

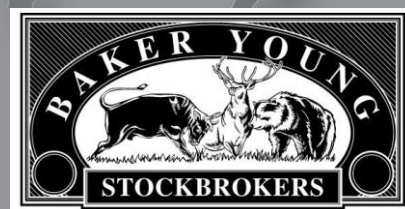


# REPLACEMENT PROSPECTUS

**Novatti Group Limited**  
**ACN 606 556 183**

An initial public offering of 20,000,000 Shares each at an issue price of \$0.20 to raise \$4,000,000 (before costs), with the right to accept oversubscriptions of 15,000,000 Shares also at an issue price of \$0.20 each to raise a further \$3,000,000, for a total raising of up to \$7,000,000 (before costs).

LEAD MANAGER TO THE OFFER  
Baker Young Stockbrokers Limited



## Important Information

This document is important and should be read in its entirety.

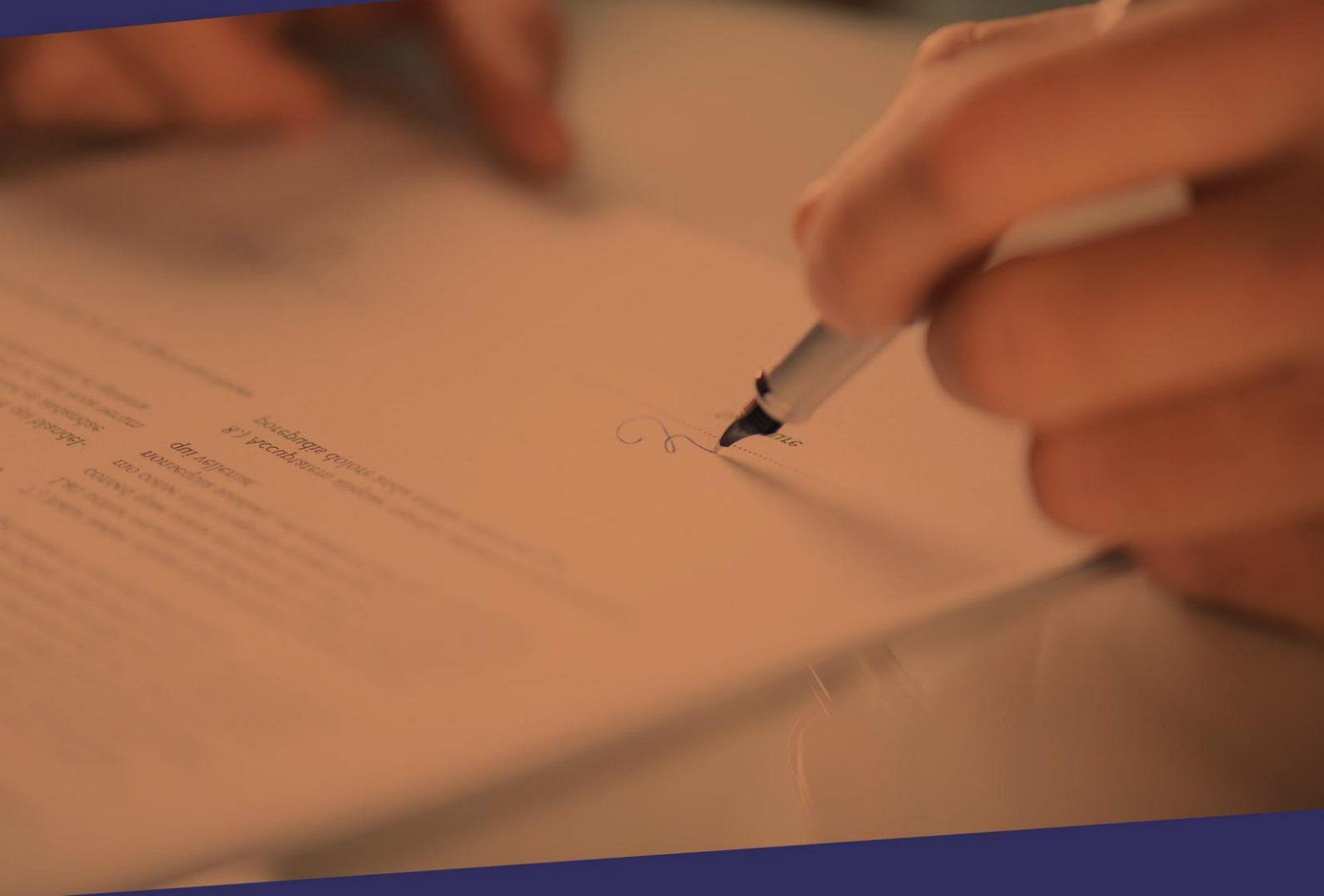
If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

An investment in the Shares offered by this Prospectus should be considered as speculative.



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# 1. Important Information



# 1. Important Information

## Important Notice

This replacement prospectus is dated 8 December 2015 (**Prospectus**) and was lodged with the ASIC on that date. It replaces the original prospectus lodged with ASIC on 27 November 2015 (**Original Prospectus**). The ASX, ASIC and its officers take no responsibility for the contents of this Prospectus nor the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is that date that is 13 months after the date this Prospectus was lodged with the ASIC. No Shares may be issued on the basis of this Prospectus after that date.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary before deciding whether to invest. The Shares the subject of this Prospectus should be considered speculative. Please refer to Section 11 for details relating to risk factors that could affect the financial performance and assets of the Company.

The Original Prospectus was subject to an Exposure Period of 7 days from the date of lodgement of the Original Prospectus with ASIC and the Company was prohibited from accepting applications under those Offers during the Exposure Period. This period was extended by ASIC for a further period of 7 days. This Prospectus will be circulated during the Exposure Period. Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

Application has been made to ASX for Official Quotation of the Shares the subject of this Prospectus.

Persons wishing to apply for Shares pursuant to the Offer must do so using the Application Form as provided with a copy of this Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

No person is authorised to give any information or to make any representation in relation to the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having authorised by the Company or the Directors in relation to the Offer. You should only rely on information in this Prospectus.

## Replacement Prospectus

This Prospectus is a replacement prospectus and has been issued to:

- (a) disclose the appointment of Baker Young Stockbrokers Limited as lead manager to the Offer and provide a summary the terms of their engagement in Section 12.5;
- (b) remove references to market capitalisation following completion of the Offer (based on the price per Share under the Offer) in the key information table in Section 3;
- (c) update certain escrow information in relation to Performance Shares held by Directors in Section 6.8;
- (d) provide additional source information for certain statements made in Section 7;
- (e) clarify and update disclosure in Sections 4.1 and 7 in relation to the industry and market overview and how this relates to the business of the Group; and
- (f) provide further disclosure in Section 9 in relation to the financial statements for the 2013, 2014 and 2015 financial years (incorporated into the Prospectus by reference) by including reference to Emphasis of Matter statements set out in the independent auditor's reports for each of those years.



For the purposes of this document this replacement prospectus will be referred to as either the Prospectus or the Replacement Prospectus.

The Company does not consider the differences between the Original Prospectus and this Replacement Prospectus to be materially adverse from the point of view of an investor.

Persons who have applied for Shares under the Offer using an Application Form as provided with a copy of the Original Prospectus must re-apply for those Shares using the replacement Application Form as provided with this Replacement Prospectus pursuant to the instructions in Section 6.10. If this requirement is not complied with, such persons will have their Applications rejected and any cheques or Application Monies will be returned to them promptly following the closing of the Offers.

## Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at [www.novatti.com/prospectus](http://www.novatti.com/prospectus). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to, or accompanied by, the complete unaltered version of the Prospectus. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant Application Forms. If you have not, please contact the Share Registry on + 61 8 9324 2099 between 9.00am and 5.00pm (WST) Monday to Friday and they will send you, at no cost, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at [www.novatti.com/prospectus](http://www.novatti.com/prospectus).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## Overseas Applicants

The offer of Shares made pursuant to this Prospectus is not made to persons to whom, or places in which, it would be unlawful to make such an offer of Shares. No action has been taken to register or qualify the Offer under this Prospectus or otherwise permit the Offer to be made in any jurisdiction outside of Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law in those jurisdictions and therefore persons who come into possession of this Prospectus should seek legal advice on, and observe, any of those restrictions. Failure to comply with these restrictions may violate securities laws.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

## Forward looking statements

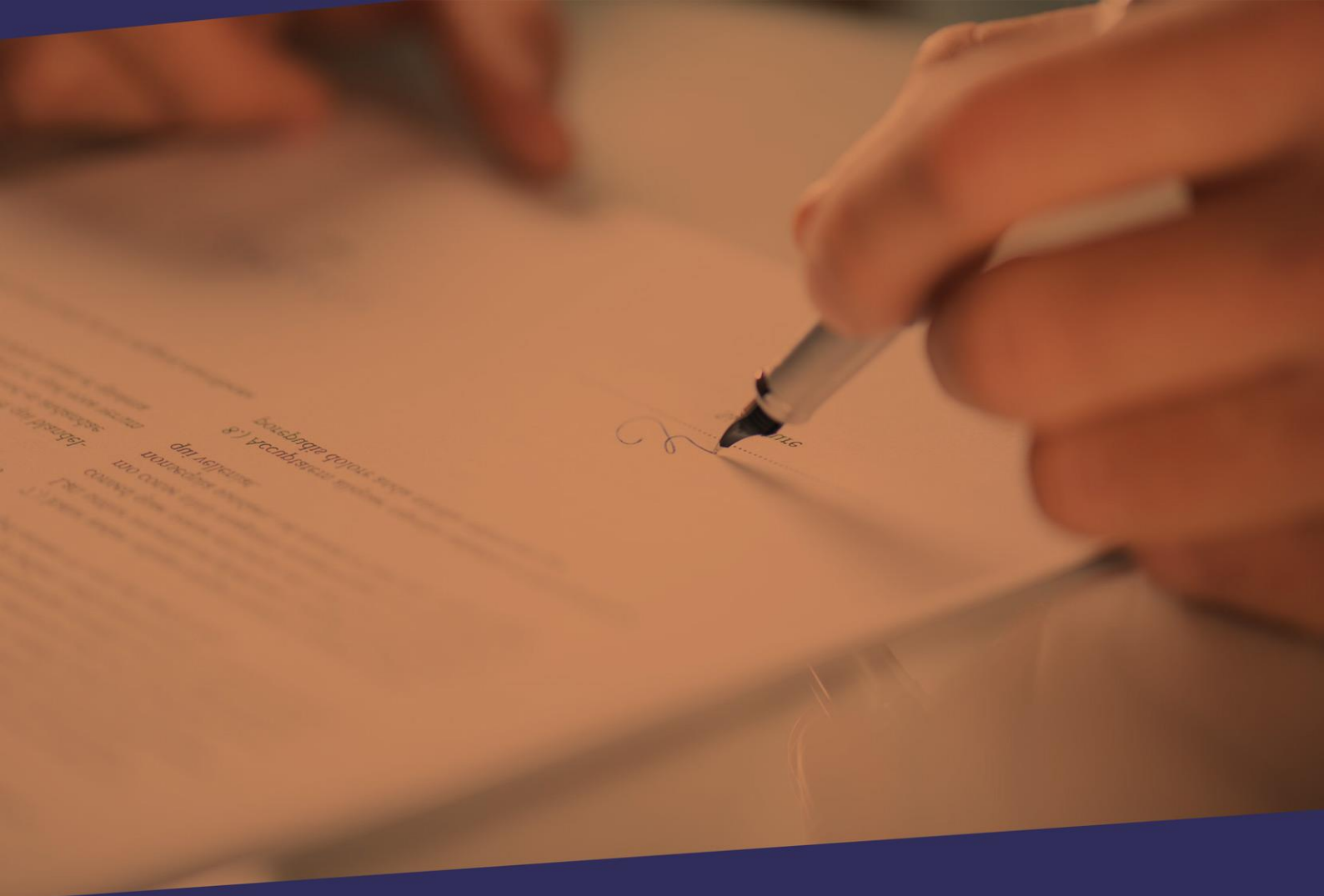
This Prospectus may contain forward-looking statements which are identified by words such as 'may', 'should', 'will', 'expect', 'anticipate', 'believes', 'estimate', 'intend', 'scheduled' or 'continue' or other similar words. Such statements and information are subject to risks and uncertainties and a number of assumptions, which may cause the actual results or events to differ materially from the expectations described in the forward looking statements or information.

Whilst the Company considers the expectations reflected in any forward looking statements or information in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors outlined in Section 11, as well as other matters not yet known to the Company or not currently considered material to the Company, may cause actual events to be materially different from those expressed, implied or projected in any forward looking statements or information. Any forward looking statement or information contained in this Prospectus is qualified by this cautionary statement.

## Definitions

A number of defined terms are used in this Prospectus. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 15, words and phrases in this Prospectus have the same meaning and interpretation as in the Corporations Act or ASX Listing Rules.





## 2. Corporate Directory





## 2. Corporate Directory

### Directors

Peter Pawlowitsch (Non-Executive Chairman)  
Peter Cook (Managing Director and CEO)  
Brandon Munro (Non-Executive Director)

### Company Secretary

Ian Hobson

### Registered Office

Suite 5, 95 Hay Street  
Subiaco WA 6008

### Principal Place of Business

Level 1, Legacy House  
293 Swanston Street  
Melbourne Vic 3000  
Telephone: +61 3 9088 0325  
Email: info@novatti.com

### Investigating Accountant

William Buck Audit (Vic) Pty Ltd  
Level 20, 181 William Street  
Melbourne Vic 3000

### Auditors

William Buck Audit (Vic) Pty Ltd  
Level 20, 181 William Street  
Melbourne Vic 3000

### Lawyers

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

### Lead Manager

Baker Young Stockbrokers Limited  
Level 6, 121 King William Street  
Adelaide SA 5000

### Share Registry\*

Automic Registry Services  
Suite 1A, Level 1, 7 Ventnor Avenue  
West Perth WA 6005  
Telephone: + 61 8 9324 2099  
Facsimile: +61 8 9321 2337

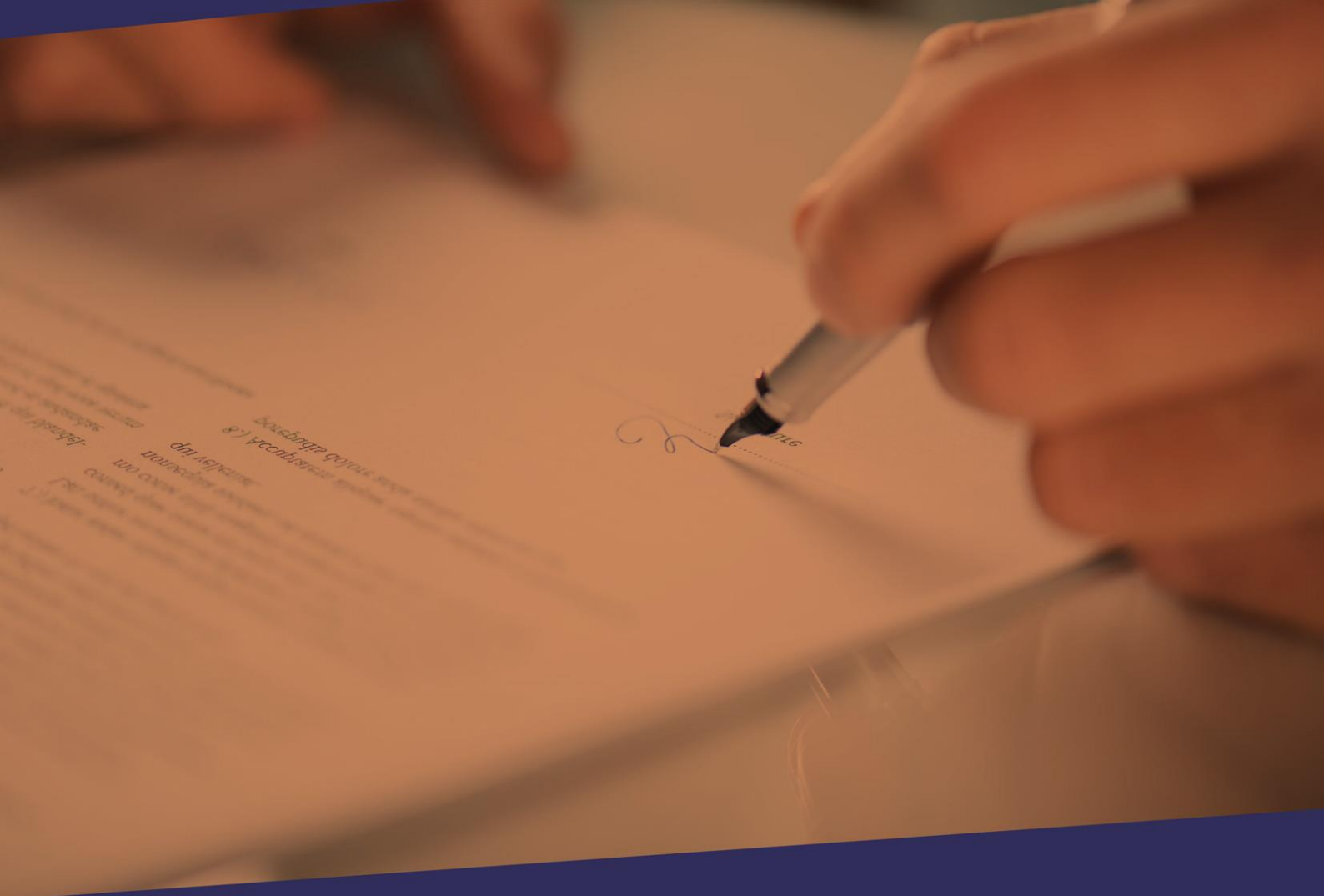
### Company Website

[www.novatti.com](http://www.novatti.com)

### Proposed ASX Code

NOV

\*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.



### **3. Key Information and Indicative Timetable**



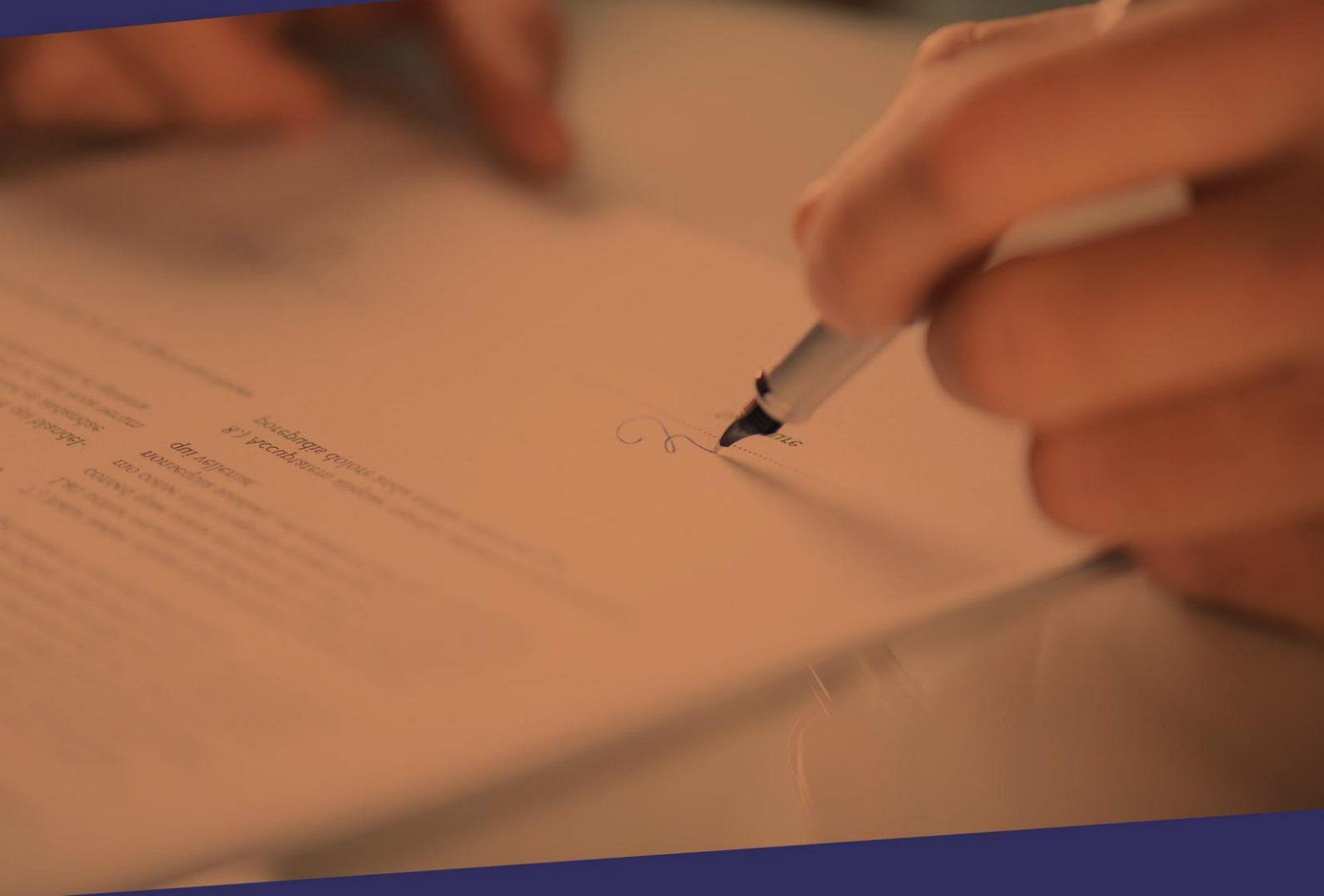
### 3. Key Information and Indicative Timetable

Description	Amount
Price per Share under the Offer	\$0.20
Shares on issue before completion of the Offer	52,883,826 Ordinary Shares 20,000,000 Performance Shares
Shares offered under the Offer (Minimum Subscription)	20,000,000
Amount to be raised under the Offer (Minimum Subscription) before costs of the Offer	\$4,000,000
Total Shares on issue on completion of the Offer (Minimum Subscription)	72,883,826 Ordinary Shares 20,000,000 Performance Shares
Shares offered under the Offer (Full Over-Subscription)	35,000,000
Amount to be raised under the Offer (Full Over-Subscription) before costs of the Offer	\$7,000,000
Total Shares on issue on completion of the Offer (Full Over-Subscription)	87,883,826 Ordinary Shares 20,000,000 Performance Shares

#### Indicative timetable

Lodgement of this Prospectus with ASIC	Tuesday, 8 December 2015
Opening Date for the Offer	Monday, 14 December 2015
Closing Date for the Offer	Friday, 18 December 2015
Issue of Shares under the Offer	Thursday, 24 December 2015
Dispatch of holding statements	Thursday, 24 December 2015
Expected date for Official Quotation on ASX	Thursday, 14 January 2016

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.



## 4. Investment Overview



## 4. Investment Overview

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety. The Shares offered pursuant to this Prospectus carry no guarantee in respect of the return of capital, return on investment, payment of dividends or the future value of the Shares.

