence, expected to be lodged in late August.

basis2 has now completed a full 12 months within the Novatti Group and its revenue is in line with expectations. Revenue which is largely recurring and predictable of AUD1.6M (unaudited) has been generated in the FY18 period.

Completed acquisition of Vasco Pay

During the quarter, Novatti signed a binding agreement to acquire 100% of Vasco Pay, a pre-paid reloadable Visa card provider. The card is used for everyday purchases and is initially targeted at the 570,000 international students and two million tertiary students currently living in Australia.

Upfront consideration of \$150,000 and 1.6 million Novatti shares was paid with earn-out payments to be based on FY20 and FY21 EBITDA's achieved. Fees will be generated on either a sign up, annual, monthly or transaction basis.

Vasco Pay is well aligned with NOV's other financial services offerings and completion of this acquisition represents an important step for the Company as it is able to leverage its newly acquired customer base. The acquisition also supports its financial services business model of providing accessible banking and payments facilities to those unable to access traditional banking services.

Supply agreement signed with Banque Berno Saudi Fransi (BBSF)

The Company has entered into an agreement with BBSF to supply its agency banking services and mobile payments platform. BBSF is a leading bank that has been operating in line with global banking standards providing retail banking services for 14 years. The Bank is also trusted among Non-Government Organisations (NGO's) and has been distributing financial aid to rural customers within Syria.

The platform being supplied is intended for those that do not have regular access to banking services and is being designed to perform mobile-based micro banking transactions. Through the use of the software, BBSF will register a select number of qualified authorised KYC'd agents enabling them to provide banking services to people in remote and/or difficult to reach areas. This means that target users are able to set up 'branchless' bank accounts enabling low value bill payments, purchase of essential goods and receipt of humanitarian assistance funds that would otherwise not be possible.

Revenues will be generated via licence fees, professional service fees and ongoing support fees and the project earned revenue of USD318,000 in FY18 and is expected to earn revenue of USD477,000 in FY19.

The agreement further commercialises the Novatti business model of providing banking and financial services to those without access to traditional banking systems.

China Payments delivers strong growth

At the beginning of the quarter, Novatti launched chinapayments.com, a fintech platform for Chinese residents, migrants, students and tourists to pay bills via Australia's BPAY system, using funds from their Alipay wallet.

The successful launch supports Novatti's strategic plans to leverage growing trade between China and Australia with market leading payment services.

Outlook

The Company continues to build on its financial services offering and is actively seeking strategic partnerships for all revenue streams.

The Company is well positioned to deliver expected revenue growth over the coming quarters benefitting from recent deals with Vasco Pay and BBSF.

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About Novatti Group Limited

Novatti is an award-winning global software technology, utility billing and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitise cash transactions. Novatti's robust and efficient software solutions include Consumer Digital Wallets, 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, Flexewallet for remittance and compliance services, Chinapayments.com for bill payment services for Chinese consumers and Vasco Pay a prepaid reloadable Visa card.

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