### 4.1 Introduction

Topic	Summary	Details
<i>Who is the issuer of the Prospectus?</i>	Novatti Group Limited ACN 606 556 183.	Section 6.1
<i>Who is Novatti?</i>	<p>The company now known as Novatti Pty Ltd commenced operations in 2002 under the name Ezipin International Pty Ltd, and from 2007 as Total Tel International Pty Ltd, as a provider of technology solutions in mobile phone pre-paid billings, point of sale based recharge (prepaid top-up) and voucher distribution systems.</p> <p>In October 2012, the company re-structured its operations and business with the purpose of utilising the strength of its existing intellectual property as the foundation to significantly develop the Novatti Platform and to take advantage of the changes occurring in digital payments with the widespread adoption of mobile and Cloud-based services focusing on Alternative Payments.</p> <p>As part of this process the business was re-branded as "Novatti" and the company name was changed to Novatti Pty Ltd. Later the Flexewallet and TransferBridge business units were established as wholly-owned interests as were 50% joint venture interests in Novatti (Malaysia) and Monisend.</p> <p>Novatti Group Limited acquired all of the issued share capital in Novatti Pty Ltd in September 2015.</p>	Section 7.2
<i>Who is the Group?</i>	The Group comprises the Company as parent and its wholly owned subsidiaries Novatti Pty Ltd, Flexewallet Pty Ltd, TransferBridge Pty Ltd and its 50% owned subsidiaries Novatti (Malaysia) Sdn Bhd and High Impact Corp (trading as Monisend).	Section 7.2.1
<i>What is the Novatti Platform?</i>	The Novatti Platform is a high capacity transaction processing, switching, and stored value account management system that can be integrated with a broad range of external systems including banks, ATMs, point of sale terminals, mobile phones, web portals, point of sale systems, prepaid and post-paid billing systems, and telecommunications infrastructure.	Section 7.2.3

Topic	Summary	Details
<i>What is the market for the Novatti Platform?</i>	<p>The convergence of the financial and mobile telephony sectors has created a very large and global mobile commerce and Alternative Payments market, driven by increasing financial requirements and expectations of consumers, particularly those who are Under-banked or Unbanked.</p> <p>This convergence, when combined with the affordability and penetration of mobile phones, particularly smart phones, is resulting in distribution and growth in the following segments of the global mobile commerce and Alternative Payments market in which the Group operates:</p> <ul style="list-style-type: none"> <li>• Remittances and purposeful remittances</li> <li>• Mobile money and digital wallets</li> <li>• Agency banking and alternative financial services</li> <li>• Voucher management and electronic value distribution</li> </ul> <p>This is the Group's marketplace.</p> <p>And, though the Group has many competitors, the Board and Group's management believe that no one organisation will become the dominant player in the marketplace. Rather, it will be served by many organisations and the Group, with the Novatti Platform, is well-positioned to take advantage of the opportunities within the marketplace.</p>	<p>Section 7.1</p> <p>Section 7.2.2</p>
<i>How does the Novatti Platform fit within the market?</i>	<p>The Novatti Platform can be utilised and integrated across all segments of the global market.</p> <p>The Novatti Platform can be configured to support several business applications within the above-mentioned market segments.</p>	Section 7.2
<i>What is the Group's business model?</i>	<p>The Group markets the Novatti Platform to telecommunications companies, financial institutions, and Alternative Payment system providers for enterprise or SaaS/PaaS sales.</p> <p>The Group utilises a channel market strategy for sales delivery and support with partners established as required throughout the global market. The Group has internal sales and sales support capability, including pre-sales engineering support. Channel partners identify leads (or are provided leads that have been identified by the Group's business development team) and are assisted in their sales process by an experienced Novatti Platform salesperson. Depending on the channel partner's systems integration capability, they may be provided with additional systems integration support. In some cases, the Group goes to market in a direct sales model but local systems integration is often utilised where the opportunity is located outside of Australia.</p>	Section 7.2.4

Topic	Summary	Details
	The Group has deployed the Novatti Platform into its controlled subsidiaries TransferBridge and Flexewallet (Flexepin), and its joint ventures of Monisend and Novatti (Malaysia) where the platform generates income on a transactional basis.	Section 7.2
<i>What are the Group's key assets?</i>	The Group's key asset is the Novatti Platform and associated business together with its Flexepin and TransferBridge businesses.	Section 7.2
<i>What is the Offer?</i>	<p>The Company is offering to the public 20,000,000 Shares at an issue price of \$0.20 each to raise \$4,000,000 before expenses with oversubscriptions of another \$3,000,000 through the issue of a further 15,000,000 Shares.</p> <p>The Offer is not underwritten.</p> <p>The Shares offered under the Offer will be issued at the discretion of the Directors.</p>	<p>Section 6.1</p> <p>Section 6.16</p> <p>Section 6.12</p>
<i>Why is the Offer being conducted?</i>	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> <li>• facilitate an application by the Company for admission of the Company to the Official List;</li> <li>• provide capital to further commercialise the Novatti business;</li> <li>• provide capital to develop and commercialise the Group's Flexepin and TransferBridge business units;</li> <li>• provide the Company with access to equity capital markets for future funding needs and any potential acquisitions;</li> <li>• enhance the public profile of the Company;</li> <li>• meet the costs of the Offer; and</li> <li>• provide working capital.</li> </ul>	Section 6.5

## 4.2 Key Strengths

Topic	Summary	Details
<i>Group-owned technology built and tested over more than 10 years</i>	The Group owns a suite of technology payment modules that collectively make up the Novatti Platform. The Novatti Platform has been developed, deployed and operational over a period of more than ten years with a number of large corporate clients.	Sections 7.2.1 and 7.2.3
<i>Established business</i>	Novatti is an established business that has operated for more than ten years.	Section 7.2.1



Topic	Summary	Details
<i>Reliable and growing revenues</i>	<p>Novatti generates revenue that has grown over the last two financial years and is expected by the Company to continue to grow.</p> <p>A substantial proportion of Novatti's revenues are recurring revenues generated from:</p> <ul style="list-style-type: none"> <li>contracted maintenance and support service from licensed sales of the Novatti Platform, and</li> <li>subscription revenues from SaaS sales of the Novatti Platform.</li> </ul> <p>The Group's other business units, subsidiaries and interests offer potential for additional revenue.</p>	Sections 7.2.4 and 9
<i>Deep FinTech sector knowledge, credibility and relationships</i>	<p>The Group has provided voucher management, digital wallet and other financial solutions technologies for more than ten years, during which time it has obtained a deep understanding and knowledge of industry requirements, trends and participants. The Group's successful track record deploying the Novatti Platform has earned it credibility and positive relationships with customers, systems integrators and other industry participants.</p>	Sections 7.2.1 and 7.2.3
<i>Experienced management team with FinTech sector insights</i>	<p>The Company has a highly experienced management team led by the managing director, Peter Cook, who has operated in the telecommunications and payments technology sectors for more than 20 years including serving as the Chief Executive Officer of Novatti for more than 12 years.</p> <p>The Group's key executives all have substantial experience operating in the FinTech/payments sectors: Paul Burton (Head of Strategy), Alan Munday (Group Chief Operating Officer) and Steven Stamboultgis (Chief Financial Officer).</p> <p>The senior management team and Board possess broad skills and experience including technology development and sales, electronic and online payments, strategy, mergers and acquisitions, international operations, public capital markets, business administration, finance and governance.</p>	Sections 8.1 and 8.5
<i>Developing scalable transaction-based businesses</i>	<p>The Group is developing the Flexepin and TransferBridge businesses that have business models based on delivering business-to-business transaction services that are expected to generate high volume transaction fee revenue. These businesses are readily scalable and have the potential for high operating leverage and attractive margins at volume.</p>	Sections 7.2.1 and 7.2.2
<i>The Group operates in large and growing markets</i>	<p>The Group is targeting multi-billion dollar markets that are growing substantially and present large addressable markets for the Group's products.</p>	Section 7.1



Topic	Summary	Details
<i>Licensed</i>	The Company's wholly owned subsidiary, Flexewallet, is the holder of an Australian Financial Services Licence (number 448066) which authorises dealing in non-cash payment products to retail and wholesale clients.	Section 7.2.1

### 4.3 Key risks

Prospective investors should be aware that subscribing for Shares involves a number of risks and uncertainties. The risk factors set out in Section 11 and other general risks applicable to all investments in listed securities, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. This Section summarises only some of the risks that apply to an investment in the Company and investors should refer to Section 11 or a more detailed summary of the risks.

Topic	Summary	Details
<i>Regulatory and licensing risk</i>	<p>The Group operates in a complex regulatory environment and in jurisdictions that have varying degrees of enactment and implementation of regulations.</p> <p>The financial services sector in Australia is subject to stringent and complex regulations, which are constantly evolving to meet challenges associated with new technology.</p> <p>A failure to comply with, or adjust to variations of, regulatory requirements both in Australia and overseas may result in the Group adapting or withdrawing certain products, which may adversely affect the Group and its business units.</p> <p>The Group's platforms and products 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 the Group's platforms or products in those jurisdictions or the ability of the Group or its partners to conduct business in those jurisdictions.</p>	Section 11.1 (a)
<i>Commercialisation, technology, third party service provider reliance, competition and development timeframes</i>	One of the Group's key strengths is technology advantages, however such advantages are typically short lived in the information and communications technology industry.	Section 11.1 (b)
<i>Reliance on access to and confidence in telecommunications and the internet</i>	In some instances, the Group 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	Section 11.1 (d)



Topic	Summary	Details
	financial transactions online.	
<i>Ability to run effective and reliable financial systems</i>	The Group develops, deploys, maintains and operates financial systems technology. There is little tolerance for error or downtime in such systems and the Group must maintain effective and reliable system performance for all customers.	Section 11.1 (e)
<i>Risk of theft</i>	The Group operates some financial systems for customers, for example pin based top-ups, and there is a risk of theft particularly from criminal cyber activity.	Section 11.1 (f)
<i>Reliance on key senior personnel</i>	The Group'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 the Group's operations.	Section 11.1 (i)
<i>Reliance on continual product development</i>	The Group's ability to grow the use of the Novatti Platform and generate revenue will depend in part on its ability to continue to develop the Novatti Platform.	Section 11.1 (m)
<i>Protection of the Group's intellectual property rights and infringement of third party intellectual property rights</i>	The Group has trade secrets and other intellectual property rights that are important assets. The Group 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. The Group 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 the Group 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 the Group fails to protect its intellectual property secrets, competitors may gain access to its technology, which could harm its business.	Section 11.1 (s)
<i>Competition</i>	The Group will compete with other businesses and companies. Some of these companies have greater financial and other resources than the Group and, as a result, may be in a better position to compete for future business opportunities.	Section 11.1 (w)
<i>Changes in technology</i>	The Group'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.	Section 11.1 (x)

Topic	Summary	Details
<i>Data loss, theft or corruption</i>	The Group, 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 the Group's reputation, revenues and profitability. If the Group'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 the Novatti Platform.	Section 11.1 (aa)
<i>Liquidity and realisation risk</i>	There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. With the limited free float, there may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the Shares.	Section 11.1 (dd)
<i>Additional requirements for capital</i>	The Group's capital requirements depend on numerous factors. Depending on the Group's ability to generate income from its operations, the Group may require further financing in the future.	Section 11.1 (ee)

#### 4.4 Proposed use of funds and other key terms of the Offer

Topic	Summary	Details
<i>What is the proposed use of funds raised under the Offer?</i>	The proposed use of funds raised under the Offer is to: <ul style="list-style-type: none"> <li>• further commercialise the Novatti business;</li> <li>• develop and commercialise the Company's Flexepin and TransferBridge business units;</li> <li>• pay the costs of the Offer; and</li> <li>• provide general working capital, including for corporate overhead and administration.</li> </ul>	Sections 6.5 and 6.6
<i>Will the Company be adequately funded after completion of the Offer?</i>	The Directors are satisfied that on completion of the Offer the Company will have sufficient working capital to carry out it's business objectives as set out in the row above.	Section 6.6
<i>What rights and liabilities attach to the Shares being offered?</i>	All Shares issued under the Offer will rank equally in all respects with existing Shares on issue. The rights and liabilities attaching to the Shares are described in Section 13.1	Section 13.1
<i>Is the Offer underwritten?</i>	No, the Offer is not underwritten.	Section 6.16

Topic	Summary	Details
<i>Who is the lead manager the Offer?</i>	The Company has appointed Baker Young Stockbrokers Limited as lead manager to the Offer. The Lead Manager will receive a broker handling fee of 5% (exclusive of GST) of the funds raised under the Offer, which the Lead Manager will allocate between itself, participating brokers and institutions. This fee will not be payable on any funds introduced or raised by the Company. In addition, the Company will pay the Lead Manager a lead manager's fee of 1% (exclusive of GST) on all funds raised under the Offer.	Section 6.14
<i>Are any commissions payable under the Offer?</i>	The Company may pay a commission of up to 5% (exclusive of GST) of amounts subscribed to any licensed securities dealers or Australian Financial Services Licensee in respect of valid Applications lodged and accepted by the Company. In addition, the Company may at the discretion of the Board grant up to 5 million Options to unrelated parties who have assisted in the raising of capital under the Offer, on the terms and conditions set out in Section 13.3.	Section 6.15
<i>Will the Shares issued under the Offer be listed?</i>	The Company has applied for listing of the Shares on the ASX under the ASX code NOV. Completion of the Offer is conditional on ASX approving this application.	Section 6.4
<i>What are the tax implications of investing in Shares under the Offer?</i>	The tax consequences of any investment in Shares will depend upon your particular circumstances. Prospective investors should obtain their own tax advice before deciding to invest.	Section 6.21
<i>What is the Company's dividend policy?</i>	The Company does not expect to pay dividends in the near future as its focus will primarily be on using cash reserves to grow and develop its business. Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.	Section 6.9
<i>How do I apply for Shares under the Offer?</i>	Applications for Shares under the Offer must be made by completing an Application Form and must be accompanied by a cheque in Australian dollars for the full amount of the application being \$0.20 per Share. Cheques must be made payable to "Novatti Group Limited – Share Application Account" and should be crossed "Not Negotiable".	Section 6.10

Topic	Summary	Details
<i>When will I receive confirmation that my application has been successful?</i>	It is expected that holding statements will be sent to successful Applicants by post on or about 24 December 2015.	Section 3
<i>How can I find out more about the Prospectus or the Offer?</i>	Questions relating to the Offer can be directed to the Company on +61 3 9088 0325 between 9.00am and 5.00pm (AEDT) Monday to Friday. Questions relating to the completion of an Application Form can be directed to the Share Registry, on + 61 8 9324 2099 between 9.00am and 5.00pm (WST) Monday to Friday.	Section 6.22

## 4.5 Board and Management

Topic	Summary	Details
<i>Who are the Directors of the Company?</i>	The Board comprises: Peter Pawlowitsch – Non-Executive Chairman Peter Cook – Managing Director and CEO Brandon Munro – Non-Executive Director Refer to Section 8.1 for details of the relevant experience and expertise of the Directors.	Section 8.1
<i>Who are the key management personnel?</i>	The key management personnel of the Company include: <ul style="list-style-type: none"> <li>Peter Cook – Managing Director and Chief Executive Officer</li> <li>Alan Munday – Group Chief Operating Officer</li> <li>Paul Burton – Head of Strategy</li> <li>Steven Stamboultgis – Chief Financial Officer</li> </ul> Refer to Sections 8.1 and 8.5 for details of the relevant experience and expertise of the key management personnel.	Sections 8.1 and 8.5
<i>What are the significant interests of Directors?</i>	The interests of the Directors are detailed in Section 8.2. The security holdings of Directors are set out in Section 8.3. Details of Directors' remuneration is set out in Section 8.4. Section 8.6 sets out details of related party agreements and transactions with the Company from which the Directors may benefit. These comprise: <ul style="list-style-type: none"> <li>customary executive service and consultancy agreements</li> <li>appointment letters, and</li> <li>deeds of indemnity, insurance and access.</li> </ul>	Sections 8.2, 8.3, 8.4 and 8.6

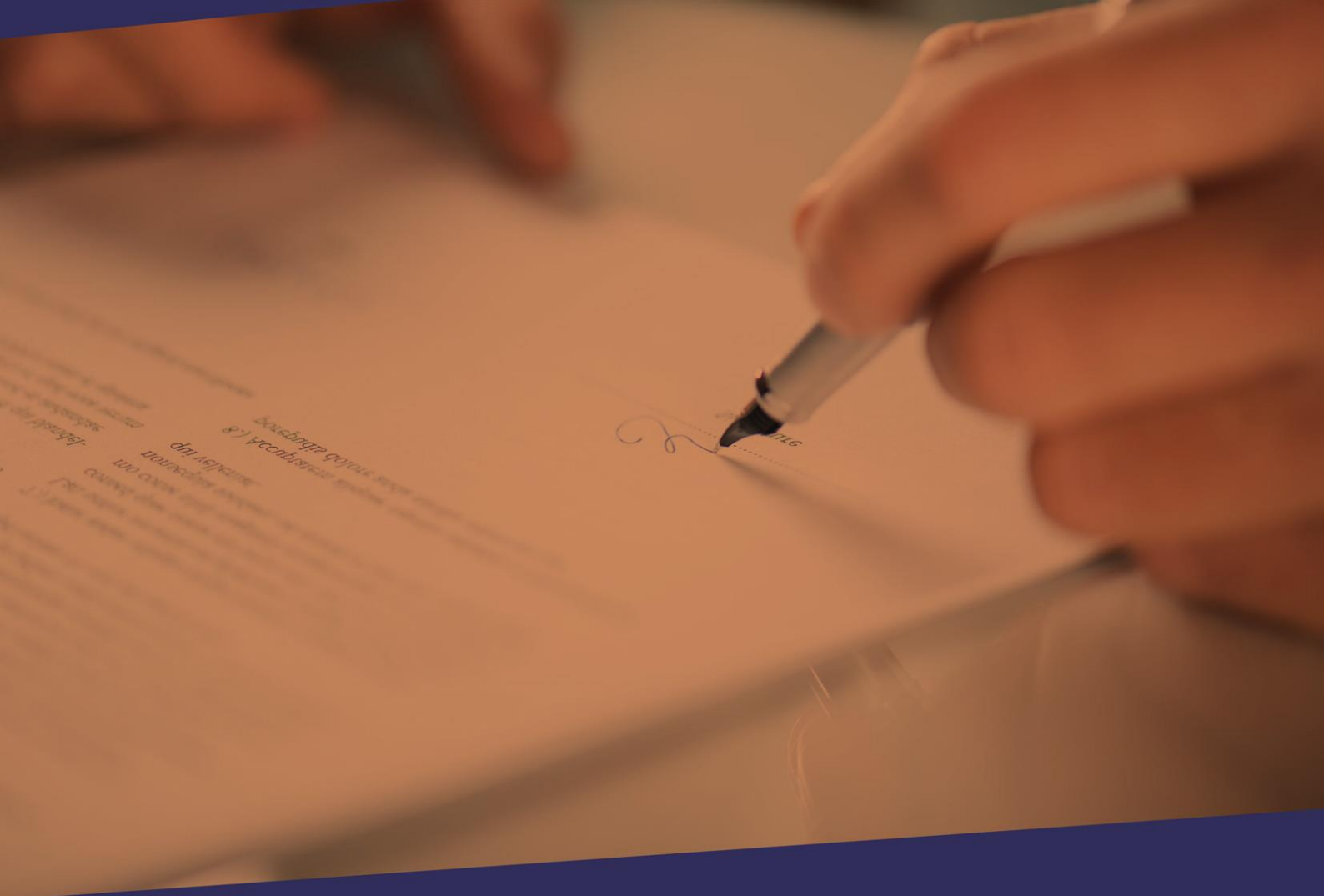


## 4.6 Miscellaneous

Topic	Summary	Details
<i>What material contracts is the Group party to?</i>	Novatti is party to a supply and installation contract with Tanzania Telecommunications Company Limited for the provision by Novatti of design, manufacture, installation and commission services for a mobile money system for TTCL, together with ongoing support and maintenance services.	Section 12.1
	Novatti is contracted with Unico Computer Systems Pty Ltd pursuant to a software and master services agreement for the provision by Novatti, to a leading Australian enterprise client of Unico, of a customised voucher management system application on a number of platforms, together with ongoing support and maintenance services, in accordance with approved statements of works.	Section 12.2
	Flexewallet also has distribution arrangements in place with epay Australia Pty Limited in the form of a supply and distribution agreement and Payment Source Inc (Canada) in the form of a source product distribution agreement.	Sections 12.3 and 12.4
<i>What is the financial position of the Company post completion of the Offer?</i>	Financial information regarding the Company is considered in Section 9 of this Prospectus and the Investigating Accountant's Report in Section 10 of this Prospectus.	Sections 9 and 10
<i>Will any Shares be subject to escrow?</i>	No Shares issued under the Offer will be subject to escrow.  A number of Shares (on issue prior to the date of this Prospectus) will be subject to escrow for up to 24 months from the date of Official Quotation. Details are contained in Section 6.8.	Section 6.8



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## 5. Chairman's Letter



## 5. Chairman's Letter

Dear Investor

On behalf of the Board, I am delighted to invite you to consider becoming a shareholder in Novatti Group Limited, an Australian-based technology company that facilitates financial transactions through its Novatti Platform.

The Group has developed the Novatti Platform and deploys mobile and Alternative Payment solutions and services to telecommunications and financial services companies globally, enabling financial inclusion of consumers who have little or no access to bank accounts. The Novatti Platform enables the electronic facilitation of end-to-end payments using mobile phones and other affordable devices to create an accessible financial ecosystem. New and more cost effective payment services are the result. Additionally, the Group has built its own transaction-based businesses, namely TransferBridge and Flexepin, and its subsidiary Flexewallet holds an Australian Financial Services Licence for non-cash payments. The capital raised under the Offer will be used primarily to continue the growth of the Novatti Business and accelerate growth in the Flexepin and TransferBridge businesses.

The Group's management team has extensive domain knowledge associated with mobile financial transactions and, together with its customers and partners, is constantly seeking new markets and innovative opportunities for the Novatti Platform. This, coupled with the deployment of the funds raised under this Prospectus, will allow the Company to continue and accelerate its commercialisation endeavours.

The Company is seeking to raise \$4,000,000 through an issue of 20,000,000 Shares at a price of \$0.20 per Share with oversubscriptions of another \$3,000,000 through the issue of a further 15,000,000 Shares. The Offer is an important next step in the evolution of the Group and the Board believes it is an integral part of our long term growth strategy. The Offer provides an opportunity for you to share in our exciting future.

The information in this Prospectus contains detailed information about the Offer and a detailed explanation of the Company's business. It also includes a description of the key risks associated with an investment in the Company, covering those risks typically found in most early stage companies including the ability to commercialise and expand its products, grow its customer base and generate revenue in response to changing technologies, customer demands and competitive pressures. I encourage you to read the Key Risks Section 4.3 and Risk Factors in Section 11.

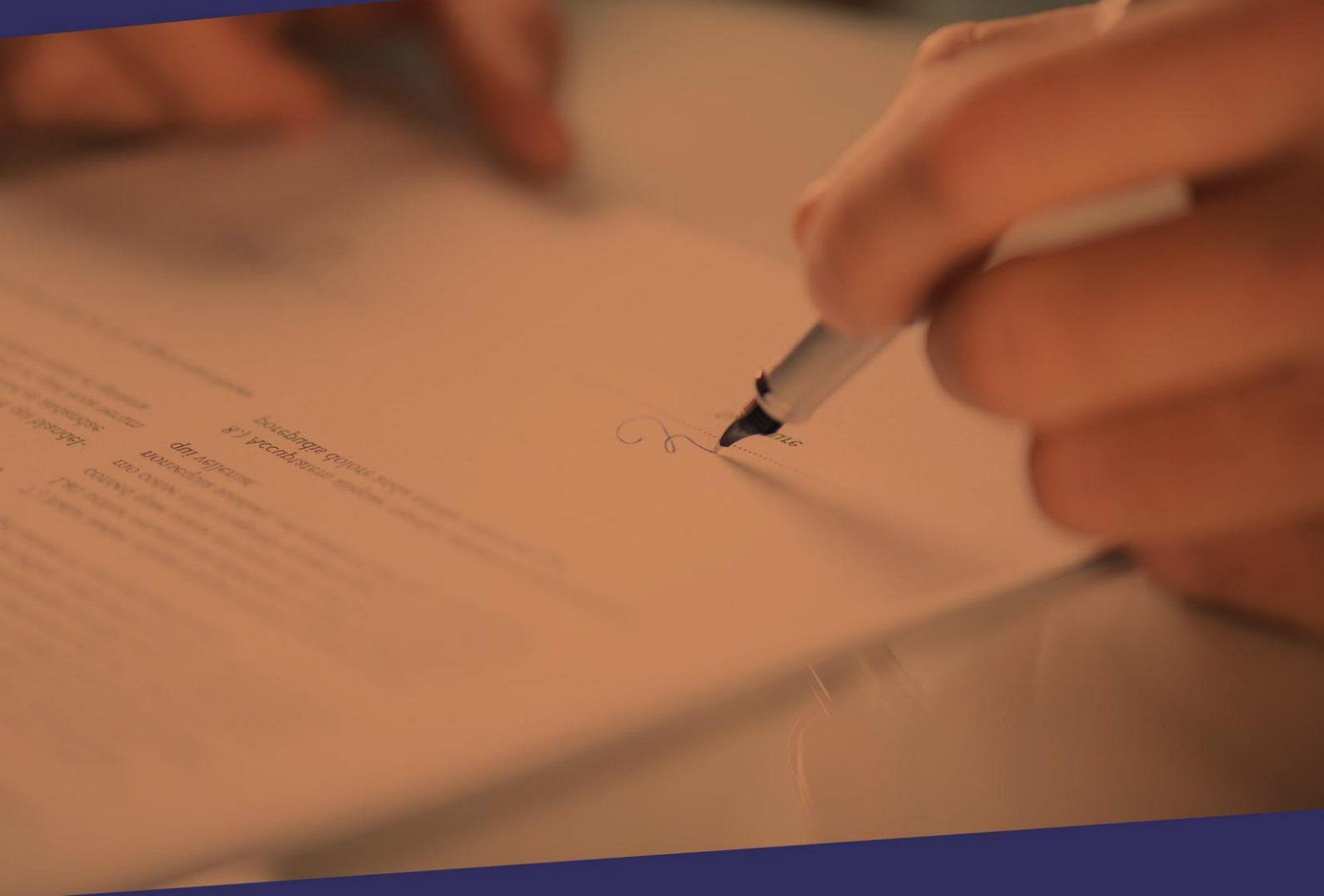
Before making your decision to invest, I ask that you carefully read this Prospectus and seek professional advice if required. Share applications must be made on the form included in the Prospectus.

On behalf of the Board, I look forward to welcoming you as a Shareholder.

Yours faithfully



Peter Pawlowitsch  
Non-Executive Chairman



## 6. Details of the Offer



## 6. Details of the Offer

### 6.1 The Offer

By this Prospectus, the Company offers 20,000,000 Shares at an issue price of \$0.20 per Share to raise funds of \$4,000,000 (before costs of the Offer), with the right to accept oversubscriptions of 15,000,000 Shares also at an issue price of \$0.20 per Share to raise a further \$3,000,000, for a total raising of up to \$7,000,000 (before costs).

The Shares under the Offer will be issued at the discretion of the Directors.

All Shares issued pursuant to this Prospectus will rank equally with the existing Shares on issue. The rights and liabilities attaching to the Shares are further described in Section 13.1.

Applications for Shares must be made on the Application Form as provided with a copy of this Prospectus and received by the Company on or before the Closing Date. Persons wishing to apply for Shares should refer to Section 6.10 for further details and instructions.

### 6.2 Conditions of Offer

The Offer is conditional upon the following events occurring:

- (a) the Company raising the Minimum Subscription amount under the Offer (being the amount of \$4,000,000) (refer to Section 6.3); and
- (b) ASX granting conditional approval for the Company to be admitted to the Official List (refer to Section 6.4),

(together the **Conditions of the Offer**).

If the Conditions of the Offer are not achieved, then the Company will not proceed with the Offer and will repay all Application Monies received (without interest) in accordance with the Corporations Act.

### 6.3 Minimum Subscription

The minimum level of subscription for the Offer is \$4,000,000, being 20,000,000 Shares (**Minimum Subscription**). No Shares will be issued until the Minimum Subscription has been received. If the Minimum Subscription is not received within four months after the date of this Prospectus (or such period as varied by ASIC), the Company will not issue any Shares under this Prospectus and will repay all Application Monies received (without interest) in accordance with the Corporations Act.

### 6.4 ASX Listing

The Company has applied to ASX for admission to the Official List and for Official Quotation of the Shares, other than those existing Shares that the ASX is likely to treat as “restricted securities” (as that term is defined in the ASX Listing Rules). For information on the Shares which are likely to be treated as restricted securities, please refer to Section 6.8.

If the Shares are not admitted to Official Quotation by ASX before the expiration of three months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.



## 6.5 Purpose of the Offer

The purpose of the Offer is to:

- (a) facilitate an application by the Company for admission of the Company to the Official List;
- (b) provide capital to further commercialise the Novatti business;
- (c) provide capital to develop and commercialise the Group's Flexepin and TransferBridge business units;
- (d) provide the Company with access to equity capital markets for future funding needs and any potential acquisitions;
- (e) enhance the public profile of the Company;
- (f) meet the costs of the Offer; and
- (g) provide working capital.

## 6.6 Use of Funds

The table below sets out the Company's use of funds from the cash position of the Company detailed in the pro-forma consolidated statement of financial position in the Investigating Accountant's Report (see Section 10) on a Minimum Subscription and a Full Over-Subscription basis for a 12 month period (following completion of the Offer):

Use of funds	Minimum Subscription (\$)	Full Over-Subscription (\$)
Growth, sales and marketing activities for the Novatti, Flexepin and TransferBridge business units	3,640,212	4,309,792
Corporate Administration	745,063	745,063
Costs of the Offer	498,102	699,402
Working capital which may be applied to further growth, sales and marketing activities, potential acquisition and general working capital	515,033	2,644,153
<b>Total</b>	<b>5,398,410</b>	<b>8,398,410</b>

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions, and the Group taking advantage of strategic acquisition opportunities. In light of this, the Board reserves the right to alter the way the funds are applied.

The Board is satisfied that upon completion of the Offer the Company will have sufficient working capital to meet its stated objectives as set out in the table above and to meet its objectives upon completion of the Offer.

The use of debt or further equity funding will be considered by the Board where it is appropriate to expand sales and marketing efforts, accelerate a specific product development or capitalise on further opportunities.

Whilst the Group's management anticipates that the Group will be self-funding through its own operational cash flow at the end of the 12 month period referred to above, in the event this is not the case the Company may require additional capital beyond this point, which will likely involve the use of debt or further equity funding.

## 6.7 Capital Structure

The proposed pro forma capital structure of the Company following completion of the Offer on the basis of the Company raising both the Minimum Subscription Amount and the full amount of over-subscriptions under the Offer is as follows:

Shares	Amount
Shares on issue before completion of the Offer	52,883,826 Ordinary Shares 20,000,000 Performance Shares
Shares offered under the Offer (Minimum Subscription)	20,000,000
Total Shares on issue on completion of the Offer (Minimum Subscription)	72,883,826 Ordinary Shares 20,000,000 Performance Shares
Shares offered under the Offer (Full Over-Subscription)	35,000,000
Total Shares on issue on completion of the Offer (Full Over-Subscription)	87,883,826 Ordinary Shares 20,000,000 Performance Shares

The number of Shares to be issued under the Offer will represent the following proportions of the total number of Shares on issue following completion of the Offer:

	% Total Shares (not including Performance Shares)	% Total Shares (including Performance Shares)
Minimum Subscription	27.4%	21.5%
Full Over-Subscription	39.8%	32.4%

The number of Options on issue and reserved for issue as at the date of this Prospectus is as follows:

Options	Amount
Options on issue (and vested) to Directors and Management at the date of this Prospectus	13,750,000
Options on issue (but not yet vested) to Management	3,450,000
Options reserved for issue by the Company to unrelated parties who have assisted in the raising of capital under the Offer (see Section 6.15), up to	5,000,000
Total Options on issue (when fully vested)	22,200,000

Refer to Sections 13.1, 13.2 and 13.3 for the rights and obligations attaching to the Shares, Performance Shares and Options (including details regarding the vesting of the unvested Options).

The Company has adopted an employee share plan and an employee share option plan and is planning to implement these plans post admission to the Official List. Sections 13.5 and 13.6





contain a summary of the terms and conditions of the plans. Under the plans, the Company may issue that number of Shares and Options that, when aggregated with issues of Shares and Options under the plans (and any other incentive schemes) in the five year period before such issue, does not exceed 5% of the total number of Shares on issue at the relevant time. As at the date of this Prospectus, no decision has been made as to the number of securities to be issued under the plans.

## 6.8 Restricted Shares

Chapter 9 of the Listing Rules prohibits holders of restricted securities from disposing of those securities or an interest in those securities or agreeing to dispose of those securities or an interest in those securities for the relevant restriction periods. The holder is also prohibited from granting a security interest over those securities.

Subject to the Company being admitted to the Official List, certain Shares on issue prior to the Offer may be classified by ASX as restricted securities and may be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

It is anticipated that 41,250,000 Shares may be escrowed as follows:

- (a) 8,226,030 Shares for 24 months from the date of Official Quotation (primarily held by Directors and Promoters); and
- (b) 33,023,970 Shares for 12 months from the date of issue of those Shares (primarily held by early-stage and seed investors).

Shares issued on conversion of the 3,488,016 Performance Shares held by Directors (if any) and on exercise of the 7,000,000 Options issued to the Directors and up to 5 million Options that may be issued to unrelated parties who have assisted in the raising of capital under the Offer (see Section 6.15) will be subject to ASX escrow for 24 months from the date of Official Quotation. Refer to Section 8.3 for the numbers of Performance Shares and Options held by each Director and to Sections 13.2 and 13.3 for the terms and conditions of the Performance Shares and Options, respectively.

None of the Shares issued under the Offer are expected to be restricted securities.

## 6.9 Dividend Policy

The Company does not expect to declare any dividends in the near future as its focus will primarily be on using cash reserves to grow and develop its business.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances can be given by the Company in relation to the payment of dividends or that franking credits may attach to any dividends.

## 6.10 Applications

Applications for Shares under the Offer must be made using the application form accompanying this Prospectus.

The Application Form must be completed in accordance with the instructions set out on the back of the form. Payment for the Shares must be made in full at the issue price of \$0.20 per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

The Company reserves the right to close the Offer early.

Completed Application Forms and accompanying cheques, made payable to "**Novatti Group Limited – Share Application Account**" and crossed "Not Negotiable", must be received by the Share Registry before 5.00pm (WST) on the Closing Date at either of the following addresses:

**Mailed to:**

Automatic Registry Services  
PO Box 223  
West Perth WA 6872

**Delivered to:**

Automatic Registry Services  
Suite 1A, Level 1, 7 Ventnor Avenue  
West Perth WA 6005

Applicants are urged to lodge their Application Forms as soon as possible as the Offer may close early without notice.

An original, completed and lodged Application Form for Shares together with a cheque for the Application Monies or a payment to the bank account advised by the Company, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque or direct transfer for the Application Monies.

## **6.11 Application Monies to be held on Trust**

Until the Shares are issued under this Prospectus, the Application Monies for Shares will be held by the Company on trust on behalf of Applicants in a separate bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus. If the Shares to be issued under this Prospectus are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

## **6.12 Allocation of Shares**

The Directors will determine the recipients of the Shares under the Offer in consultation with the Lead Manager. The Directors (in conjunction with the Lead Manager) reserve the right to reject any application or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded by cheque to the Applicant (without interest).

Subject to ASX granting approval for quotation of the Shares, the issue of Shares will occur as soon as practicable after the Offer closes. Holding statements will be dispatched as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares.

Applicants who sell the Shares before they receive their holding statement will do so at their own risk.

## **6.13 Applicants outside Australia**

This Prospectus does not, and is not intended to, constitute an offer in any place in which, or to any person to whom it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice



on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register this Prospectus or qualify the Shares or otherwise permit a public offering of the Shares, the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

## 6.14 Lead Manager

The Company has appointed Baker Young Stockbrokers Limited as lead manager to the Offer.

The Lead Manager will receive a broker handling fee of 5% (exclusive of GST) of the funds raised under the Offer, which the Lead Manager will allocate between itself, participating brokers and institutions. This fee will not be payable on any funds introduced or raised by the Company.

In addition, the Company will pay the Lead Manager a lead manager's fee of 1% (exclusive of GST) on all funds raised under the Offer.

A summary of the agreement with the Lead Manager is set out in Section 12.5.

## 6.15 Commissions on Application Forms

The Company reserves the right to pay a commission of up to 5% (exclusive of GST) of amounts subscribed to any licensed securities dealers or Australian Financial Services Licensee in respect of valid Applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian Financial Services Licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services Licensee.

In addition, the Company may at the discretion of the Board grant up to 5 million Options to unrelated parties who have assisted in the raising of capital under the Offer, on the terms and conditions set out in Section 13.3.

## 6.16 Underwriter

The Offer is not underwritten.

## 6.17 CHESS and Issuer Sponsorship

The Company will apply to participate in Clearing House Electronic Subregister System (CHESS), for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

All trading on the ASX in the Shares will be settled through CHESS. ASX Settlement Pty Ltd (ASXS), a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the Share Registry will operate an electronic issuer sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of securities.

Under CHESS, the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their holder identification number or security holder reference number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship. Ownership of securities can be transferred without having to rely upon paper documentation.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their security holdings changes. Shareholders may request a statement at any other time, however a charge may be made for additional statements.

## 6.18 Risks

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 11 of this Prospectus. The Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

## 6.19 Forecast Financial Information

Given the nature of the Group's business and the fact the Flexepin and TransferBridge are in early stages of development, there are significant uncertainties associated with forecasting future revenues and expenses of the Group. In light of uncertainty as to timing and outcome of the Group's growth strategies and the general nature of the industry in which the Group will operate, as well as uncertain macro market and economic conditions in the Group's markets, the Group's performance in any future period cannot be reliably estimated. On this basis and after considering ASIC Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Group cannot be prepared and accordingly have not included financial forecasts in this Prospectus.

## 6.20 Privacy Statement

If you complete an Application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that the Company holds about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

## 6.21 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offer, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above.



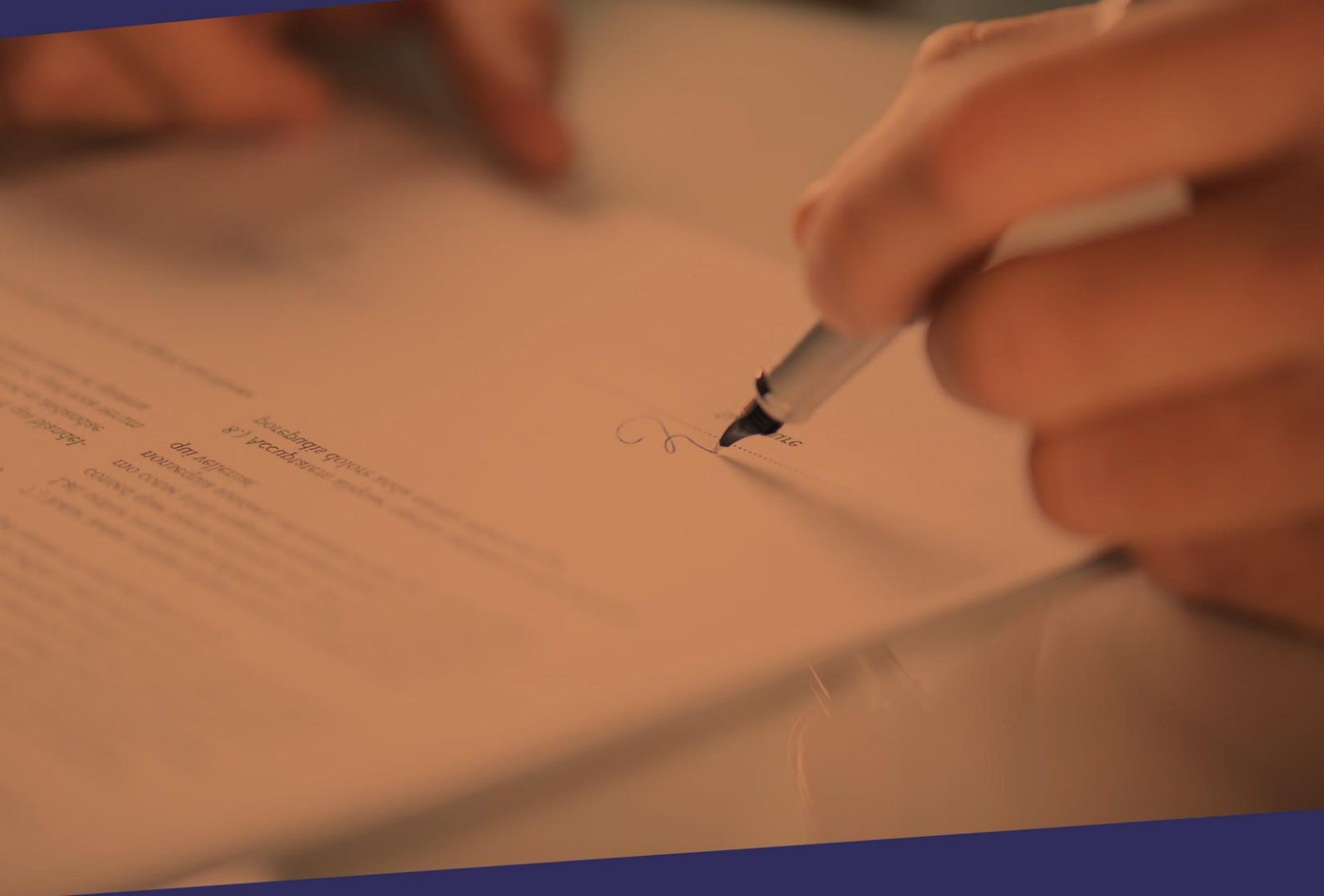
## 6.22 Enquiries

This is an important document and should be read in its entirety. Investors should consult with their professional advisers before deciding whether to apply for Shares under this Prospectus. Any investment in the Company under this Prospectus should be considered highly speculative.

Questions relating to the Offer can be directed to the Company on +61 3 9088 0325 between 9.00am and 5.00pm (AEDT) Monday to Friday.

Questions relating to the completion of an Application Form can be directed to the Share Registry on + 61 8 9324 2099 between 9.00am and 5.00pm (WST) Monday to Friday.

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## 7. Industry and Business Overview





## 7. Industry and Business Overview

### 7.1 Industry and Market Sector

#### 7.1.1 The Convergence of Telecommunications and Finance

The Group addresses four market segments, as explained in Section 7.1.2, within the mobile commerce the mobile and Alternative Payments market that results from the convergence of the financial sector and the mobile telephony sector as illustrated in Figure 1 below. This global market has been created as a result of increasing financial requirements and expectations of consumers, particularly Under-banked or Unbanked consumers, being facilitated by the increasing capability of consumers to communicate and financially transact using mobile phones.



Figure 1 Convergence of the financial sector and the mobile telephony sectors

In 2014, there were approximately 2.5 billion adults (i.e. 46.3% of the world's adult population) who did not have a formal account at a financial institution, mostly in developing economies as shown below in Figure 2.

The mobile communications ecosystem is a major driver of economic progress and welfare globally. The global mobile commerce and Alternative Payments industry accounted for transactions totalling 3.8% of global GDP in 2014, valued at over US\$3 trillion. From now until 2020, mobile commerce is anticipated to grow at a faster rate than the rest of the global economy, increasing its transaction value to an expected 4.2% of global GDP.<sup>1</sup>

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<sup>1</sup> GSMA 2015, The Mobile Economy, page 9

## Account penetration around the world

Adults with an account (%), 2014

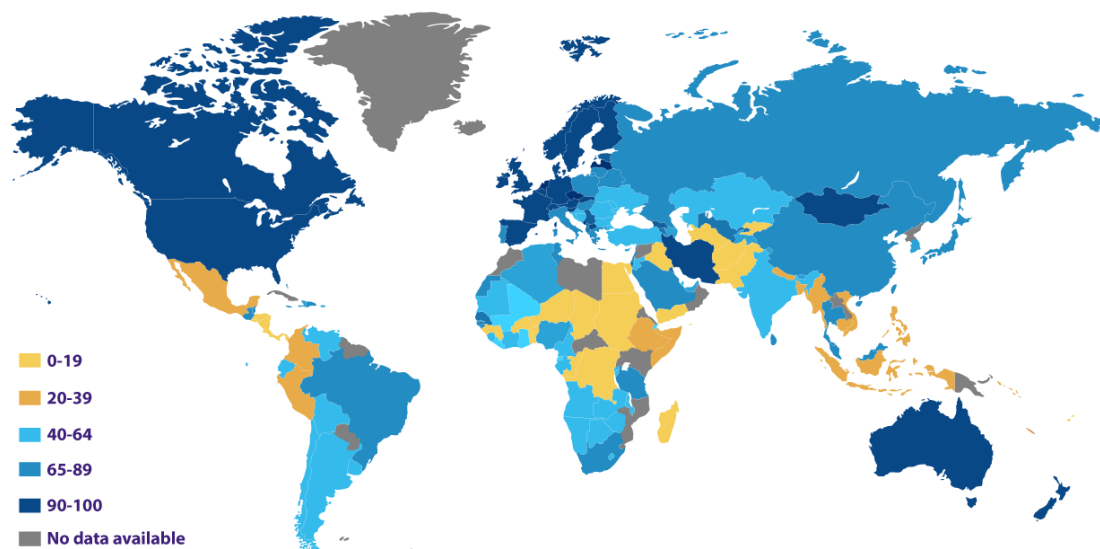


Figure 2 Global financial institution account penetration

Figure 3 shows the anticipated growth in mobile commerce to 2020.<sup>2</sup> The Company believes this growth will fuel demand for mobile money solutions which the Group sells.

## Worldwide consumer mobile payments, 2014–2020

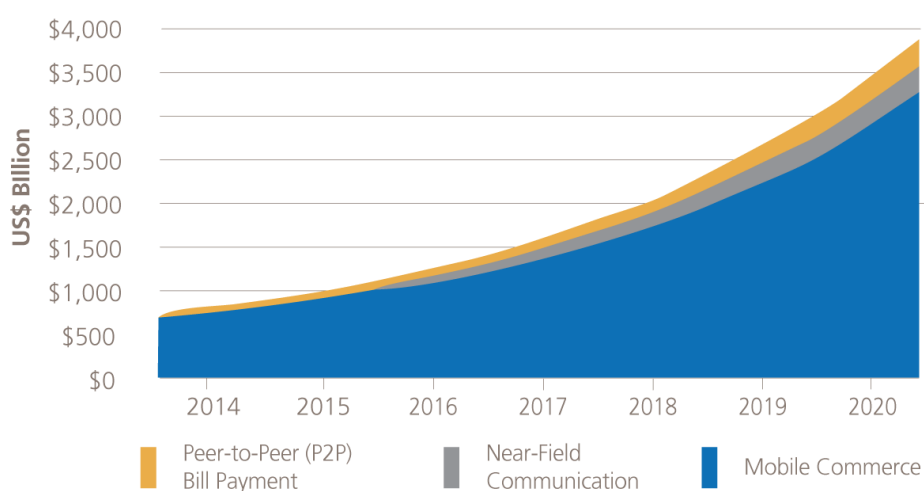


Figure 3 Worldwide consumer mobile payments 2014-2020

Many developing nations have bypassed the wire-line telephony paradigm and moved directly into wireless telephony, enabling wireless internet to become highly available in these areas. These countries are often referred to as mobile-first markets.

<sup>2</sup> IDC Financial Insights 2015, Business Strategy: Worldwide Consumer Mobile Payments Forecast, 2015-2020, page 6 (graphical image derived from table)

For example, by June 2014, there were 329 million subscribers in Sub-Saharan Africa. Ten countries within Sub-Saharan Africa (Benin, Botswana, Gabon, Ghana, Lesotho, Mali, Mauritius, Namibia, Seychelles and South Africa) have more mobile phones than people.

The diagram from the GSMA in Figure 4 shows the projected growth in mobile connectivity to the end of the decade.<sup>3</sup>

### Global mobile connections (million, excluding M2M)

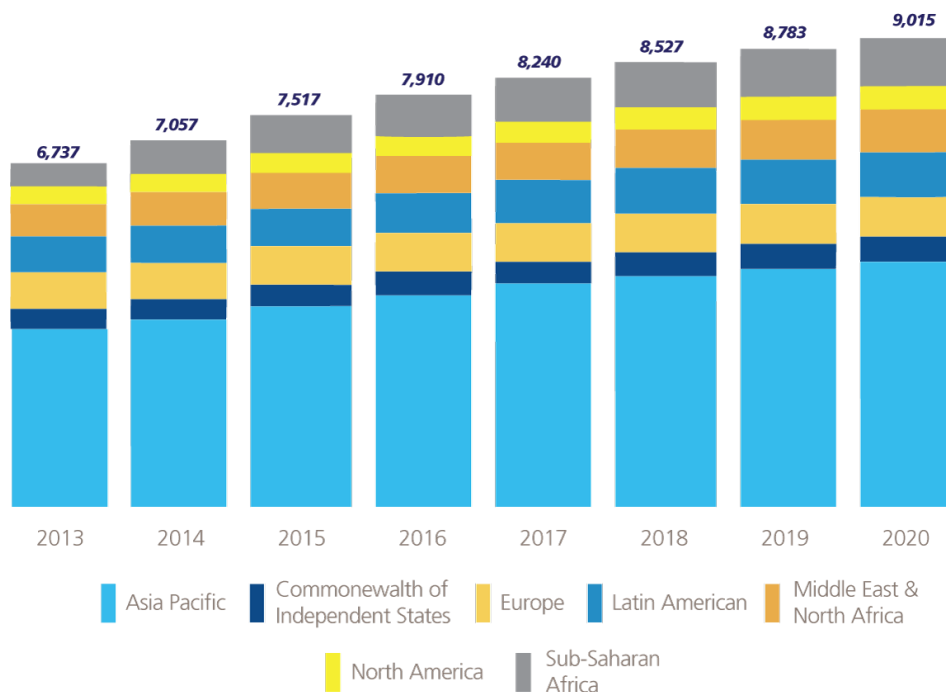


Figure 4 Historic and predicted growth in mobile connectivity to the end of the decade

The growth of mobile phone ownership has equipped consumers with the device required for participating in the global mobile and Alternative Payments market. In 2014, there were over 3.6 billion mobile subscribers, with an additional one billion subscribers predicted by 2020.<sup>4</sup> Mobile broadband connections are also expected to be active on 70% of all mobile phones by 2020.<sup>5</sup>

While older feature phones participate in the new Alternative Payments market by Short Message Service (SMS) and Unstructured Supplementary Service Data (USSD), the increased capability in smartphones is rapidly accelerating market activities. A substantial number of phones available in the market are now smartphones capable of increasingly more sophisticated processing, enabling simple and cost-effective financial applications for the consumer. It is predicted that the developing world will lead most of the growth in global smartphone adoption, reaching 65% by the end of the decade as illustrated in Figure 5, providing more people who may use the Group's products and services.<sup>6</sup>

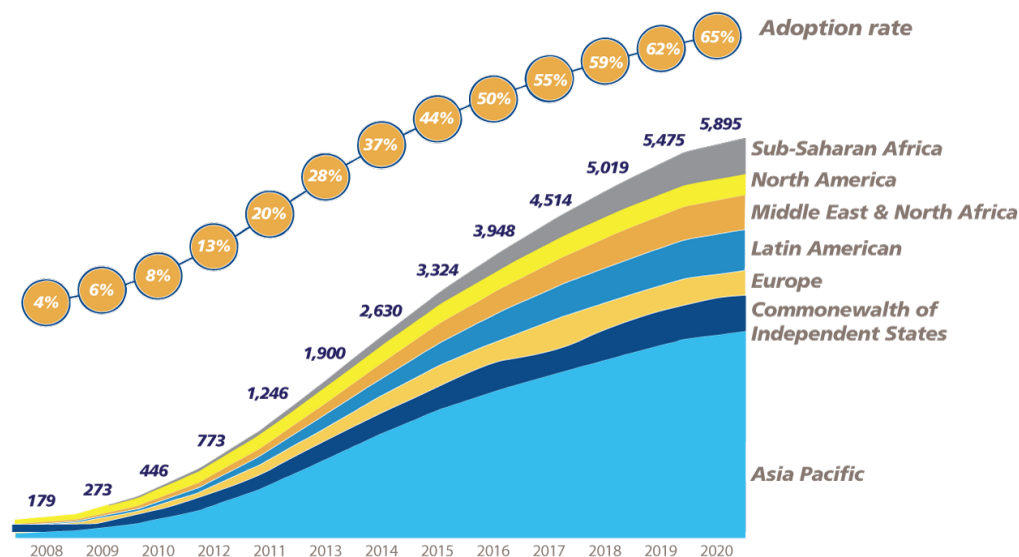
<sup>3</sup> GSMA 2015, The Mobile Economy, page 13

<sup>4</sup> GSMA 2015, The Mobile Economy, page 2

<sup>5</sup> GSMA 2015, The Mobile Economy, page 2

<sup>6</sup> GSMA 2015, The Mobile Economy, page 9

## Smartphone connections (millions) and adoption



### 7.1.2 Market Segments in which the Group Operates

Figure 5 Historic and predicted smartphone connections and adoptions to the end of the decade

There are four broad market segments within the global mobile commerce and Alternative Payments market that the Group operates in, namely:

- Remittances and purposeful remittances.
- Mobile money and digital wallets.
- Agency banking and alternative financial services.
- Voucher management and electronic value distribution.

#### (a) Remittances and Purposeful Remittances

In 2013 there were 247 million people living outside their home country, and this is estimated to surpass 250 million in 2015.<sup>7</sup> These people are classified as 'official' immigrants so this number does not include unaccounted for immigration. Remittances to developing countries are predicted to grow by 2% in 2015, rising to about 4% in 2016 and 2017.<sup>8</sup> In 2014 the total remittance value to developing nations was US\$427 billion, which is predicted to rise to US\$471 billion in 2017.<sup>9</sup>

<sup>7</sup> The World Bank 2015, Migration and Development Brief 24, page 3

<sup>8</sup> The World Bank 2015, Migration and Development Brief 25, page 1

<sup>9</sup> The World Bank 2015, Migration and Development Brief 25, page 4

Figure 6 below was created from World Bank data and shows historic and predicted growth rates of remittances in developing countries since 2012.<sup>10</sup>

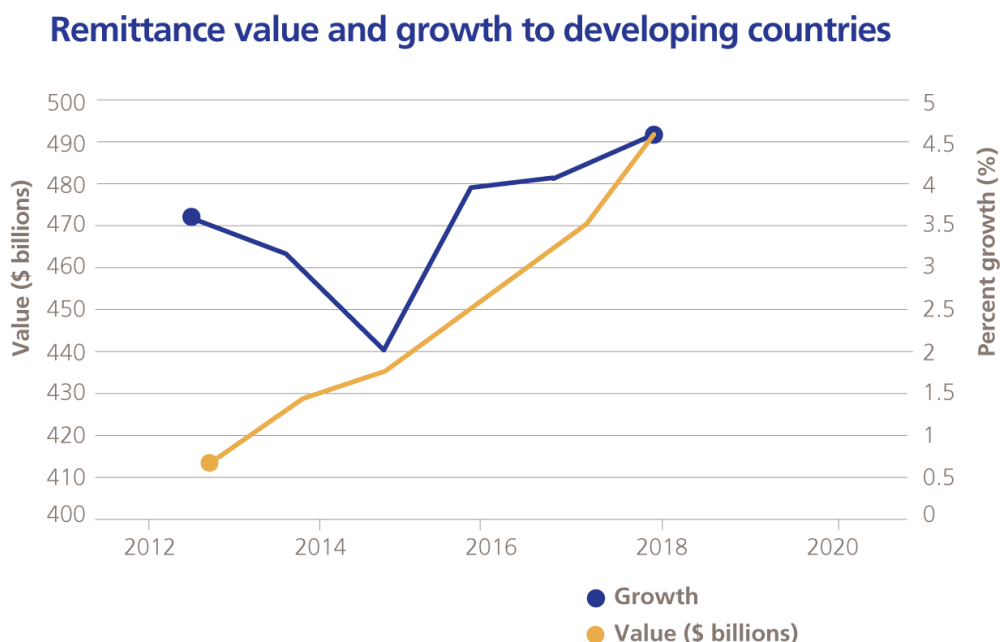


Figure 6 Historic and predicted growth rates of remittances in developing countries

The remittance sector has existed for many years primarily through the deposit of cash by a remitter at one physical location and a corresponding withdrawal of cash (less fees and exchange rate margins) by the beneficiary at another physical location. However, advances in technology have enabled new forms of remittances including through using mobile phones for both the remitter and beneficiary.

Mobile remittance offers a speedy, cost effective and convenient channel for people to send money home regularly to friends and family, who themselves may not have bank accounts.

Purposeful remittances are small value remittances for a specific purpose such as school fees, mobile top-ups or utility bill payments, where the remitter can ensure the money being sent is used in a purposeful manner by the end beneficiary. The first step towards the creation of a purposeful remittance service is the purchasing of mobile airtime. A number of developing countries have adopted extensive prepaid energy and utility services, and this is a major growth area for purposeful remittances. Government agencies or aid organisations are known to have adopted the same services to provide purposeful vouchers (for example, to purchase food or medication) for those in need.

#### (b) Mobile Money & Digital Wallets

Mobile money is a financial sector that exists because mobile phones are capable of storing value through a digital wallet that performs many of the basic functions of a bank account. In particular, a mobile money platform enables a mobile customer to receive, store and transfer money (or other forms of value such as calling credit) through the digital wallet operated from their mobile phone.

Mobile money is primarily targeted at Unbanked consumers in developing nations. Mobile money promotes financial inclusion by enabling people to make mobile payments and

<sup>10</sup> The World Bank 2015, Migration and Development Brief 25, page 4 (graphical image derived from table)

providing access to basic banking tools to assist in financial literacy, product availability and risk management.

Financial services provided via mobile devices are affordable, sustainable and generally more convenient, potentially bringing more people, and therefore more money, into the formal financial system.

The number of registered mobile money accounts in emerging markets is predicted to grow from 323 million in 2011, at a CAGR of 25%, to reach 1.2 billion in 2017.<sup>11</sup> For example, Kenya is considered one of the leaders in mobile money users with over 12.5 million active users in March 2014.

The total value of mobile money transactions in emerging markets reached US\$50 billion in 2012 and with a projected CAGR of 44%. This is expected to reach US\$395 billion in 2017.<sup>12</sup> Telecommunications companies are ideally placed to deliver mobile money solutions in emerging markets. Whereas there are roughly 800 mobile network operators across 220 countries worldwide that are registered as full members of GSMA, as at December 2014 mobile money services were available through only 255 such operators across 89 countries. These services offer a variety of products and solutions to their respective markets.

Figure 7 below shows the significant increase in mobile money services across all regions in recent years.

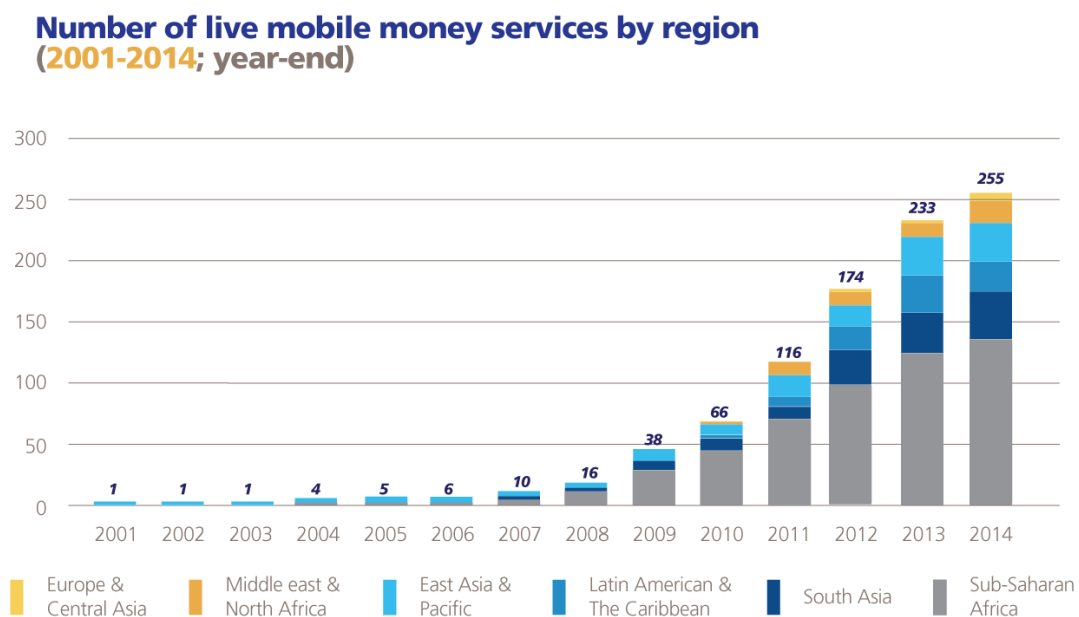


Figure 7 Number of live money mobile money services by region

Of all regions, Sub-Saharan Africa records the highest level of mobile money penetration. By December 2014, 23% of mobile connections in Sub-Saharan Africa were linked with a mobile money account.

<sup>11</sup> Berg Insight 2011, Summary, Mobile Money in Emerging Markets, page 2

<sup>12</sup> Berg Insight 2011, Summary, Mobile Money in Emerging Markets, page 2

### (c) Agency Banking and Alternative Financial Services

In rural and poorer areas of many developing nations the majority of people do not have access to banking and financial services. The reasons for this large Unbanked population are illustrated below in Figure 8.

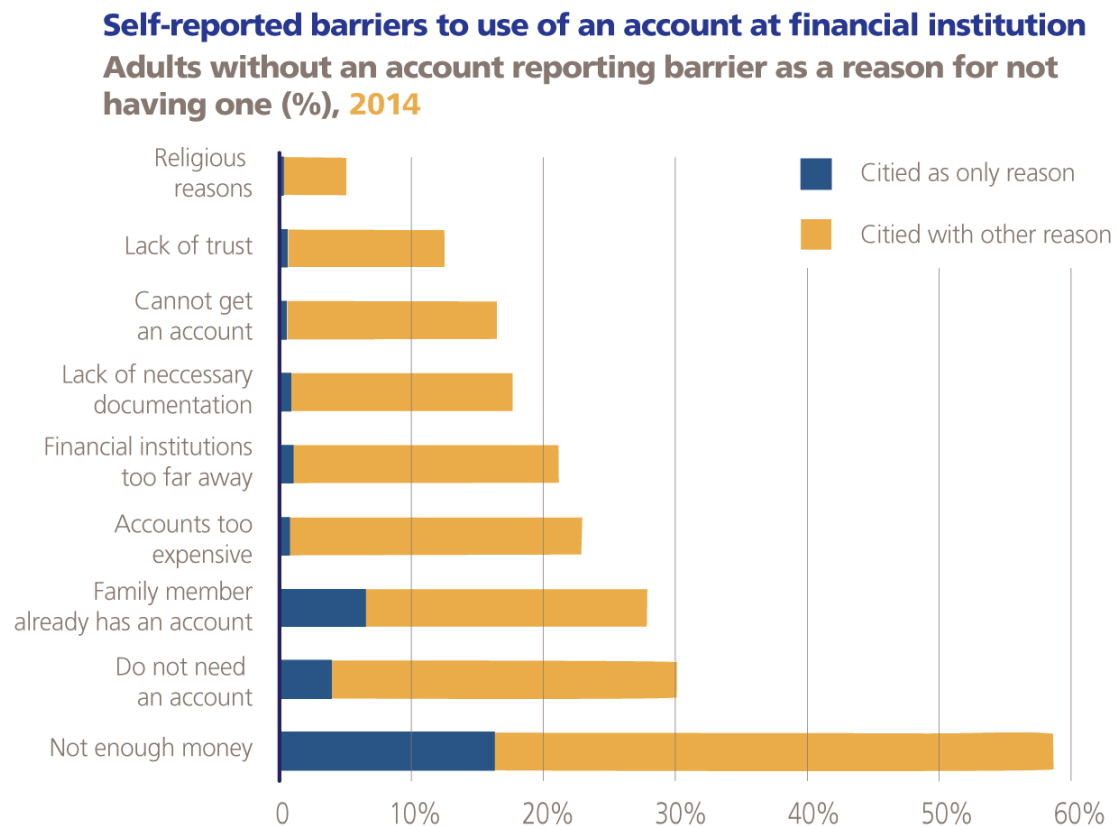


Figure 8 Barriers to use of a financial institution account

These reasons, combined with a lack of financial education and understanding, create significant barriers to banking for many people. Mobile operators have addressed some of these issues through mobile money deployments at the expense of traditional banks, although they do not provide the same level of financial services as banks.

Traditional banks, on the other hand, offer a full range of financial services that allow for savings, payments, investment and credit options. An opportunity exists to provide these services to the Unbanked in a way that is easy and convenient in the form of mobile money.

Agency or branchless banking services enable an individual to access banking and financial services through an agent who has a partnership with a bank. This agent has generally been provided with technology to provide banking services through their point of sale system or mobile phone.

### (d) Voucher Management and Electronic Value Distribution

Prepaid vouchers are an Alternative Payment method in both developing and developed nations. They are a method of converting cash to a digital payment alternative. Vouchers can be used for a multitude of payment purposes such as prepaid account top-up, secure online payment for goods and services, remittances, education, utility bill payment, and government

assistance. The value traded in gift cards alone during 2015 is expected to be over US\$138 billion, which is a 15% increase from 2012.<sup>13</sup>

Printed vouchers are very tangible, act as a receipt, and can be stored or forwarded to others. When the consumer receives a voucher, they feel that they have received something for their payment. There is a shift from paper to virtual and mobile vouchers that can be redeemed at multiple merchants and retrieved instantly, with the global redemption value of mobile coupons projected to reach US\$43 billion by 2016 as shown in Figure 9 below.<sup>14</sup>

## Projected growth in global mobile coupons by 2016

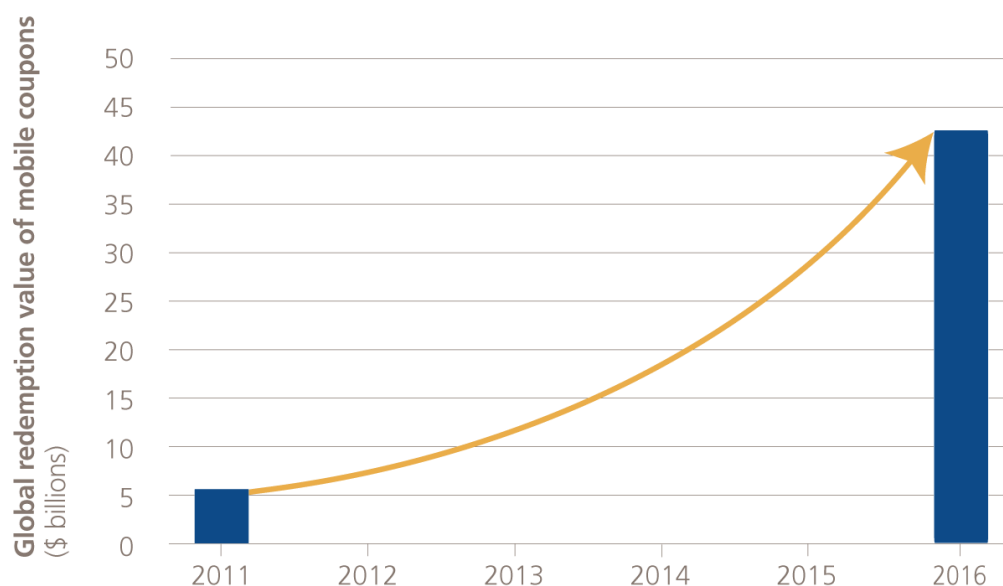


Figure 9 Projected growth in global mobile coupons by 2016

## 7.2 Group and Business Overview

### 7.2.1 Background

The Company was incorporated on 19 June 2015 to acquire Novatti and its controlled subsidiaries and raise equity through listing on the ASX to fund additional marketing of the Novatti Platform and the development of the Company's financial transaction businesses which utilise the Novatti Platform. The Novatti Group structure is set out in Figure 10 below.

Novatti was incorporated in May 2002 as Ezipin International Pty Ltd, later changing name to Total Tel International Pty Ltd in May 2007. From incorporation until October 2012 Novatti provided technology solutions in mobile phone pre-paid billings, point of sale based recharge (prepaid top-up) and voucher distribution systems. In October 2012, Novatti re-structured with the purpose of utilising the strength of its existing intellectual property as the foundation to significantly develop the Novatti Platform and to take advantage of the changes occurring in

<sup>13</sup> Card Hub Statistics 2014, Gift Card Market Size, [www.cardhub.com/edu/gift-card-market-size](http://www.cardhub.com/edu/gift-card-market-size)

<sup>14</sup> Pepperwood's Johnson & Seamen 2013, International Market presentation, page 38 – (Based on [www.retailcustomerexperience.com/article/186491/Juniper-Research-predicts-43B-mobile-coupon-market-by-2016](http://www.retailcustomerexperience.com/article/186491/Juniper-Research-predicts-43B-mobile-coupon-market-by-2016))



digital payments with the widespread adoption of mobile and Cloud based services, focusing on Alternative Payments. As part of this process the business was re-branded as Novatti and the company name was changed to “Novatti Pty Ltd”.

The Group has developed the Novatti Platform to deploy mobile and Alternative Payment platforms and services to service providers globally, providing a product to enable financial inclusion of consumers who have little or no access to bank accounts. The Novatti Platform enables the electronic facilitation of end-to-end payments using mobile phones and other affordable devices to create an accessible financial ecosystem. The parties involved in the ecosystem need to adopt new technologies that cost-effectively enable payment transactions.

The Group is both a financial technology (FinTech) vendor and an operator of financial transaction businesses, either through wholly owned brands or joint venture companies. A brief description of each is below and shown in Figure 10 below.

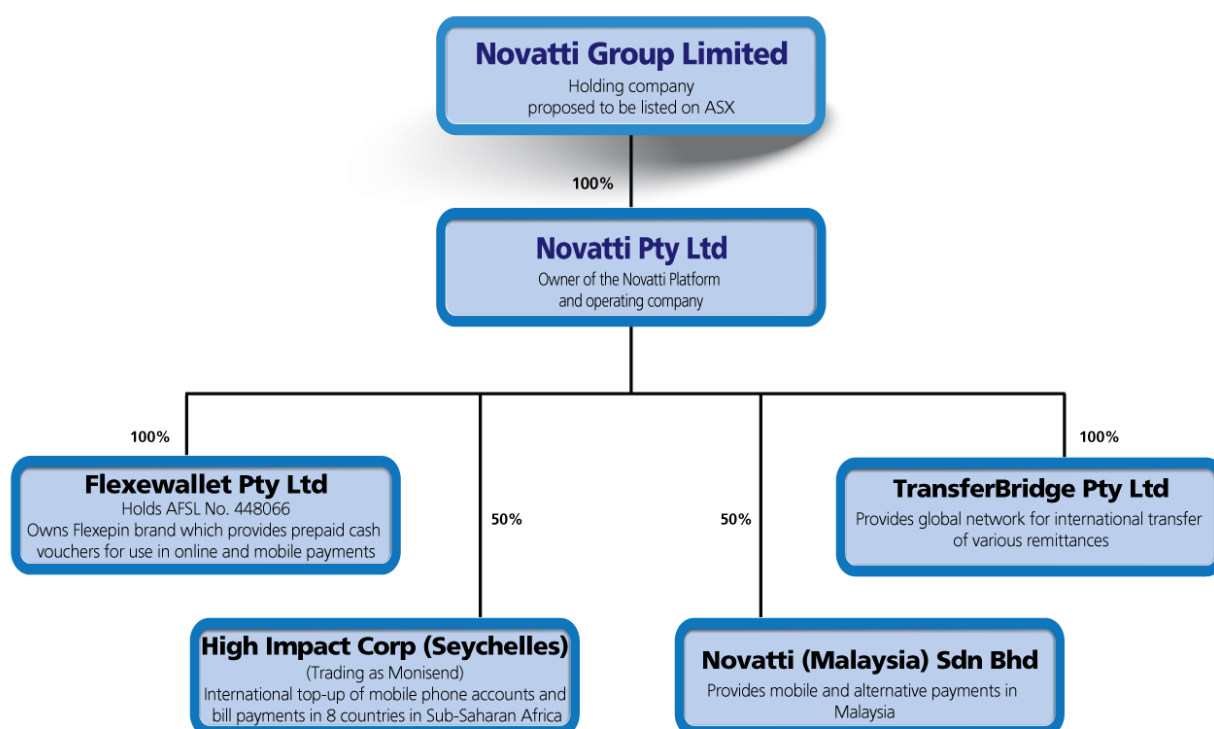


Figure 10 Group structure chart

#### (a) Novatti

Novatti develops, deploys and supports specialised mobile and Alternative Payment technology, primarily through the deployment of the Novatti Platform. Novatti maintains domain specialisation in mobile payments, electronic vouchers, mobile money and digital wallets. The experience and subject matter expertise, developed over many years, leads the roadmap research and development that results in innovative financial technology products. Novatti provides real-time financial services applications for use by telecommunications companies, financial institutions and alternative financial service providers around the globe.

In addition to supply and installation requirements, the majority of customers require ongoing maintenance and support, providing continuous revenue for typically five to ten years after the initial implementation of the project.

**(b) TransferBridge**

TransferBridge provides a comprehensive global network that interconnects emerging payment platforms, remittance operators, financial institutions, retailers, utilities and all types of telecommunication operators. Through its operations as a wholesale hub, TransferBridge facilitates international transfer of various remittances, mobile recharge credits, bill payments, vouchers, donations and other digital transactions. The network which uses the Novatti Platform and is established, currently connected in over 120 countries and with more than 680 telecommunications companies and other payment recipients. The Group has spent the past 18 months building this network and the ecosystem as illustrated in Figure 11. The Group is planning to launch the network for commencement of transaction services in the first calendar quarter of 2016.

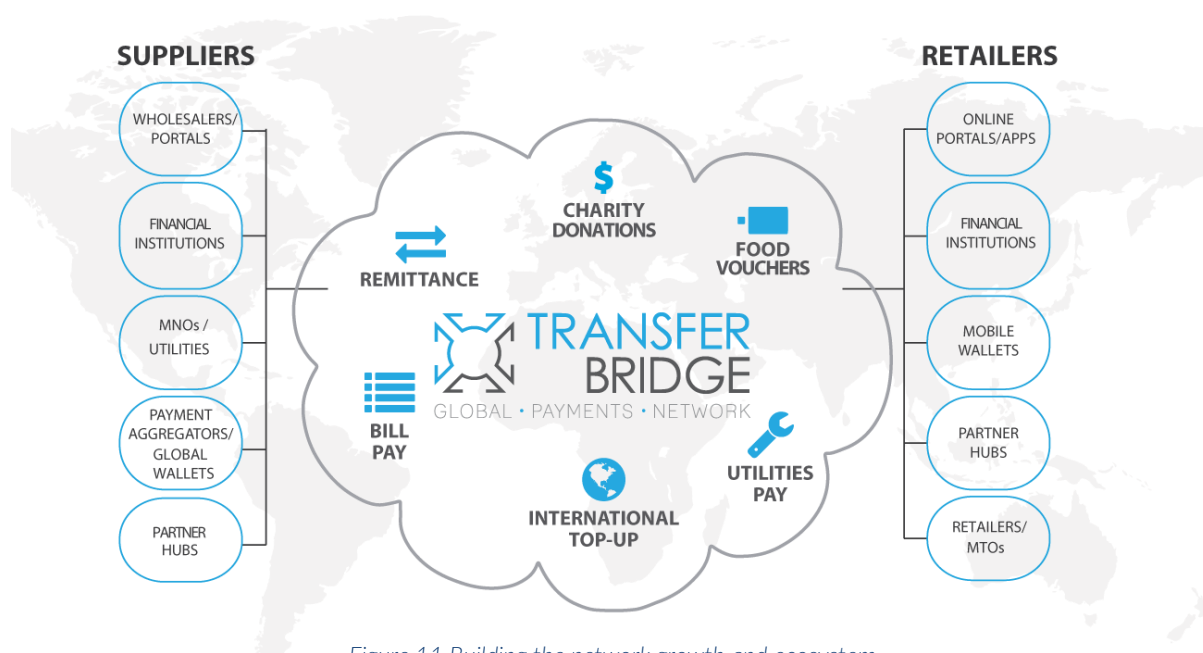


Figure 11 Building the network growth and ecosystem

**(c) Flexewallet**

Flexewallet holds an Australian Financial Services Licence (AFSL No. 448066) for non-cash payments, is registered with AUSTRAC and is a member of the Financial Ombudsman Scheme in Australia.

Flexewallet owns the Flexepin brand. Flexepin provides a cash top-up voucher for use in online and mobile commerce utilising the Novatti Platform. The vouchers are purchased at selected physical locations enabled with a distributor's point of sale system and are redeemed online into customer accounts with the merchants providing the goods or services. This facilitates a more secure transaction where the credit card or banking information of the purchaser is not exposed online. This ensures the voucher payment methodology is safer than conventional online payment methods. The system is operational and was launched in Australia in October 2015. The procurement of online merchants in Australia has commenced, and epay Australia (a division of Euronet Worldwide, Inc.) has been contracted as an Australian voucher distribution partner to enable distribution of Flexepin vouchers at more than 7,000 points of sale in Australia (see epay contract summary at Section 12.3). Payment Source has been contracted as a Canadian voucher distribution partner who has in excess of 13,000 points of sale in Canada (see Payment Source contract summary at Section 12.4).

The Flexepin business has been progressed rapidly by the Group. The market opportunity was first identified by the Group in January 2015, with the Australian launch taking place in October 2015 and the launch in Canada planned for January 2016.

It is the Company's intention to continue the further international rollout of Flexepin vouchers during 2016 and beyond.

In addition, Flexewallet is pioneering the new concept of a 'purposeful remittance', which ensures a beneficiary receives value for a specific purpose. For example, value is provided in the form of mobile phone top-up, grocery voucher, utilities, bill payment, or pay-TV subscription. Flexewallet offers a cost-effective option to consumers for low value international transfers. The purposeful remittance network is in a pilot-testing phase, and is expected to commence operations in early 2016.

#### (d) High Impact Corp (trading as Monisend) (50% owned by the Company)

Monisend is the trading name of High Impact Corp, an incorporated joint venture between Novatti and a South African distribution company, pursuant to which Novatti provides the technological capability in the form of the Novatti Platform and the joint venture partner provides local expertise and contacts in Sub-Saharan Africa.

Monisend enables international top up of mobile phone accounts and bill payments within and from Sub-Saharan Africa. The network is operational currently connecting eight countries with 18 service providers and a small number of initial customers have commenced operations. It is the Group's focus over coming months to increase the utility of the network.

Novatti has provided working capital funding to the joint venture of approximately US\$213,000 over the 2014 and 2015 financial years and anticipates further funding in the region of US\$50,000 may be required during the current financial year.

#### (e) Novatti (Malaysia) (50% owned by the Company)

Novatti (Malaysia) is an incorporated joint venture with ATX (Malaysia) Sdn Bhd (**ATX**). Novatti provides mobile and Alternative Payment technology and ongoing support. ATX provides access to its existing business operations.

Novatti (Malaysia) offers an electronic and mobile payment platform across Malaysia to provide an interconnected payments environment for distributors and retailers in mobile phone top-ups, bill payments, subscriptions, and other digital transactions. The technology system is operational and early stage business development has resulted in a pilot number of suppliers, distributors, and retailers being implemented on the network. ATX has a distribution top-up agent network in Malaysia, which has been migrated to the Novatti Platform.

The Group anticipates that no further working capital contribution will be required, however if the parties do agree that further funding is required, the amount and form of funding will be decided in conjunction with ATX on a case by case basis.

### 7.2.2 Market Dynamics and Environment

#### (a) Barriers to Entry and Competition

The technology market in which the Group operates is complex and subject to significant barriers to entry, which reduce the scope for new entrants to take market share from incumbent participants such as the Group.

Several of these barriers are discussed below.

In many jurisdictions, financial licensing of certain mobile and Alternative Payments activities is required. While this licensing can generally be achieved, it takes considerable time with formal review of entities, preparation of complying processes, management disclosures and specialised expertise.

Capital costs for creating relevant technology platforms can be very substantial, although the use of Cloud technology and SaaS or PaaS can reduce the impact of this barrier for some types of start-up operations.

Remaining competitive in this market requires participants to constantly innovate ahead of the market and to offer ongoing technology and/or service innovation. Further, successfully penetrating and maintaining a position in this market requires international market knowledge with subject matter domain knowledge and expertise that is difficult and expensive to acquire and maintain and/or ongoing international business relationships that are grounded in trust and built over a long time.

Successful bidders for contracts in this market need to demonstrate the ability to interpret complicated and compliant processes, and to incorporate geographically specific requirements and business rules into core system logic. Successfully entering a new geographic market requires knowledge and capability to enter the market, establish a presence and scale up in a short period of time to capture market share of a product or service.

As a technology vendor, Novatti has various sized competitors around the world. A substantial number of these global competitors are small to medium businesses that are privately owned, however there are also a number of major publicly owned entities.

These larger competitors compete in different ways to Novatti due to their specific target markets, preferred engagement threshold, commitments to additional product lines, and formal product sales and marketing frameworks. While Novatti competes directly for many contracts, Novatti is more often competing alongside a partner (such as a large systems integrator, or through a channel partnership) although Novatti does bid on some occasions in direct competition to a large competitor on a one-to-one basis.

Novatti's strengths are the strong global market and domain knowledge of payments, flexible approaches to value exchange, and reliable balance management capabilities. The Novatti Platform can be tailored to meet customers' needs, and is adaptable. Different modules are easily repurposed and configured to ensure an efficient implementation with ongoing support and maintenance. The technology is also an adopter of the SaaS methodology to provide clients with Cloud-based solutions.

TransferBridge's objective is to be a wholesale network service aggregator (and by definition not a consumer service provider).

Western Union, MoneyGram, Xoom (owned by PayPal), WorldRemit and TransferWise have substantial market share for person-to-person cash remittances (as consumer service providers). However, their scale and scope makes it more difficult for them to adapt to innovation and market changes, and to add new systems or new points of integration to reduce costs. The remainder of the market consists of a large number of competitors (i.e. potential customers of TransferBridge) with companies that cater for their target regions or corridors between markets.

TransferBridge is in a unique position that utilises existing competitors by combining them at scale into a centralised network for retailers to offer numerous products as shown in Figure 11 above. The breadth and depth of market competition provides an advantage to TransferBridge's business model as it increases the number of possible integration points, thus enabling additional customer services and increased geographic coverage through improved global connectivity.

Flexewallet has direct competitors for Flexepin vouchers, whose products are purchased from a broad range of retailers and redeemed at online goods and service providers. Among several competitors in this market, Paysafecard currently operates worldwide and is considered the market leader.

Indirect competitors also exist in the form of payment gateway services and payment service providers.

Traditional banking services are still considered competitors in this market. Consumers are able to pay for products and services online using a personal credit or prepaid debit card or bank transfer. These services are typically the most expensive and yield the highest privacy and identity risks to online personal information security.

Monisend is in the early stages of business development. The Group has determined that there is a clear market opportunity and is monitoring competition as Monisend seeks to gain market penetration. The Group is considering the further direct investment of funds into this business while continuing to provide technology support. The Group continues to engage the joint venture partner in consideration of the plans for growing the business.

Novatti (Malaysia) is also in the early stages of business development and the Group's joint venture partner, ATX, together with Novatti, continue to assess opportunities and competition in its marketplace. The focus at this time is on Novatti providing technology support to this business and the Group is not considering further direct investment into the joint venture.

The Board believes that the Group is well positioned, with regards to the above barriers to entry and competitive landscape, to maintain and expand its current market position.

Furthermore, new product or service provider market entrants create an opportunity for technology platform sales from Novatti and many of these new entrants may also provide TransferBridge with new potential integration points to strengthen aggregated networks and connectivity.

#### **(b) Opportunities and Initiatives Impacting the Market**

Traditional person-to-person remittance services have had somewhat limited internal market reach with access to facilities for the receipt of money being quite restricted in some areas. This is particularly the case for the poorest people in more rural areas, where the banking sector is under-represented and the economy is largely cash-based. There are an increasing number of social interventions assisting the growth of people's access to mobile and Alternative Payments in developing nations from government and non-government organisations. There is a discernible shift to provide affordable digital financial services to these developing areas. For example, the World Bank Consultative Group to Assist the Poor and the Melinda and Bill Gates Foundation have identified affordable digital financial services as a means to improve developing countries and reduce poverty. There are numerous other non-profit organisations that are also working towards financial inclusion and using technology to meet these needs.

Retail premises and staff costs of banks and traditional remittance providers have led to high fixed commission costs for remittances. The global average commission fee is estimated to be 7.52% per transaction, increasing to 19.35% for remittances below US\$200. By offering alternative remittance services, the World Bank has estimated that reducing remittance commission charges by 2-5% could increase the flow of formal remittances by 50-70%, which would lead to a significant boost in local economies.

Legislation around the world is changing to enable and allow new technologies to improve worldwide financial inclusion. Central banks play a key role in opening up markets for alternative methodologies. For example, Indonesia has recently granted six branchless banking licenses. There has recently been a major legislative change in Latin America that simplifies the process to becoming a mobile virtual network operator. This will nurture the growth of virtual telecommunication companies that will require a mobile financial enablement solution similar to Novatti's scalable technology to enable their rapid growth.

There are an increasing number of opportunities in the market in a supportive environment from governments, some central banks and non-government organisations. While the environment might change favourably in these terms, the consumer capability and capacity to participate also has to change. The Group's assessment of the market has identified increasing consumer participation and an overall growing market opportunity.

### (c) Regulatory Environment

The Group operates in a global context and the regulatory framework differs substantially from country to country. In the majority of deployments and service provider activities, the regulatory environment helps define the local market opportunity but does not have a material impact on the Group's global business development. Where regulation defines or constrains one type of deployment, it may leave open an alternative deployment option that the Group may choose to address. For example, if regulation denies certain financial activity being conducted by a mobile network operator, the regulatory environment may legitimise that activity by financial institutions, which would then need to approach the mobile network operator for access to their extensive consumer base.

The Group provides technology and services to telecommunications companies, financial institutions and Alternative Payment providers for them to operate within this locally compliant regulatory model to facilitate their business and improve interoperability and connectivity.

#### 7.2.3 Novatti Platform and Intellectual Property

The Group deploys the Novatti Platform, which is a platform that facilitates mobile and alternative financial payments solutions and services.

The Novatti Platform can be deployed for many different purposes, as it is independent of the units being used in a transaction (or trade). This means that transactions can be processed in traditional currencies and commodities such as carbon credits, energy units, airtime minutes, and loyalty points. Quantities of any product or service that can be accounted for in units can then be stored and transacted upon within the system.

As depicted in Figure 12, a consumer can process a transaction with a wide range of affordable initiating devices to deliver an outcome to a destination device or account. These devices can include existing point of sale terminals, wireless point of sale terminals and smartphones (as well as older feature phones).

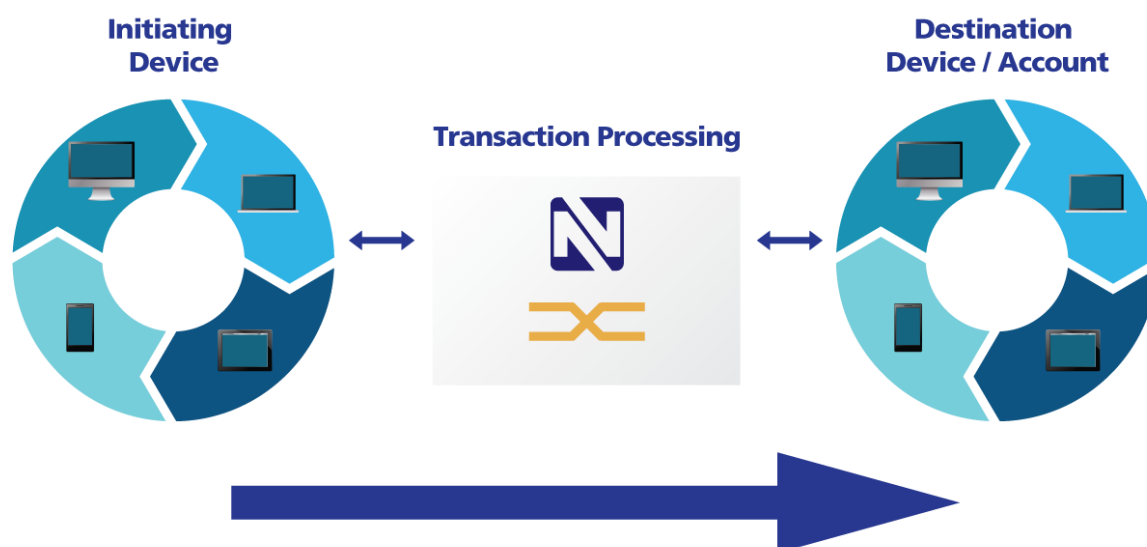


Figure 12 Transaction flow

The Novatti Platform can be deployed as a Cloud-based system or on client-owned hardware. There are a number of business factors that lead customers to select an enterprise site based solution on client-owned hardware versus the cloud based or SaaS solutions. For example, banking institutions and larger mobile network operators have traditionally established their financial systems in-house on client-owned hardware.



Deployment via Cloud is a particularly attractive solution for many entrepreneurial start-ups as they can focus their efforts and funding on immediately establishing their business processes and acquiring customers, while only utilising the technology enabled solution on a pay per transaction basis.

The Novatti Platform separates the access devices used by agents and consumers from the processing logic so that any device can perform any type of transaction, controlled by the configured business rules and the physical limits imposed by the device, including its operating system. This degree of flexibility means, for example, that the business logic used to process a voucher sale initiating at a postal outlet in a first world country is the same as that used to process a voucher sale from a mobile phone at a street kiosk in Africa. These access devices connect to the Novatti Platform via a range of proprietary and standard-based interfaces and messaging systems used by retail, financial, and telecommunications service providers.

### (a) Technology of the Novatti Platform

The Novatti Platform is a high capacity transaction processing, switching, and stored value account management system that can be integrated with a broad range of external systems including banks, ATMs, point of sale terminals, mobile phones, web portals, point of sale systems, prepaid and post-paid billing systems, and telecommunications infrastructure.

The various software modules that comprise the Novatti Platform communicate with each other using a common messaging system and can be configured to support the following business applications:

- Digital wallets.
- Mobile money.
- Lifecycle management of physical and virtual vouchers.
- Distribution and activation of virtual and physical vouchers, prepaid gift cards and prepaid debit cards.
- Voucher-less top-up of prepaid airtime (also known as e-top-up, pin-less top-up, mobile top-up and mobile recharge).
- International and domestic bill payments.
- International and domestic remittances.
- Agency banking (branch banking in remote areas).

Figure 13 below illustrates the primary functional modules and interconnections of the system.

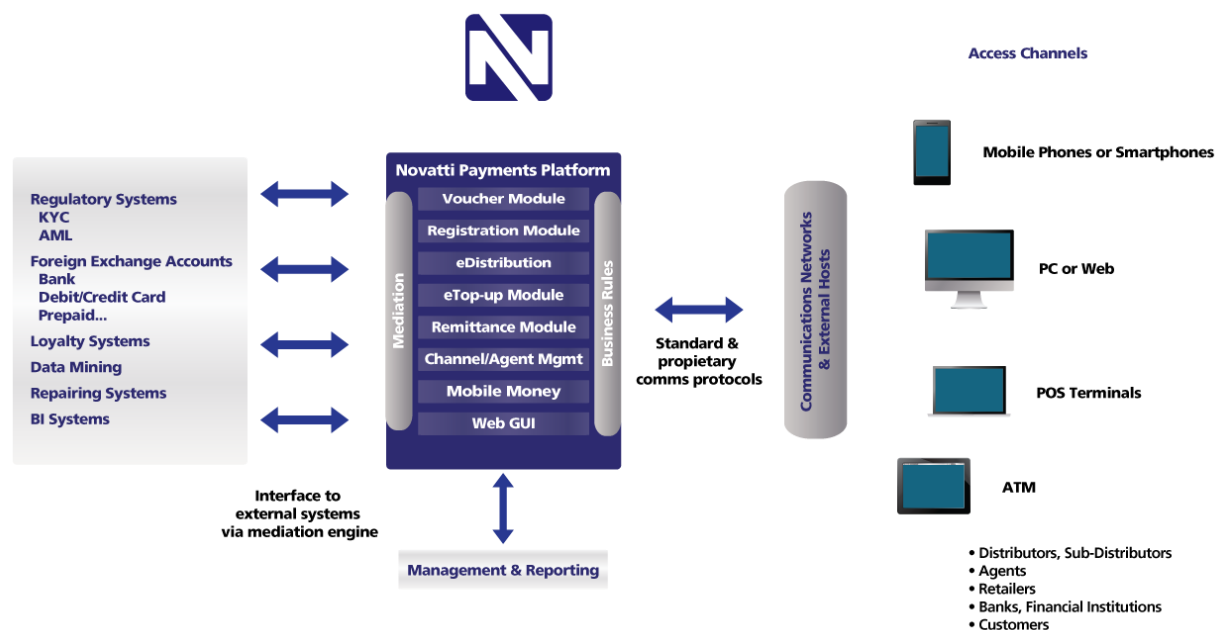


Figure 13 Primary functional modules and interconnections of the system

Three broad categories of end-users are supported by the Novatti Platform – agents, merchants/retailers, and consumers/customers. Agents are optional, and act as representatives or brokers for the organisation providing the service(s). Agents are configured with a defined set of transaction types, and are used to provide consumers with specific services defined by the service provider.

End-users access the Novatti Platform's services using common and affordable devices including point of sale terminals, mobile apps and web portals. These devices interface to the Novatti Platform using the Novatti Platform's feature rich Application Programming Interface (API) or via a customised API native to the device.

Agent distribution networks can be configured as multi-tier hierarchies. Master agent and sub-agent accounts are configured in a hierarchical manner and provisioned to enable a range of transaction types controlled using a broad range of flexible business rules. Commissions, fees and taxes can be calculated in real-time.

Merchants or retailers are a category of end-user that has the ability to accept payment for goods and services from a consumer using a transaction processed by the Novatti Platform. Business rules associated with merchants include definition of commissions, taxes and minimum and maximum transaction limits. Merchants can also act as agents in some deployments.

Customers or consumers are the people that use the services offered by the service provider, for example mobile money, prepaid recharge, or agency banking. Customers may need to interact with agents to perform some transaction types (for example cash-in), and in a monetary wallet application they can transact via a web portal, ATM, or bank.

The Novatti Platform enables three distinct application areas, each targeting different segments in the overall payments market:

- Voucher management system – Management of physical prepaid vouchers used for account recharge, gift cards etc., including unique voucher code generation, product management, supplier management, stock warehousing and movements, and dealer management. In a financial sense a prepaid voucher is an alternative to cash payment.
- Electronic value distribution system – Distribution of value in the form of virtual vouchers and gift cards, and voucherless value, through agents' electronic point of sale terminals, bank ATMs, social media etc. The vouchers can be sourced from external suppliers (e.g. prepaid mobile operator), or created by the voucher management module that forms part of the Novatti Platform. This may include agent management, real-time calculation of agent fees and commissions, product management, fraud prevention, voucher-less top-up of prepaid accounts, international account top-up, agent assisted bill payment and remittance and agency banking.
- Consumer digital wallets – Mobile money applications servicing the Unbanked in developing nations, mobile wallets and payments for banked consumers, government disbursements of emergency aid, pensions, welfare payments and trading of commodities such as loyalty points.

Security is built-in to the Novatti Platform on a number of levels and is based on international financial industry standards and the security protocols built into transaction devices.

## (b) Intellectual Property

The Group has developed all business logic and integration software in-house, and therefore owns this intellectual property. All employee, contractor and consultant contracts ensure that the Group owns all software developed for the Group.

The Group owns the following trademarks and their registration status in Australia (unless otherwise stated) as at the date of this Prospectus is as follows:





**NOVATTI**

The word “Novatti” has been registered in classes 9, 36, 42, and 45. The Novatti logo, and the Novatti logo including the words “Innovation for Payments” have been accepted in those classes and are awaiting advertisement.



The TransferBridge logo incorporating the words “Global.Payments.Hub” has been registered in class 36. The TransferBridge logo and the TransferBridge logo incorporating the words “Global.Payments.Network” are under examination.



**FLEXEWALLET**

The wordmark “Flexewallet” has been registered in class 42. The word “Flexewallet” has also been registered in class 36.



**FLEXEPIN**

The wordmark “Flexepin” and Flexepin’s logo are registered in class 36.



**FLEXEPIN**

Applications to amend the font for the wordmark “Flexepin” and Flexepin’s logo to the adjacent, updated style have been submitted.

The Group is in the process of applying for registrations in the United Kingdom and Canada for the word “Flexepin” and wordmark (in the updated style).

#### 7.2.4 Business (Revenue) Model

The Group offers the Novatti Platform as a cost effective solution with a full range of service capabilities. The Novatti Platform is delivered using a flexible and customer centric process enabling buyers to see the value created by leveraging the extensive system capabilities to achieve their specific requirements. It is the combination of domain expertise, platform capability and customer service that creates the value for the customer.

The Group markets the Novatti Platform to telecommunications companies, financial institutions, and Alternative Payment system providers. The Group utilises a channel market strategy for sales delivery and support with partners established as required throughout the global market. The Group has internal sales and sales support capability, including pre-sales engineering support. Channel partners identify leads (or are provided leads that have been identified by the Group's business development team) and are assisted in their sales process by an experienced Novatti Platform salesperson. Depending on the channel partner's systems integration capability, they may be provided with additional systems integration support. In some cases, the Group goes to market in a direct sales model but local systems integration is often utilised where the opportunity is located outside of Australia. This has proven to be a successful model that the Group is able to manage well.

The Group's customers include mobile network and financial services operators in developed and developing countries.

From these customers and other sources (including government research and development tax incentive) Novatti generated \$3,120,094 in revenue during the 2014/15 financial year, up from \$2,634,271 in revenue during the 2013/14 financial year.

As at 31 October 2015 Novatti has invoiced approximately \$1,343,000 for the 2015/16 financial year and has an additional approximately \$1,310,000 of unbilled revenue contracted for receipt in the 2015/16 financial year. In addition Novatti has a sales pipeline that it believes will deliver additional revenue during the 2015/16 financial year.

In addition to enterprise sales, the Group generates recurring sales revenue from the following offerings:

- Selling white label SaaS editions of the Novatti Platform.
- On-going service and maintenance contracts; typically 15–22% of the initial contract value and last for five to ten years

The Group has deployed the Novatti Platform into its controlled subsidiaries TransferBridge and Flexewallet (Flexepin), and its joint ventures of Monisend and Novatti (Malaysia) where the platform generates (and is intended to generate) income on a transactional basis. The Group will typically target margins from these transactions as follows:

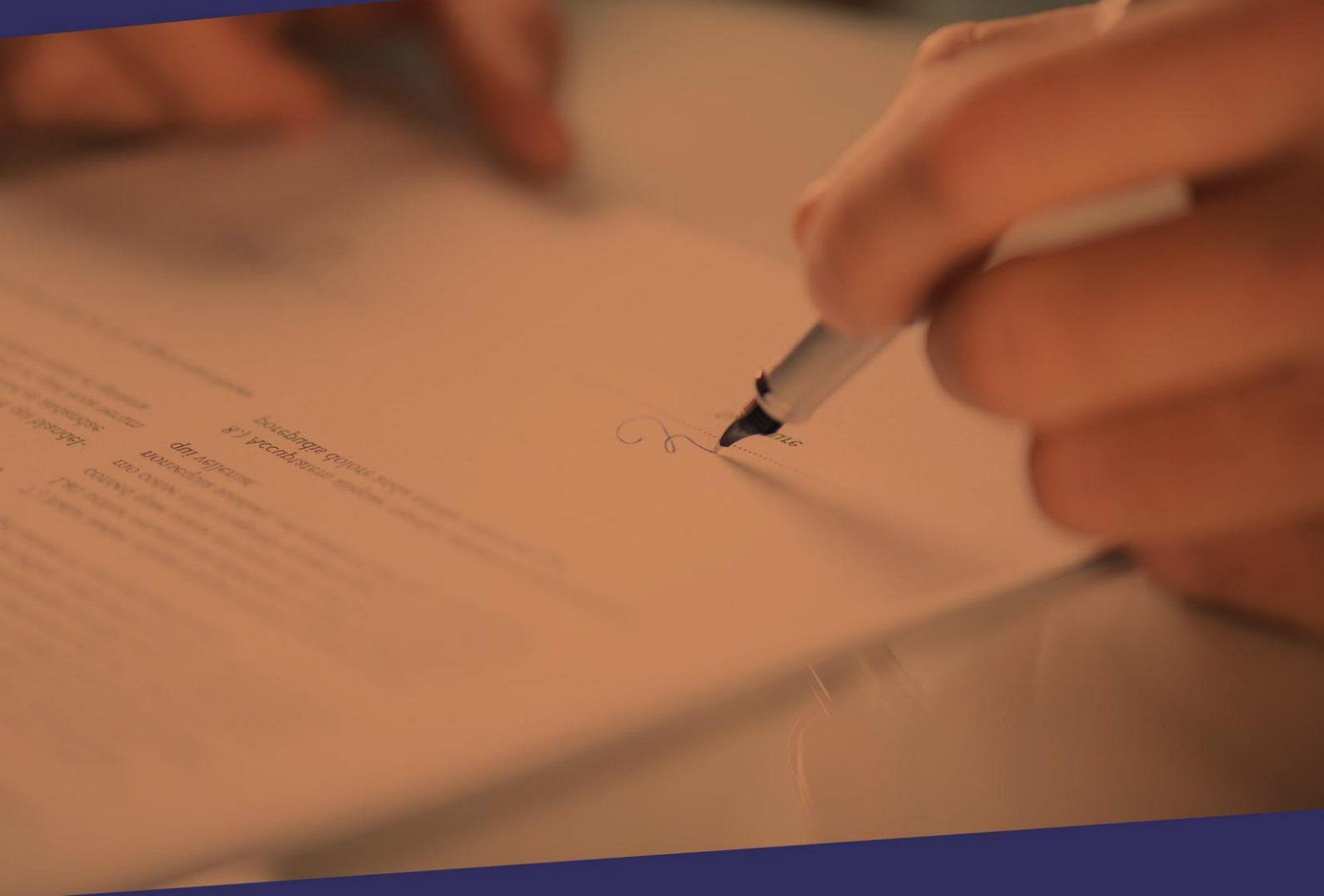
- Remittance services: 2-4% of transactions that flow through remittance networks.
- Vouchers/pins: 0.5-4% of the voucher value.

As at 31 October 2015 the Group has received \$15,671 in fees income from transactional services for the 2015/16 financial year. It is intended that revenue will increase from the Flexepin and TransferBridge business units over coming months as marketing, development and sales initiatives are further progressed.

Based on the Company achieving the Minimum Subscription under the Offer, the Company will be adequately capitalised for growth in the manner set out above and to meet its stated objectives.

The Group's management will continually monitor and assess the results of the above strategies and market awareness, then deploy resources accordingly to achieve the best outcome for the Company.

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## **8. Directors, Key Management and Corporate Governance**



## 8. Directors, Key Management and Corporate Governance

### 8.1 Director Profiles

#### **Peter Cook**

##### **Managing Director and Chief Executive Officer**

Peter Cook has 25 years' experience as a director and executive with companies including Coopers & Lybrand (now PWC), Catsco Pty Ltd and Advanced Network Management Pty Ltd (Telstra joint venture company) and many start up technology companies.

Peter's career has been largely based on founding and leading multiple telecommunications and payments companies. Unidial Pty Ltd, Total Tel Limited, Long Distance Direct Pty Ltd, Electronic Recharge Pty Ltd, Ezipin Australia Pty Ltd and Ezipin Canada Inc are such examples and all with successful exits to private and public companies. Peter was a Non-Executive Director and Deputy Chairman of ASX-listed Senetas Corporation Limited from June 1999 to January 2006.

Peter is a graduate of the Royal Military College, Duntroon, and has completed a BSc (UNSW), a Grad Dip Computing (Canberra) and the Graduate Diploma in Securities course from the then Securities Institute of Australia. Peter is a Graduate Member of the Australian Institute of Company Directors.

#### **Peter Pawlowitsch**

##### **Non-Executive Chairman**

Peter Pawlowitsch is an accountant by profession with extensive experience as a director and officer of ASX-listed entities. He brings to the team experience in operational management, business administration and project evaluation in the IT, hospitality and mining sectors during the last 15 years.

Peter is Chairman of Dubber Corporation Limited, and a Non-Executive director of Ventnor Resources Ltd, Kunene Resources Ltd (to be renamed Department 13 International Limited) and Knosys Limited, all ASX-listed companies.

Peter holds a Bachelor of Commerce from the University of Western Australia, is a current member of the Certified Practising Accountants of Australia and also holds a Masters of Business Administration from Curtin University.

#### **Brandon Munro**

##### **Non-Executive Director**

Brandon Munro is a corporate lawyer by profession with executive experience in the private equity, mining, infrastructure and IT sectors. Brandon brings regulatory, governance, mergers and acquisitions and capital markets knowledge to the team as well as his own experience co-founding start-ups in the IT and exploration sectors. He commenced his career as a lawyer working for 7 years at premier Australian commercial law firms, following which he held executive management and director positions in the resources and infrastructure sectors, including in the private equity and funds management industry.

Brandon is currently the Managing Director of ASX-listed Kunene Resources Ltd (to be renamed Department 13 International Limited) and a Non-Executive Director of ASX-listed Rewardle Holdings Ltd. Brandon is active in the not-for-profit sector and is a Trustee of Save the Rhino Trust of Namibia and a Fellow of the Art Gallery of Western Australia.

Brandon has degrees in Economics and Law from the University of Western Australia and postgraduate qualifications in Applied Finance and Investment from the Securities Institute of Australia (now Finsia). He is a Fellow of Finsia and a Graduate Member of the Australian Institute of Company Directors.

## 8.2 Directors' Interests

Other than as set out in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offer; or
- (c) the Offer,

and the Company has not paid any amount or provided any benefit, or agreed to do so, to any Director, either to induce that Director to become, or to qualify them as a director of the Company, or otherwise, for services rendered by them in connection with the formation or promotion of the Company or the Offer.

## 8.3 Directors' Security Holdings

Directors are not required under the Constitution to hold any Shares. Set out in the table below are details of the existing relevant interests of the Directors in Shares at the date of this Prospectus and the anticipated relevant interests of the Directors in Shares upon completion of the Offer.

Director	No. Ordinary Shares	No. Performance Shares	% Total Shares Current <sup>1</sup>	% Total Shares Minimum Subscription <sup>1</sup>	% Total Shares Full Over- Subscription <sup>1</sup>	Options <sup>2</sup>
Peter Pawlowitsch <sup>3</sup>	1,875,000	Nil	3.5%	2.6%	2.1%	1,000,000
Peter Cook <sup>3</sup>	9,835,900	3,488,015	18.6%	13.5%	11.2%	5,000,000
Brandon Munro <sup>3</sup>	1,250,000	Nil	2.4%	1.7%	1.4%	1,000,000

Notes:

<sup>1</sup> Total Shares not including any Performance Shares that may convert into Shares and disregarding any Performance Shares held by the relevant Director, or Peter Cook, the only Director holding Performance Shares, if the Performance Shares are fully converted, he and his associated companies will hold 14.3% of all Shares under a Minimum Subscription and 12.3% of all Shares under a Full Over-Subscription.

<sup>2</sup> Options each exercisable at \$0.20 on or before 30 June 2019. Further terms and conditions of the Options (including details of vesting conditions) are set out in Section 13.3.

<sup>3</sup> Includes Shares and Options held by associated companies.

## 8.4 Remuneration of Directors

The Constitution provides that the remuneration of Non-Executive Directors will not be more than the aggregate fixed sum determined by a general meeting of Shareholders or, until so, by the Directors. The aggregate remuneration for Non-Executive Directors has been set by the Board at an amount not to exceed \$500,000 per annum. The Board has resolved that the Non-Executive Directors' fees will be \$65,000 per annum for the Chairman and \$40,000 per annum for non-executive Directors (inclusive of statutory superannuation). Peter Pawlowitsch is Non-Executive Chairman and Brandon Munro is a Non-Executive Director. Summaries of the material terms of their appointments are set out in Section 8.6.

The remuneration of Executive Directors will be fixed from time to time by the Directors and may be paid by way of fixed salary or consultancy fees. Summaries of the material terms of the executive service agreement between the Group and Peter Cook and other key personnel are set out in Section 8.6 (a).

The annual remuneration (inclusive of statutory superannuation) on completion of the Offer payable to each of the Executive Directors (excluding Options, which are detailed in Section 8.3) is as follows.

Director	Base	Bonus
Peter Cook	\$273,750	\$219,000 <sup>1</sup>

Notes:

<sup>1</sup> The amount of the bonus is up to \$219,000, subject to the achievement of certain specified milestones, the terms of which are set out in Section 8.6 (a).

For details of the Directors' interests in securities in the Company refer to Section 8.3.

In the two years prior to the date of this Prospectus, the Directors have been paid the following remuneration from the Group:

Director	Amount
Peter Pawlowitsch	\$38,500
Peter Cook <sup>1</sup>	\$981,563
Brandon Munro	\$17,600

Notes:

<sup>1</sup> Includes consulting fees invoiced and/or paid to associated companies.

## 8.5 Senior Management Profiles

In addition to the executive capacity of Directors as set out in Section 8.1, the following individuals are in key senior management roles with the Company.

### Alan Munday

#### Group Chief Operating Officer

Alan Munday has 25 years' experience as a director, executive, and management consultant including with KPMG, ASX-listed Senetas Corporation Limited, Granite Investment Group, Total Tel International (TTI) and other companies. Alan has been associated with Novatti and its predecessors from 2002 including a period in the role of managing international partner channels and sales.

Alan has considerable experience in establishing and developing early stage companies and helping develop and execute new business strategies. He is recognised for providing innovative and insightful solutions to ensure clients achieved their business objectives. Alan entered the business sector following 15 years' service in the Australian Army, including 2 years in the US Army HQ Washington as part of an IT systems and network communications project.

Alan is a director of Novatti (Malaysia) Sdn Bhd.

Alan has an MBA (Swinburne), Masters in IR and ER (Monash) and other academic awards in business. He is a certified company director (UCLA, USA) and has studied at the USA National Defense University, Computer Institute. He is a member of the Australian Institute of Management and a member of the Australian Institute of Company Directors.

**Paul Burton**  
**Head of Strategy**

Paul Burton is an accountant by profession with extensive experience as a director and officer of entities operating in global payments industry. He brings to the team experience in operational management, business administration and project evaluation in the payments marketplace during the last 10 years.

One of Paul's roles was as Managing Director of Datacash Group Plc, which was acquired by Mastercard.

Paul is a director of Novatti, TransferBridge and Flexewallet.

Paul holds a Bachelor of Commerce from Rhodes University and Honours Bachelor of accounting science from University of South Africa. Paul is a current member of the Chartered Accountant of South Africa.

**Steven Stamboultgis**  
**Chief Financial Officer**

Steven Stamboultgis has more than 25 years finance experience, having worked with companies including Foster's Brewing Group, Pauls Milk and Parmalat Australia.

As Chief Financial Officer at ASX-listed Praemium Limited, Steven was responsible for the company's financial reporting requirements and was a member of the team that assisted the company list on the ASX.

Recently, Steven was Chief Financial Officer and Company Secretary for ASX-listed Urbanise.com Ltd.

Steven holds a bachelor's degree in accounting, a master's degree in commercial law and is a certified practising accountant.

## **8.6 Key Terms of Agreements with Directors, Senior Management or Related Parties**

**(a) Executive Service Agreements**

**Peter Cook**  
**Managing Director and Chief Executive Officer**

Novatti and Peter Cook have entered into an executive service agreement for his role as Managing Director and Chief Executive Officer of the Group.

The principal terms of the agreement are as follows:

- (i) The employment term is not fixed and continues until the agreement is terminated in accordance with its terms.
- (ii) The agreement may be terminated:
  - (A) by either party without cause with six months' notice, or at the election of Novatti, immediately with payment in lieu of six months' notice (subject to the limitation of the Corporations Act and Listing Rules);
  - (B) by Novatti on one months' notice, if the executive is unable to perform his duties due to illness, accident or incapacitation, for three consecutive months or a period aggregating more than three months in any 12 month period; or
  - (C) summarily following material breach or in the case of serious misconduct.
- (iii) The executive must devote the whole of his time and attention to the business of the Group during normal working hours and at such other times as may be reasonably necessary.



- (iv) The remuneration comprises:
- (A) a base salary of \$273,750 per annum (including statutory superannuation);
  - (B) 5 million Options each exercisable at \$0.20 on or before 30 June 2019, on the same terms and conditions as Options issued to the other Directors (as set out in Section 13.3) which have already been granted (see Section 8.3); and
  - (C) a performance bonus of up to \$219,000 (including statutory superannuation), payable in the discretion of the Board taking into account the extent to which the executive achieves specified targets to be agreed by the parties in good faith from time to time, which for the 2015/16 financial year include the following financial targets:
    - (1) Novatti achieving sales revenue (not including revenue arising directly or indirectly from either TransferBridge or Flexewallet) of \$5,000,000 for the financial year ending 30 June 2016;
    - (2) the Flexepin business achieving contracted distribution in five countries (inclusive of Australia and Canada) by 30 June 2016; and
    - (3) the TransferBridge and Flexepin business units achieving combined transaction turnover for the financial year ending 30 June 2016 of \$25 million (where transaction turnover must earn a net transaction fee of at least 0.5% to qualify).

The agreement otherwise contains industry-standard provisions for a senior executive of a public listed company.

### **Alan Munday** **Group Chief Operating Officer**

Novatti and Alan Munday have entered into an executive service agreement for his role as Group Chief Operating Officer.

The principal terms of the agreement are as follows:

- (i) The employment term is not fixed and continues until the agreement is terminated in accordance with its terms.
- (ii) The agreement may be terminated:
  - (A) without cause, with three months' notice from Novatti or two months' from the executive, or payment in lieu of notice at the Company's election (subject to the limitation of the Corporations Act and Listing Rules);
  - (B) by Novatti on one months' notice, if the executive is unable to perform his duties due to illness, accident or incapacitation, for three consecutive months or a period aggregating more than three months in any 12 month period; or
  - (C) summarily following material breach or in the case of serious misconduct.
- (iii) The remuneration comprises:
  - (A) a base salary of \$220,000 per annum (including statutory superannuation);
  - (B) 750,000 Options, each exercisable at \$0.20 on or before 30 June 2019, vesting over three equal tranches on 1 July in 2016, 2017 and 2018, if the employment has not terminated by the relevant date, on the same terms and conditions as Options issued to the Directors (as set out in Section 13.3); and
  - (C) a discretionary performance bonus of up to \$80,000 (including statutory superannuation) payable upon the executive achieving certain specified

targets to be agreed by the parties in good faith from time to time, which for the 2015/16 financial year include the following targets:

- (1) Novatti achieving sales revenue (not including revenue arising directly or indirectly from either TransferBridge or Flexewallet) of \$5,000,000 for the financial year ending 30 June 2016;
- (2) the Flexepin business establishing business operations frameworks and procedures, and establishing an operational ecosystem in Australia and Canada by 30 June 2016; and
- (3) Novatti (Malaysia) implementing the operational platform in support of at least three projects of the joint venture partner, ATX (Malaysia) Sdn Bhd, by 30 June 2016,

and otherwise generally on the recommendation of the Managing Director.

The agreement otherwise contains industry-standard provisions for a senior executive of a public listed company.

### **Steven Stamboultgis** **Chief Financial Officer**

Novatti and Steven Stamboultgis have entered into an executive service agreement for his role as Chief Financial Officer of the Group.

The principal terms of the agreement are as follows:

- (i) The employment term is not fixed and continues until the agreement is terminated in accordance with its terms.
- (ii) The agreement may be terminated:
  - (A) by either party without cause with three months' notice, or in the case of Novatti, immediately with payment in lieu of notice (subject to the limitation of the Corporations Act and Listing Rules);
  - (B) by Novatti on one months' notice, if Steven is unable to perform his duties due to illness, accident or incapacitation, for three consecutive months or a period aggregating more than three months in any 12 month period; or
  - (C) summarily following material breach or in the case of serious misconduct.
- (iii) The remuneration comprises:
  - (A) a base salary of \$180,000 per annum (including statutory superannuation); and
  - (B) 600,000 Options, each exercisable at \$0.20 on or before 30 June 2019, vesting over three equal tranches on 1 July in 2016, 2017 and 2018, if the employment has not terminated by the relevant date, on the same terms and conditions as Options issued to the Directors (as set out in Section 13.3).

The agreement otherwise contains industry-standard provisions for a senior executive of a public listed company.

## (b) Consultancy Agreements

### Caprodite Transaction Execution Pty Ltd

Novatti has entered into a consultancy agreement with Caprodite Transaction Execution Pty Ltd, a company associated with Brandon Munro for the provision of consultancy services to the Group.

The material terms of the consultancy agreement are as follows:

- (i) Caprodite Transaction Execution Pty Ltd will make available Brandon Munro for the provision of commercial advisory services as requested by the Group's Managing Director or Chief Operating Officer;
- (ii) the consultant is remunerated on an hourly rate of \$250 plus GST.

The parties may terminate the consultancy agreement by giving one month's notice. Standard immediate termination provisions apply.

The agreement otherwise contains industry-standard provisions for a consultancy of this nature to a public listed company.

### Chongwe Limited

Novatti has entered into a consultancy agreement with Chongwe Limited, a company incorporated in Mauritius and associated with Paul Burton, for the provision of consultancy services to the Group.

The material terms of the consultancy agreement are as follows:

- (i) Chongwe Limited will make available Paul Burton for the provision of strategic and commercial advisory services to the Group in respect of the Novatti Platform, Flexepin business development, TransferBridge business development and other matters as requested by the Managing Director;
- (ii) fees payable under the agreement are the issue to Chongwe Limited or its nominee of 5,000,000 Options, each exercisable at \$0.20 on or before 30 June 2019, on the same terms and conditions as Options issued to the Directors (as set out in Section 13.3).

The parties may terminate the consultancy agreement by giving one month's notice. Standard immediate termination provisions apply.

The agreement otherwise contains industry-standard provisions for a consultancy of this nature to a public listed company.

## (c) Non-Executive Director Appointments

### Peter Pawlowitsch

#### Non-Executive Director and Chairman

The Company has entered into an agreement with Peter Pawlowitsch in respect of his appointment as a Non-Executive Director and Chairman.

Peter will be paid a fee of \$65,000 per annum (inclusive of statutory superannuation) for his services as Non-Executive Director and Chairman and will be reimbursed for all reasonable expenses incurred in performing his duties. This fee will accrue on and from the date on which the Company is admitted to the Official List. In addition, the Company has issued to him 1,000,000 Options each exercisable at \$0.20 on or before 30 June 2019 on the same terms and conditions as Options issued to the other Directors (as set out in Section 13.3).

The agreement may be terminated by either party without cause with three months' notice, or in the case of the Company, immediately with payment in lieu of notice (subject to the

limitation of the Corporations Act and Listing Rules). Standard immediate termination provisions apply.

The appointment of Peter as Non-Executive Director and Chairman is otherwise on terms that are customary for an appointment of this nature.

### **Brandon Munro** **Non-Executive Director**

The Company has entered into an agreement with Brandon Munro in respect of his appointment as a Non-Executive Director.

Brandon will be paid a fee of \$40,000 per annum (inclusive of statutory superannuation) for his services as Non-Executive Director and will be reimbursed for all reasonable expenses incurred in performing his duties. This fee will accrue on and from the date on which the Company is admitted to the Official List. In addition, the Company has issued to him 1,000,000 Options each exercisable at \$0.20 on or before 30 June 2019 on the same terms and conditions as Options issued to the other Directors (as set out in Section 13.3).

The agreement may be terminated by either party without cause with three months' notice, or in the case of the Company, immediately with payment in lieu of notice (subject to the limitation of the Corporations Act and Listing Rules). Standard immediate termination provisions apply.

The appointment of Brandon as Non-Executive Director is otherwise on terms that are customary for an appointment of this nature.

### **(d) Deeds of indemnity, insurance and access**

The Company is party to deeds of indemnity, insurance and access with each of the Directors. Under these deeds, the Company indemnifies each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as a director of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant Director and must also allow the Directors to inspect board papers in certain circumstances.

## **8.7 Corporate Governance**

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (2nd Edition) as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the web page [www.novatti.com/investors/corporate-governance](http://www.novatti.com/investors/corporate-governance).

## Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

## Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

## Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

## Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

## Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

## Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors

determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration for the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

### **Diversity policy**

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

### **Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

### **External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

### **Audit committee**

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude, for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

### **Departures from Recommendations**

Following admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The independent directors of the Company are Mr Peter Pawlowitsch (Chairman) and Mr Brandon Munro. When determining the independent status of a Director the Board used the Guidelines detailed in the Recommendations.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

Recommendation	Company's Current Practice
1.1 Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions.	Satisfied. The functions reserved for the Board and delegated to senior executives have been established.  The Board Charter is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Satisfied.  Formal evaluation process has been adopted. The Performance Evaluation Policy is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.
1.3 Companies should provide the information indicated in the guide for reporting on Principle 1.	Satisfied.  The Board Charter is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.  No formal appraisal of management was conducted.
2.1 A majority of the Board should be independent directors.	Satisfied.  Mr Peter Pawlowitsch and Mr Brandon Munro are independent Non-Executive Directors as defined in ASX guidelines.
2.2 The chair should be an independent director.	Satisfied.  Mr Peter Pawlowitsch is an independent Non-Executive Director.
2.3 The roles of chair and Chief Executive Officer should not be exercised by the same individual.	Satisfied.
2.4 The Board should establish a nomination committee.	Not Satisfied.  The Board has not established a nomination committee as the role of the committee will be undertaken by the full Board.
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Satisfied.  The Board Performance Evaluation Policy is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.



	Recommendation	Company's Current Practice
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Satisfied. Formal Board appraisals have not been conducted.
3.1	Companies should disclose a code of conduct and disclose the code or a summary of the code as to: The practices necessary to maintain confidence in the company's integrity The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. The Code of Conduct is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Satisfied. The Diversity Policy is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity and progress towards achieving them.	Not Satisfied. The measurable objectives have yet to be established.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Proportion of women employees in the whole organisation is 22%. There are no women (0%) in a senior executive position and none on the Board.
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Satisfied.
4.1	The Board should establish an audit committee.	Not Satisfied. The Board has not established an audit committee as the role of the committee will be undertaken by the full Board.
4.2	The audit committee should be structured so that it: Consists only of non-executive directors Consists of a majority of independent directors	Not Satisfied. The Board has not established an audit committee as the role of the committee will be undertaken by the full Board.

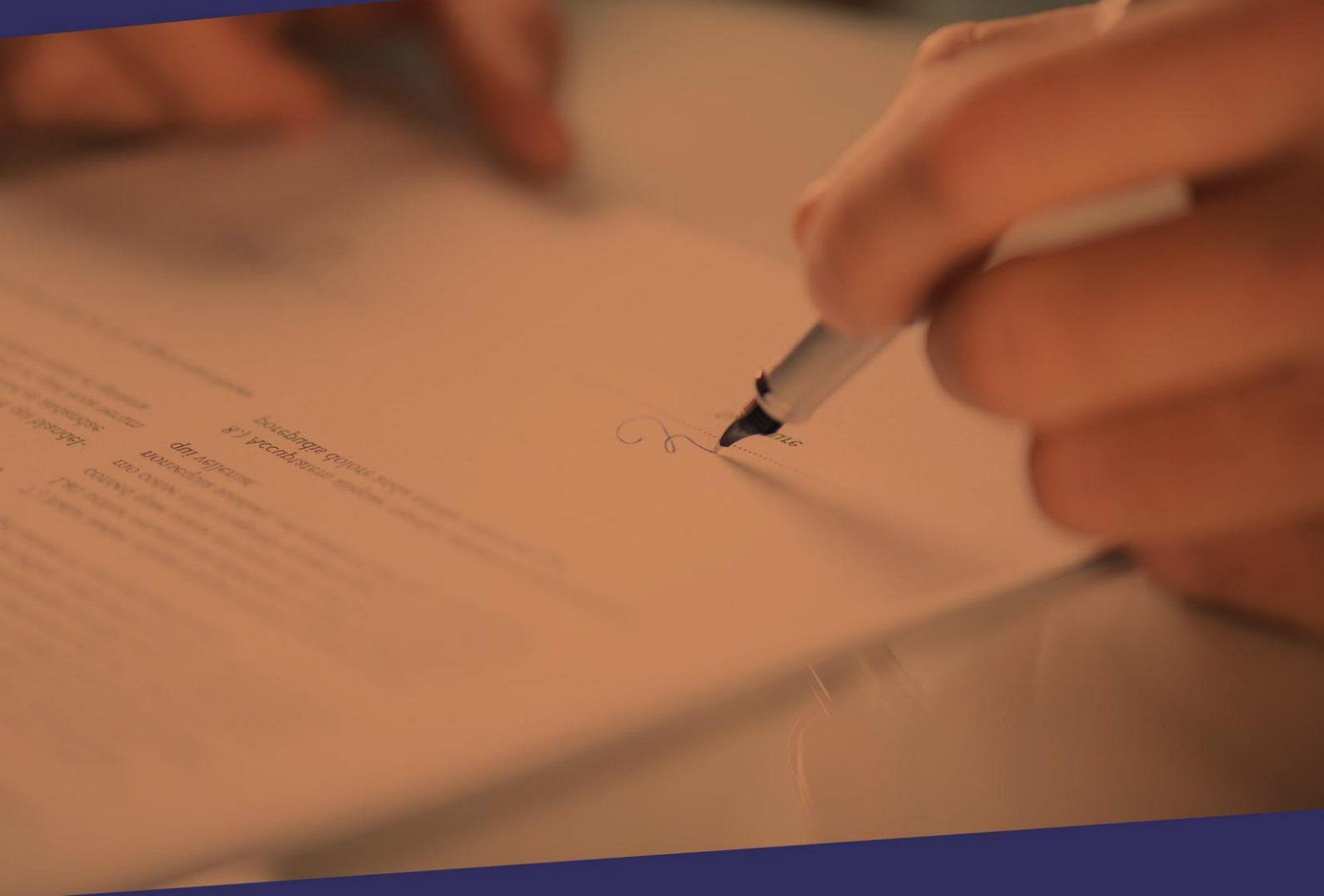


Recommendation	Company's Current Practice
<p>Is chaired by an independent chair, who is not chair of the board</p> <p>Has at least three members</p>	
<p>4.3 The audit committee should have a formal charter.</p>	<p>Satisfied.</p> <p>The Audit Committee Charter is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.</p>
<p>4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.</p>	<p>Satisfied.</p>
<p>5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.</p>	<p>Satisfied.</p> <p>The Continuous Disclosure Policy is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.</p>
<p>5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.</p>	<p>Satisfied.</p>
<p>6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.</p>	<p>Satisfied.</p> <p>The Shareholder Communication Strategy is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.</p>
<p>6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.</p>	<p>Satisfied.</p>
<p>7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.</p>	<p>Satisfied.</p> <p>The company has established policies for the oversight and management of material business risks.</p> <p>The Risk Management Program is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.</p>
<p>7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being</p>	<p>Not Satisfied.</p> <p>The management team will be undertaking this requirement in the forthcoming period.</p>

Recommendation	Company's Current Practice
managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	
7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Not Satisfied. The management team will be undertaking this requirement in the forthcoming period.
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7	Satisfied. The policies are available on the company's website at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.
8.1 The Board should establish a remuneration committee.	Not Satisfied. The Board has not established a remuneration and nomination committee as the role of the committee will be undertaken by the full Board.
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Satisfied. The structure of Directors' remuneration is disclosed in the Prospectus.
8.3 Companies should provide the information indicated in the guide to reporting on Principle 8.	The Remuneration and Nomination Committee Charter is available at <a href="http://www.novatti.com/investors/corporate-governance">www.novatti.com/investors/corporate-governance</a> in the Corporate Governance section.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.novatti.com/investors/corporate-governance](http://www.novatti.com/investors/corporate-governance).

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## 9. Financial Information



## 9. Financial Information

### 9.1 Historical financial information

This Section contains a summary of the audited historical income statements and statements of financial position of Novatti Pty Ltd for the financial year ending on 30 June 2013 and for Novatti Pty Ltd and its controlled subsidiaries for the financial years ending on 30 June 2014 and 30 June 2015 that the Directors consider relevant to investors.

The Company was incorporated in June 2015 and acquired all of the issued shares in Novatti Pty Ltd in September 2015, as a result becoming the holding company of Novatti Pty Ltd and its controlled subsidiaries.

The financial information presented is in an abbreviated form and does not contain all of the disclosures that are usually contained in statutory accounts prepared in accordance with the Corporations Act. It has been derived from the annual financial reports of Novatti Pty Ltd and its controlled subsidiaries (in respect of the above-mentioned years), which have been audited by William Buck Audit (Vic) Pty Ltd (**William Buck**). For the 2013 year in respect of Novatti Pty Ltd, William Buck has not provided an audit opinion on the financial report on the basis that the previous financial report was not audited. In addition, for the 2013, 2014 and 2005 years, William Buck has, without modifying its opinion, issued its auditor's report with an emphasis of matter in respect of material uncertainty regarding the ability of Novatti Pty Ltd and its controlled subsidiaries to continue as a going concern and the consequential need for the them to seek additional funding.

The audited financial statements (inclusive of significant accounting policies) of Novatti Pty Ltd for the financial years ending on 30 June 2013 and of Novatti Pty Ltd and its controlled subsidiaries for the financial years ending on 30 June 2014 and 30 June 2015 are available (free of charge) on request to the Company on +61 3 9088 0325 between 9.00am and 5.00pm (AEDT) Monday to Friday.

<b>Historical Profit &amp; Loss</b>	<b>FY 2014/2015 Audited Actual (\$)</b>	<b>FY 2013/2014 Audited Actual (\$)</b>	<b>FY 2012/2013 Audited Actual (\$)</b>
Total Revenue	3,120,094	2,634,271	2,267,155
Operating expenses	(3,908,596)	(3,297,181)	(2,617,930)
EBITDA	(788,502)	(662,910)	(350,775)
Depreciation/Amortisation	(79,757)	(311,663)	(316,931)
EBIT	(868,259)	(974,573)	(667,706)
Interest expense	(4,388)	(6,824)	(6,343)
NPBT	(872,647)	(981,397)	(674,049)
Tax	(71,526)	-	-
NPAT	(944,173)	(981,397)	(674,049)

Statement of Financial Position	Audited Actual (\$) (as at 30 June 2015)	Audited Actual (\$) (as at 30 June 2014)	Audited Actual (\$) (as at 30 June 2013)
Current assets			
Cash & cash equivalents	279,284	368,429	109,467
Receivables	1,065,167	876,954	738,285
Financial assets	-	-	1,454,713
Other assets	295,544	74,437	623
<b>Total Current Assets</b>	<b>1,639,995</b>	<b>1,320,220</b>	<b>2,303,088</b>
Non-current Assets			
Property Plant & Equipment	9,293	8,633	13,347
Intangible assets	-	72,875	367,432
Other non-current assets	140,542	390,061	33,801
<b>Total Non-current Assets</b>	<b>149,835</b>	<b>471,569</b>	<b>414,580</b>
<b>Total Assets</b>	<b>1,789,830</b>	<b>1,791,789</b>	<b>2,717,668</b>
Current Liabilities			
Creditors and short term Loans	1,496,760	559,482	386,804
Other	258,384	9,345	126,505
<b>Total Liabilities</b>	<b>1,755,144</b>	<b>568,827</b>	<b>513,309</b>
<b>Net Assets/(Liabilities)</b>	<b>34,686</b>	<b>1,222,962</b>	<b>2,204,359</b>

William Buck Audit (Vic) Pty Ltd has prepared an Investigating Accountants' Report which incorporates the audited financial information for Novatti Pty Ltd and its controlled subsidiaries to 30 June 2015 and has used this information to prepare a pro-forma statement of financial position following completion of the Offer. Please refer to Section 10 of the Prospectus for further information.

In the current (2015/16) financial year, the Group has generated approximately \$1,343,000 in revenue, and has an additional approximately \$1,310,000 of unbilled revenue contracted for receipt in the 2015/16 financial year. In addition, Novatti has a sales pipeline that the Board believes will deliver additional revenue during the 2015/16 financial year. It is intended that revenue will increase from the Flexepin and TransferBridge business units over coming months as marketing, development and sales initiatives are further progressed.

No assurance can be given that the Group will achieve commercial viability through implementation of the business plan and accordingly an investment in the Company should be considered high risk.

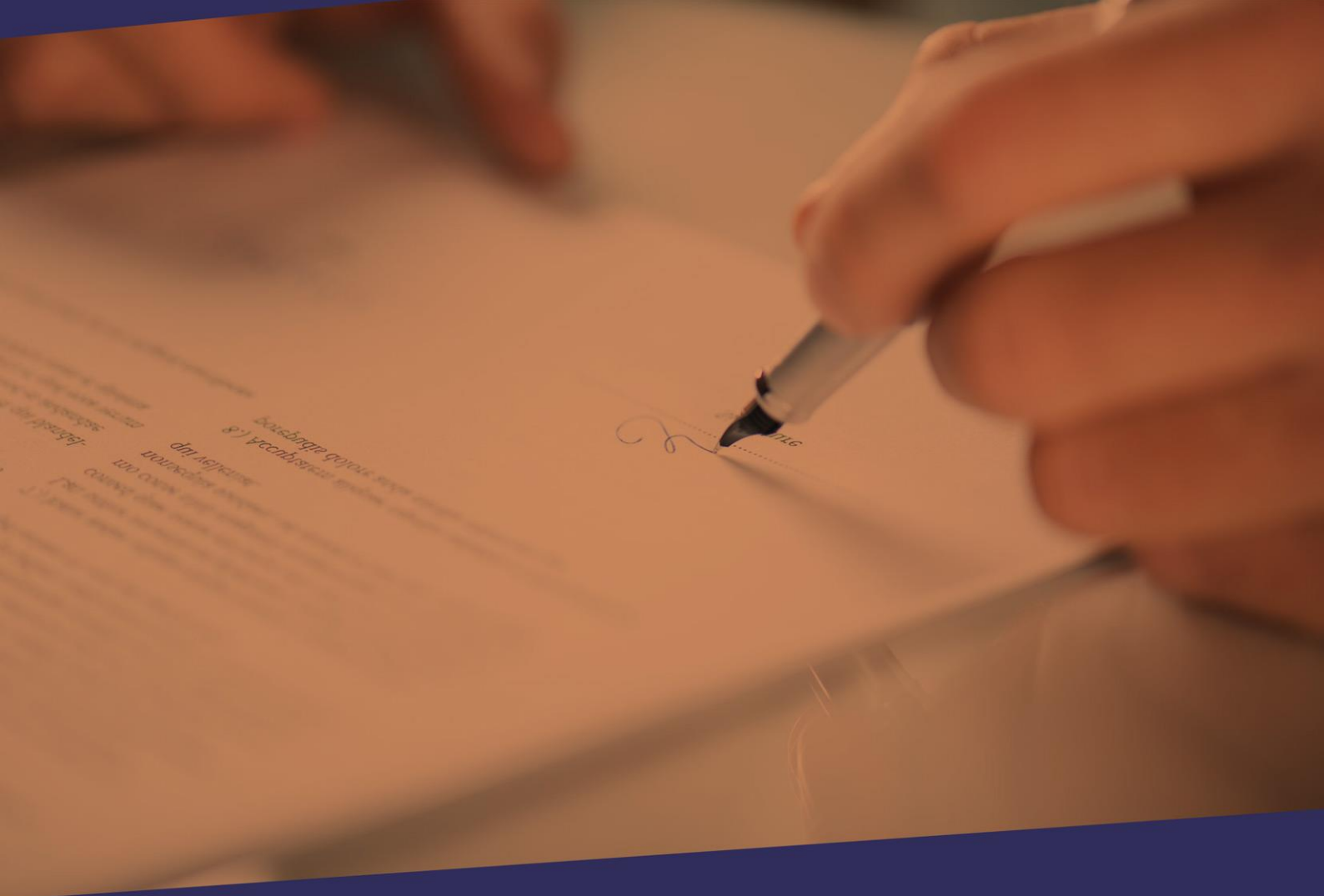
## 9.2 Pro-forma statement of financial position

A consolidated pro-forma historical statement of financial position as at 30 June 2015 for the Group is contained in the Annexure to the Investigating Accountant's Report.

The pro-forma historical financial information has been derived from the audited historical financial information of Novatti Pty Ltd and its controlled subsidiaries as at 30 June 2015, after

adjusting for the effects of any subsequent events described in Note 2 in the Annexure and the pro forma adjustments described in Note 2 in the Annexure to the Investigating Accountant's Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro-forma adjustments relate, as described in Note 2 in the Annexure to the Investigating Accountants' Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro-forma historical financial information does not represent the Company's or Group's actual or prospective financial position.

Applicants should read the Investigating Accountant's Report in full before making any investment decision.



## **10. Investigating Accountant's Report**





8 December 2015

The Directors  
Novatti Group Limited  
Level 1, 293 Swanson Street  
MELBOURNE VIC 3000

Dear Sirs

## INVESTIGATING ACCOUNTANT'S REPORT FOR NOVATTI GROUP LIMITED

### Introduction

This Investigating Accountant's Report ('the Report') has been prepared at your request for inclusion in the Replacement Prospectus ('Prospectus') to be dated on or about 8 December 2015 to be lodged with the Australian Securities and Investment Commission in respect of the issue of 20,000,000 ordinary shares to raise of \$4,000,000, up to a maximum of 35,000,000 ordinary shares to raise \$7,000,000 in Novatti Group Limited (the 'Company').

The issue is not underwritten. Expressions and other terminology defined in the Prospectus have the same meaning in this Report.

### Basis of Preparation

The report has been prepared to provide investors with information on the historical results and the financial position of Novatti Group Limited and its controlled entities (the 'Group') and to provide investors with a pro-forma statement of financial position of the Group, as at 30 June 2015 adjusted to include funds raised by this Prospectus and related transactions, as referred to in Note 2 of the Annexure.

This Report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, the risks associated with the investment, nor form the basis of an Expert's opinion with respect to a valuation of the Group or a valuation of the share issue price at 20 cents.

William Buck Audit (VIC) Pty Ltd ('William Buck') has not been requested to consider the prospects for Novatti Group Limited nor the merits and risks associated with becoming a shareholder, and accordingly, has not done so, nor purports to do so. William Buck accordingly takes no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report. Risk factors, including those that specifically discuss the risks that may arise should the transaction not succeed in meeting the minimum fundraising objectives and regulatory approvals thereon accommodating those fundraising objectives, are set out in detail in Section 11 of the Prospectus.

#### CHARTERED ACCOUNTANTS & ADVISORS

**Melbourne Office**  
Level 20, 181 William Street  
Melbourne VIC 3000

**Hawthorn Office**  
Level 1, 465 Auburn Road  
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142  
Telephone: +61 3 9824 8555  
[williambuck.com](http://williambuck.com)

## Scope of report

William Buck has been requested to:

- a. report whether anything has come to our attention which would cause us to believe that the historical financial information disclosed in the Annexure to this report is not fairly presented in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Novatti Group Limited, and
- b. report whether anything has come to our attention which would cause us to believe that the pro forma financial information disclosed in the Annexure to this report is not presented fairly in accordance with the basis of preparation and assumptions applied in preparing the financial information as set out in note 2 to the Annexure and with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Consolidated Entity.

The directors of Novatti Group Limited have prepared, and are responsible for, the historical and pro-forma financial information included in the Annexure to this report.

This report does not express an audit opinion on the historical and pro forma financial information included in the Annexure to this report.

## Conclusions

### *Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information, as set out in the Annexure of this report is not presented fairly in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Novatti Group Limited.

### *Pro Forma Financial Information*

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe the pro forma financial information, as set out in the Annexure of this report is not presented fairly in accordance with the basis of preparation in the Annexure and applied in preparing the financial information as set out in note 2 to the Annexure with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Group.

## Independence

William Buck does not have any interest in the outcome of the listing of the shares, other than in connection with the preparation of this report for which normal professional fees will be received. With the exception of this Investigating Accountant's Report, William Buck was not involved in the preparation of any part of the Prospectus, and accordingly, makes no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

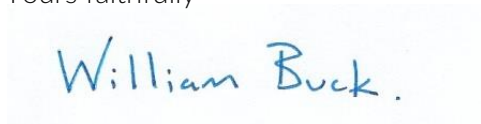
## Responsibility

Consent to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it appears has been given, but should not be taken as an endorsement of the Company or a recommendation by William Buck of any participation in the share issue by any intending investors. At the date of this report our consent has not been withdrawn.

## General Advice Limitation

This Report has been prepared and included in the Prospectus to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on this information contained in this Report. Before acting or relying on information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully



**William Buck Audit (VIC) Pty Ltd**

ABN 59 116 151 136



**J. C. Luckins**

Director

Dated in Melbourne, Australia this 8<sup>th</sup> day of December, 2015

## Annexure

Historical and Pro-forma Financial Information of the Group

Consolidated statements of financial position as at 30 June 2015

	<b>Note</b>	<b>Audited Actual Novatti Group Limited 30 June 2015 \$</b>	<b>Pro-forma Minimum 30 June 2015 \$</b>	<b>Pro-forma Maximum 30 June 2015 \$</b>
<b>Current Assets</b>				
Cash and cash equivalents	3	279,284	4,900,308	7,699,008
Trade and other receivables	2h)	1,065,167	1,065,242	1,065,242
Financial assets		30,925	30,925	30,925
Other assets		264,619	264,619	264,619
<b>Total Current Assets</b>		<b>1,639,995</b>	<b>6,261,094</b>	<b>9,059,794</b>
<b>Non-current Assets</b>				
Property, plant and equipment		9,293	9,293	9,293
Other non-current assets		140,542	140,542	140,542
<b>Total Non-current Assets</b>		<b>149,835</b>	<b>149,835</b>	<b>149,835</b>
<b>Total Assets</b>		<b>1,789,830</b>	<b>6,410,929</b>	<b>9,209,629</b>
<b>Current Liabilities</b>				
Trade and other payables	2e)	972,548	839,969	839,969
Employee benefits		164,505	164,505	164,505
Borrowings	2a)	359,707	-	-
<b>Total Current Liabilities</b>		<b>1,496,760</b>	<b>1,004,474</b>	<b>1,004,474</b>
<b>Non-current liabilities</b>				
Employee benefits		8,384	8,384	8,384
Other non-current liabilities	2e)	250,000	-	-
<b>Total Non-current Liabilities</b>		<b>258,384</b>	<b>8,384</b>	<b>8,384</b>
<b>Total Liabilities</b>		<b>1,755,144</b>	<b>1,012,858</b>	<b>1,012,858</b>
<b>Net Assets</b>		<b>34,686</b>	<b>5,398,071</b>	<b>8,196,771</b>
<b>Equity</b>				
Issued capital	4	3,458,122	8,821,507	11,620,207
Accumulated losses		(3,423,436)	(3,423,436)	(3,423,436)
<b>Total Equity</b>		<b>34,686</b>	<b>5,398,071</b>	<b>8,196,771</b>

*These statements should be read in conjunction with the accompanying Annexure*

## Annexure

### Notes to the Financial Information

#### 1. Summary of Significant Accounting Policies

##### Basis of preparation

The financial information included in this Annexure relates to the historical information of Novatti Group Limited and its controlled entities (the “Group”), and of the significant transactions set out in Note 2, which include those set out in the Prospectus document to which this report is addressed.

The financial information included in this Annexure has been prepared in accordance with the measurement and recognition criteria of applicable Australian Accounting Standards, mandatory professional reporting requirements, the specific accounting policies detailed in this Note 1 and the adjustments and assumptions detailed in Note 2.

Certain disclosure requirements under the *Corporations Act 2001* and applicable Australian Accounting Standards have not been included where the information which would be disclosed is not considered material or relevant to potential investors.

The historical financial information in this Annexure adopts the accruals basis of accounting, which includes the historical cost convention and the going concern assumption. All amounts have been presented in Australian dollars, which is the functional and presentation currency of each separate entity represented in this Annexure. The significant accounting policies which have been adopted in the preparation of the historical and pro-forma historical financial information (collectively referred to as the “financial information”) are as follows:

##### Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding the fact that for the year ended 30 June 2015 the Group generated a loss of \$944,173 (2014: loss of \$981,397) and incurred net cash outflows from operations of \$482,581 (2014: outflows of \$866,115). As at 30 June 2015 the Group had net assets of \$34,686 (2014: \$1,222,962) and positive working capital of \$373,584 (2014: positive working capital of \$760,738).

The directors are confident of the ability of the Company and the Group to continue as a going concern. In arriving at this position, the directors have given consideration to the following aspects and developments in the Company and the Group’s position:

##### *Capital raising*

The directors plan to raise additional equity capital to finance the continued operating and capital requirements of the Company. Amounts raised will be used to further develop the Company and the Group’s products and for other working capital purposes. While the Company will extend its best efforts to raise additional capital to fund all operations for a period of at least 12 months from the date of this report, the directors can provide no assurances that the Company will be able to raise such sufficient funds.

## Annexure

### Notes to the Financial Information

#### 1. Summary of Significant Accounting Policies (*continued*)

##### Going Concern (*continued*)

###### *Amounts payable to related parties*

The Company and the Group required strong support from associated entities and shareholders to fund operations during the year. The Company and the Group's current borrowings as at 30 June 2015 are loans from shareholders and associated entities. Subsequent to 30 June 2015, as noted in Annexure 2a), these loans were converted into ordinary shares at \$0.16 per share.

In addition a significant portion of the Company and the Group's total trade payables as at 30 June 2015 represent amounts payables to shareholders. Subsequent to 30 June 2015, as noted in Annexure 2e), the amounts payable to shareholders, were converted into ordinary shares at \$0.16 per share.

###### *Positive cash flow forecasts*

Notwithstanding that during the year ended 30 June 2015, the Company and the Group required strong working capital support from associated entities and shareholders to fund its ongoing operations, the directors have reviewed cash flow forecasts which have been prepared to consider a period of at least 12 months from the date of signing of this report and have a reasonable expectation that the Company and the Group will generate sufficient cash inflows to support operational expenditures and contractual commitments.

The directors are confident that the Company has taken the necessary steps to ensure that it has sufficient cash flows to meet commitments for a period of at least 12 months from the date of this report. Therefore, the financial statements have been prepared on the basis that the Company and the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

##### Principles of consolidation

A controlled entity is any entity controlled by an accounting acquirer. Control exists where an entity has the capacity and power to govern the decision-making in relation to the financial and operating policies of an investee and also participate in the variable returns of that investee.

All inter-group balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistencies with those policies adopted by the parent entity.

## Annexure

### Notes to the Financial Information

#### 1. Summary of Significant Accounting Policies (*continued*)

##### Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entity where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## Annexure

### Notes to the Financial Information

#### 1. Summary of Significant Accounting Policies (*continued*)

##### Income tax (*continued*)

The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

##### Financial Instruments

###### *Recognition and initial measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

###### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.



## Annexure

### Notes to the Financial Information

#### 1. Summary of Significant Accounting Policies (*continued*)

##### Financial Instruments (*continued*)

###### *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

###### **Impairment of assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

###### **Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

###### **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

## **Annexure**

### **Notes to the Financial Information**

#### **1. Summary of Significant Accounting Policies (*continued*)**

##### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

##### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## Annexure

### Notes to the Financial Information

#### 2. Assumptions Applied in Preparing the pro-forma Financial Information

The pro-forma financial information has been included for illustrative purposes to reflect the position of both transacting entities on the assumption that the following transactions had occurred as at 30 June 2015:

*Significant transactions that have taken place between 30 June 2015 and the date of this Prospectus*

- a) Borrowings owing to Ezipin International of \$100,000 as at 30 June 2015 have been subsequently repaid. The remaining borrowings as at 30 June 2015 of \$259,707 have been restructured with Brayter Limited as per terms noted in (c);
- b) A further \$150,000 loan was obtained from Ezipin International on 31 July 2015 and have been subsequently repaid in full;
- c) The Company entered into \$1,068,833 of convertible loans, receiving a total of \$809,126 (\$259,707 was from the restructure of existing loan as at 30 June 2015). All of these convertible loans are convertible into ordinary shares with face value conversion at \$0.16 per share. On 31 October 2015, the total \$1,068,833 convertible loan on issue were converted into 6,680,206 ordinary shares;
- d) On 23 November 2015, the Company issued 2,562,500 ordinary shares at \$0.16 each, receiving of total of \$410,000 in pre-IPO capital; and
- e) \$250,000 in non-current liabilities and \$132,579 in trade payables to Coomar Pty Ltd outstanding as at 30 June 2015 was assigned to Corangamite Pty Ltd in accordance with the Deed of Assignment of Debt dated 31 October 2015 between the two parties. This debt was subsequently settled through the issue of 2,391,120 ordinary shares at \$0.16 each.

*Transactions that form part of this Prospectus*

- f) Novatti Group Limited will allot and issue 20,000,000 fully paid ordinary shares to raise \$4,000,000 at 20 cents per share, up to a maximum of 35,000,000 fully paid ordinary shares to raise \$7,000,000 at 20 cents per share;
- g) The Company will incur capital raising costs in-respect of the shares issued under this Prospectus. These costs are set out in Section 13.11 of this Prospectus; and
- h) With the exception of GST claimable on 75% of the share registry set up fees, all other capital raising cost in-respect of the shares issued under this prospectus are not entitled to GST credits.

## Annexure

### Notes to the Financial Information

#### 3. Cash and cash equivalents

	<b>Note</b>	<b>Minimum</b>	<b>Maximum</b>
Cash and cash equivalents		279,284	279,284
Proceeds from borrowings	2b) c)	959,126	959,126
Repayment of borrowings	2a) b)	(250,000)	(250,000)
Issue of shares under the Prospectus	2f)	4,000,000	7,000,000
Pre seed capital received	2d)	410,000	410,000
Costs of capital raising	2g)	(498,102)	(699,402)
		<b>4,900,308</b>	<b>7,699,008</b>

#### 4. Issued capital

	<b>Note</b>	<b>Minimum</b>	<b>Maximum</b>
Issued capital		3,458,122	3,458,122
Conversion of loan to equity through the issue of 6,680,206 shares at 16c per share	2c)	1,068,833	1,068,833
Settlement of trade and other payables through the issue of 2,391,120 at 16c per share	2e)	382,579	382,579
Issue pre seed shares	2d)	410,000	410,000
Issue of shares under the Prospectus	2f)	4,000,000	7,000,000
Capital raising costs	2g)	(498,102)	(699,402)
GST claimable on capital raising costs	2h)	75	75
		<b>8,821,507</b>	<b>11,620,207</b>

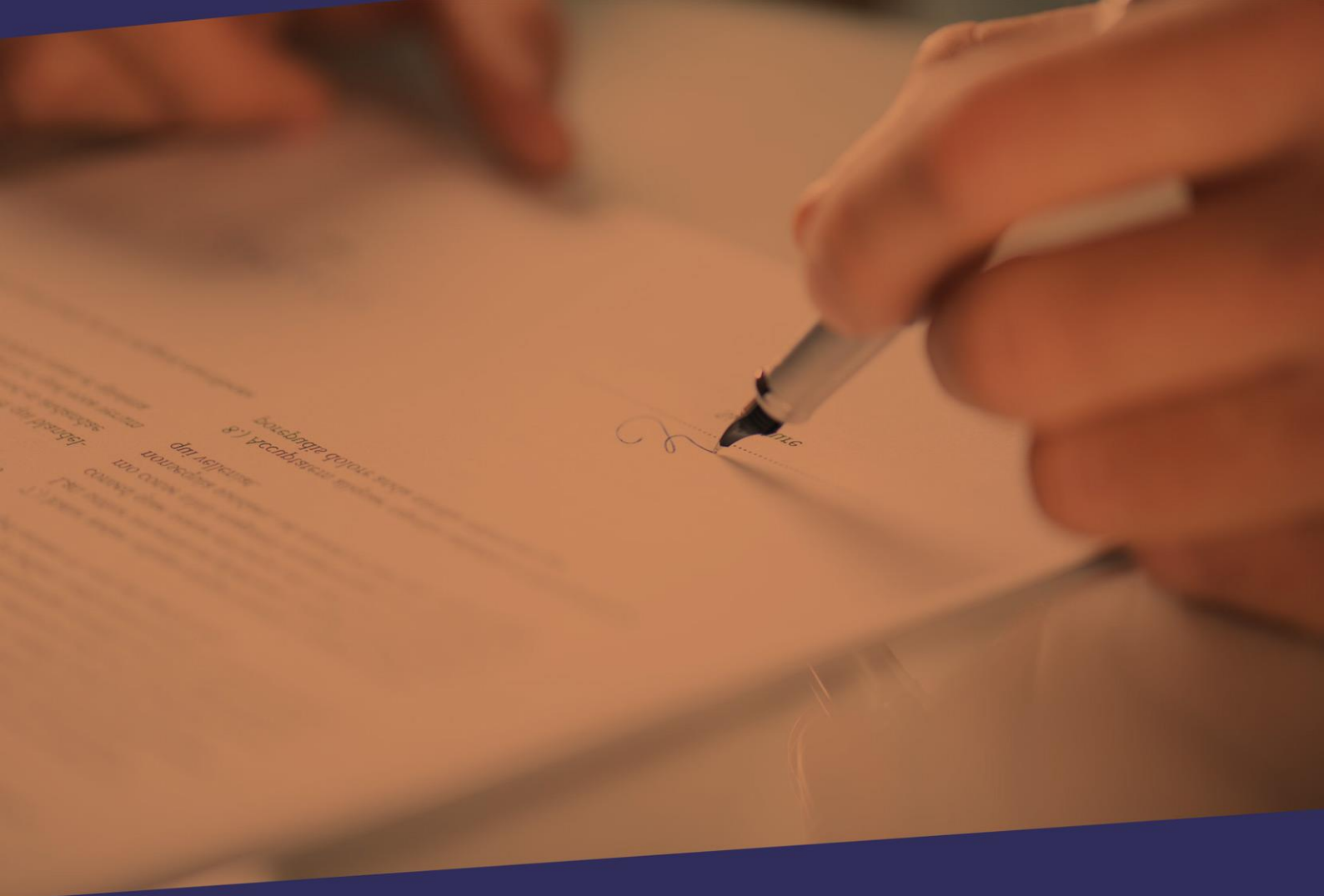
#### 5. Contingent Liabilities and Commitments

For details concerning significant and material contracts that either represent contingent liabilities or legal commitments, refer to Sections 8.6 and 12 of the Prospectus.

#### 6. Related party transactions

For details of related party transactions forming part of the Prospectus, refer to Section 8.6.

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## 11. Risk Factors



## 11. Risk Factors

The Shares offered under this Prospectus should be considered speculative because of the nature of the Group's business. There are numerous risk factors involved with the Group's business. This Section identifies the major areas of risk associated with an investment in the Group, but should not be taken as an exhaustive list of the risk factors to which the Group and its Shareholders are exposed.

Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Group and cannot be mitigated. Accordingly, an investment in the Group carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade. Potential investors should read the entire Prospectus and consult their professional advisers before deciding whether to apply for Shares.

### 11.1 Risks specific to the Group

A number of specific risk factors that may impact the future performance of the Group, the Novatti Platform and the operations of the Group are described below. Shareholders should note that this list is not exhaustive.

#### (a) Regulatory and licencing risk

The Group 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 the Group'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 the Group's business.

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

The Group, 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 Novatti Platform or other products sold by the Group and its subsidiaries. In particular:

- The Flexewallet business unit is the holder of an Australian Financial Services Licence (AFSL), which is subject to various terms, conditions and obligations.
- The Flexewallet business unit is registered with Austrac to conduct certain activities related to money remittance, which is subject to various terms, conditions and obligations.
- The Flexewallet business unit may require registration with financial regulatory authorities in other markets during the course of its business operations.
- The TransferBridge business unit may require registration with Austrac and similar authorities in other markets during the course of its business operations.

A failure to comply with, or adjust to variations of, this AFSL, Austrac requirements or overseas financial regulations may result in the Group adapting or withdrawing certain products, which may adversely affect the Group and its business units.

The Group's platforms and products 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 the Group's platforms or products in those jurisdictions or the ability of the Group or its partners to conduct business in those jurisdictions.

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

One of the Group's key strengths is technology advantages, however such advantages are typically short lived in the information and communications technology industry. Accordingly, the Group'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 the Group.

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

The Group intends to deploy the Novatti Platform 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. The Group will be dependent on the ability of the Novatti Platform to operate on such platforms, devices, operating systems and applications. The Group 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 the Novatti Platform or give preferential treatment to competitive products could adversely affect usage of the Novatti Platform.

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

In some instances, the Group 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. The Group 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 the Novatti Platform, including applying prohibitive costs, usage of the Novatti Platform may be negatively impacted. Further, any reduction in levels of trust or confidence in online integrity may negatively impact usage of the Novatti platform.

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

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

**(f) Risk of theft.**

The Group 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 the Group designs for and mitigates such risk, if theft was to occur, this has the potential to directly cost the



Group or to undermine confidence in the Group or its solutions. A reduction in confidence may negatively impact the current and future prospects of the Group.

**(g) Risk of fraud**

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

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

The new business units of TransferBridge and Flexewallet have less than a year of 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**

The Group'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 the Group's operations. Furthermore, if the Group is unable to attract, train and retain key senior individuals, its business may be adversely affected.

**(j) Need to attract and retain skilled staff**

The Group'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 the Group 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 the Group's business.

**(k) Need to remain globally competitive**

The majority of the Group's staff is in Victoria, which is a relatively high cost economy. Given that the Group competes in many overseas markets, the Group 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**

The Group will rely on relationships with key business Channel Partners to enable it to continue to promote the Novatti Platform. A failure to recruit, train and maintain Channel Partners and develop relationships could result in a withdrawal of support, which in turn could impact the Group's financial position.

**(m) Reliance on continual product development**

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



customers, the Group 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 the Group will not be able to manage rapid growth of the business. The capacity of the Group to properly implement and manage business growth particularly in its subsidiaries may affect the Group's financial performance.

**(o) Brand establishment and maintenance**

The Group believes that establishing and maintaining the brand credibility of the Novatti Platform in the mobile payments industry is important to growing its proposed customer base and product acceptance. This will depend largely on the Group's ability to provide solutions utilising useful and innovative features of the Novatti Platform. 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 the Novatti Platform. If the Group fails to successfully establish and maintain its Novatti Platform brand, its business and operating results could be adversely affected.

**(p) Foreign Corruption and Bribery**

The Group 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 the Group fails to adhere to relevant legislation from Australia and other countries in relation to acts of corruption and bribery and places the Group in an adverse legal position. Such an event could lead to reputational damage, contract termination or renegotiation, direct costs and loss of revenue to the Group.

**(q) Operating system changes**

The Group 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 the Group'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 the Group 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 the Group 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**

The Group utilises open source software in a number of its products and will use open source software in the future. The terms of many open source licences to which the Group 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 the Group's ability to provide or distribute its products.

**(s) Protection of the Group's intellectual property rights and infringement of third party intellectual property rights**

The Group has trade secrets and other intellectual property rights that are important assets. The Group 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. The Group 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 the Group 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 the Group fails to protect its intellectual property secrets, competitors may gain access to its technology, which could harm its business.

If a third party accuses the Group of infringing its intellectual property rights or if a third party commences litigation against the Group for the infringement of patent or other intellectual property rights, the Group may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation is expensive. Costs that the Group 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 the Group may be able to obtain injunctive or other equitable relief that could prevent the Group from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against the Group, 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 the Group from commercialising available products and could cause it to incur substantial expenditure.

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

The Novatti Platform contains complicated programming and its objectives are to quickly develop and launch new and innovative products and features. The Novatti Platform 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 brand of the Novatti Platform, loss of customers, loss of platform partners, fall in revenues or liability for damages, any of which could adversely affect the Group's business and operating results.

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

Should the Group'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 the Group make changes to limit or make more difficult for customers to access its products, the Group's business and operating results may be affected. The Group'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 the Group's products could adversely affect its business and operating results.

**(v) Customer service**

The Group 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 the Group 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 the Group's products or services. If this occurs it may negatively affect the Group's revenues.

Additionally the Group 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 the Novatti Platform or services. If this occurs it may negatively affect the Group's revenues.

**(w) Competition**

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

**(x) Changes in technology**

The Group'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 the Group. Further, the cost of responding to changing technologies is unpredictable and may impact the Group's profitability or, if such cost is prohibitive, may reduce the Group's capacity to expand or maintain its business. The Group 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 the Group 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**

The Group 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 the Group by rapidly transitioning the foreign exchange market, financial process flows and technology. Should the Group fail to react appropriately to any such changes the Group's competitiveness may be negatively affected which would in turn negatively affect the revenues and prospects of the Group's business units.

**(z) Hosting provider disruption risk**

The Group 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 Platform delivered by that provider may also be disrupted.

**(aa) Data loss, theft or corruption**

The Group, 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 the Group's reputation, revenues and profitability. If the Group'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 the Novatti Platform.

**(bb) Misuse of the Novatti Platform – privacy and surveillance legislation**

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

**(cc) Insurance**

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

**(dd) Liquidity and realisation risk**

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. On completion of the Offer (assuming Minimum Subscription) 56.6% of the Shares will be subject to escrow, only 43.4% of the Shares will be freely tradable at completion of the Offer. With the limited free float, there may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the Shares.

Further, there is a risk that once the Shares subject to escrow or trading restrictions are released from the restrictions attaching to them, there may be a significant sell down by the holders of those Shares. In the context of the limited free float and potential volatility mentioned above, this may affect the prevailing market price at which Shareholders are able to sell their Shares.

**(ee) Additional requirements for capital**

The Group's capital requirements depend on numerous factors. Depending on the Group's ability to generate income from its operations, the Group 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 the Group 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, the Group 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 the Group, its business or its market, or if they change their recommendations regarding the Group's securities adversely, the price of its securities and trading volumes could be adversely affected

The market for the Group'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 the Group and its products change previously disclosed recommendations on the Group or for that matter its competitors, the price of its securities may be adversely affected.

- (hh) The Group does not expect to declare any dividends in the foreseeable future

The Group 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 the Group's goodwill or intangible assets become impaired, it may be required to record a significant charge to earnings

Under Generally Accepted Accounting Principles, the Group 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.

## 11.2 General Risks

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

- (a) General economic climate

Factors such as inflation, currency fluctuation, interest rates and supply and demand have an impact on operating costs, and stock market prices. The Group's future revenues and securities' prices may be affected by these factors, which are beyond the Group's control.

- (b) 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 Group. Changes in government policy or statutory changes may affect the Group and the attractiveness of an investment in it.

- (c) Global credit and investment market

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 Group 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 Group's Shares trade regardless of operating performance, and affect the Group's ability to raise additional equity and/or debt to achieve its objectives, if required.

- (d) Exchange rate risk

The Group currently operates in a global market place with the majority of its customers based overseas and contracts denominated in foreign currencies. The Group may also source products and services from overseas.

If the Australian dollar rises in relation to the currency in which the contract is denominated or falls in relation to the currency in the country in which a product or service is sourced from, then since the Group's financial statements are prepared in Australian dollars, this may impact its performance and position.

**(e) Unforeseen risk**

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

**(f) Combination of risks**

The Group 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 Group.

**(g) Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Group is not aware of any additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Group.

**(h) Sharemarket conditions**

The market price of the Group's securities may be subject to varied and unpredictable influences on the market for equities.

**(i) Long term investment**

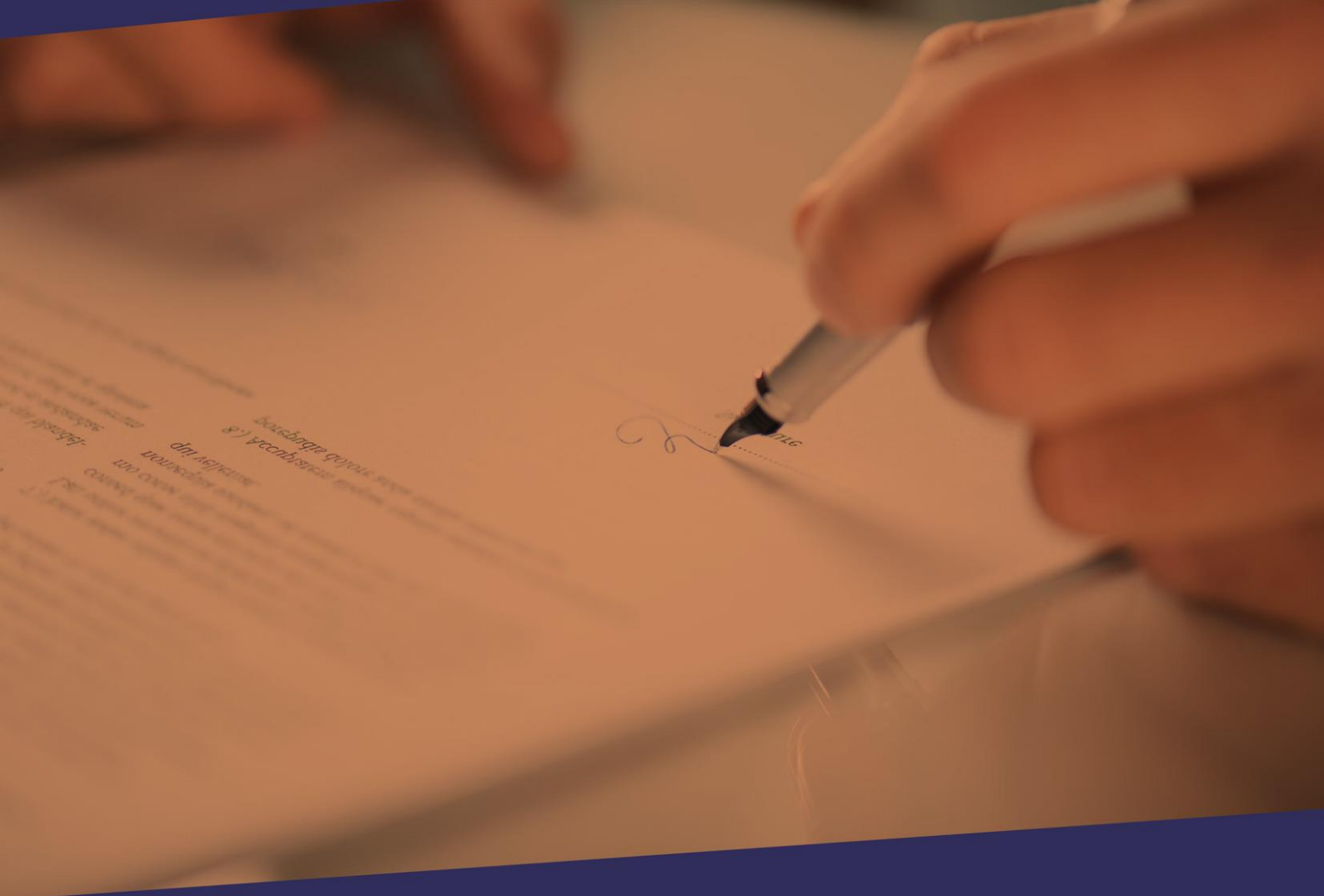
Investors are strongly advised to regard an investment in the Group as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. The Group cannot guarantee its future earnings and cannot provide a guaranteed level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

**(j) Speculative nature of investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Group or by investors in the Group. The above factors and others not specifically referred to above may in the future materially affect the financial performance of the Group and the value of the Shares offered under this Prospectus. Therefore, the Shares offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the Shares.

Potential investors should consider that the investment in the Group is speculative and should consult their professional advisors before deciding whether to apply for Shares.





## 12. Material Contracts





## 12. Material Contracts

### 12.1 TTCL Supply and Installation Contract

Novatti is contracted with Tanzania Telecommunications Company Limited (TTCL) pursuant to a supply and installation contract dated 22 June 2015 (**TTCL Agreement**) for the provision by Novatti of design, manufacture, installation and commission services for a mobile money system for TTCL, together with ongoing support and maintenance services.

The mobile money system is intended to provide TTCL customers with a digital wallet linked to their mobile phone service, enabling them to conduct basic transaction banking such as transferring funds to other TTCL customers, paying bills and depositing and withdrawing cash at agents for the service.

The material terms and conditions of the TTCL Agreement governing the ongoing contractual relations between Novatti and TTCL are set out below.

#### (a) Supply, installation and commissioning

Novatti is required to supply and install the hardware for the system in accordance with a specified technical schedule, including a USSD gateway sub-system, databases and the Novatti Platform. In addition, Novatti is required to provide the professional services to implement the system.

Novatti has procured and installed the hardware components, has procured the third party USSD gateway sub-system and has delivered the first iteration of the application software. Further works to be completed include integration to other sub-systems, completion of certain application software and user testing.

#### (b) Licence

TTCL is granted for the term of the agreement a non-exclusive licence to use the Novatti Platform in connection with the TTCL mobile money system.

The agreement provides for an initial licence for the use of the system by up to 400,000 customers of TTCL, with allowance for this number to increase during the term of the agreement at no extra cost to TTCL.

Novatti retains the intellectual property rights to the Novatti Platform. The copyright in all drawings, documents and other materials containing data and information remains the property of Novatti or the third party holder of such copyright, as the case may be.

#### (c) Support and maintenance services

Novatti must provide support and maintenance services in accordance with nominated severity levels, service levels and performance standards.

This includes ongoing training of TTCL personnel, providing a central point of contact between the parties, managing technical incidents and problems and requests for technical support and service, and maintaining a dedicated contact for reporting technical issues or requesting assistance at any time of day.

In the provision of these services, Novatti must exercise of reasonable skill and care expected in the circumstances of skilled and experienced suppliers of services in the nature of the services provided, and comply with any reasonable instruction or direction of TTCL.



#### (d) Fees

The agreement provides for payment by TTCL of a fixed aggregate price for the services, payable periodically over the term of the agreement. The bulk of this price is payable within the first year following successful installation of the mobile money system.

#### (e) Term and termination

The contract is for five years, incorporating both the supply and install, and support and maintenance phases.

TTCL may request a suspension of the performance of all or part of the contract at any time. Where such suspensions exceed 90 days in aggregate, Novatti has the right to request either a resumption of the contract or variation of the contract. If TTCL fails to act on such request, Novatti may terminate the contract.

Novatti may suspend the performance of all or part of the contract if amounts due and payable by TTCL remain unpaid or Novatti is unable to carry out its obligations due to any reason attributable to TTCL. During such period of suspension, the time for completion shall be extended accordingly.

TTCL may terminate the contract for any reason by giving notice to Novatti. In such circumstances, TTCL shall pay to Novatti the contract price properly attributable to work undertaken to that date by Novatti, plus costs associated with equipment removal, personnel repatriation, subcontractor cancellation charges, site departure and related third party commitments made by Novatti in good faith prior to termination.

TTCL may terminate the contract forthwith if Novatti: (1) suffers an insolvency event, (2) assigns or transfers its interest in the contract without TTCL consent, (3) engages in corrupt or fraudulent practices or (4) persistently breaches, repudiates or is unable to perform the contract and does not rectify within 14 days of being notified by TTCL to that effect.

Novatti may terminate the contract forthwith if: (1) amounts due and payable by TTCL remain unpaid or Novatti is unable to carry out its obligations due to any reason attributable to TTCL, and notices to remedy same within 28 days are not satisfied, or (2) TTCL suffers an insolvency event.

#### (f) Warranties

Novatti warrants that the installed facilities shall be free from defects in the design, engineering, programming, materials and workmanship.

Novatti has provided an extended, five year warranty in respect of all items supplied and installed under the contract.

#### (g) Securities and Guarantees

**Performance Security:** The agreement provides for a performance security equal to 10% of the contract price (in the form of a bank guarantee) to cover Novatti's extended warranty. This reduces by half on the date of preliminary acceptance certification (PAC) and is released completely at the end of the extended warranty period, which is five years from operational acceptance.

**Completion Guarantee:** If Novatti does not complete the installation within the set time for completion, it will pay liquidated damages of 0.1% of the contract price per day (excluding Tanzanian public holidays) up to a maximum equal to the performance security, after which TTCL shall have the right to terminate the contract.

**Defect Liability:** Novatti warrants that the installed facilities shall be free from defects in the design, engineering, programming, materials and workmanship. There is a defect liability period of five years from operational acceptance (the extended warranty period), during which

Novatti is obliged to remedy any defect at its own cost. This period is extended for the same periods of any operational downtime caused by defects. Novatti is under no liability beyond this period, except as a result of Novatti's gross negligence, fraud, criminal or wilful action.

**Functional Guarantee:** If Novatti fails to meet the minimum level of functional guarantees for the system, TTCL may terminate the contract. If the minimum level is met, but the functional guarantee not fully met, then Novatti must make all necessary modifications at its own expense, or pay liquidated damages up to the maximum value of the performance security which shall satisfy Novatti's functional guarantee under the contract.

#### (h) Indemnity and limitation

Each party indemnifies the other against all claims and liabilities arising as a result of the licence or services provided under the agreement infringing intellectual property rights of third parties. Novatti indemnifies TTCL against all claims and liabilities arising from the death or injury of any person or loss/damage to any property arising in connection with the supply and installation of the system.

Novatti's liability for all claims under the agreement shall not exceed the contract price. Except for cases of criminal negligence or wilful misconduct, Novatti shall not be liable for any indirect or consequential loss or damage, loss of use, loss of production or loss of profits or interest costs. This does not apply to liquidated damages provisions.

#### (i) Confidentiality and privacy

Standard confidentiality provisions apply to both TTCL and Novatti, and survive termination of the agreement.

#### (j) Subcontracting and assignment

Novatti may subcontract its obligations under the agreement only to those subcontractors nominated in the contract. None are so nominated.

Neither party may assign or novate the agreement without the prior written consent of the other party, not to be unreasonably withheld.

#### (k) Governing law and dispute resolution

The agreement is governed by the laws of the United Republic of Tanzania. Disputes are to be referred to an adjudicator appointed by the Tanzanian National Construction Council (NCC) or, if either party is not satisfied with the adjudicator's decision, by arbitration in accordance with NCC rules.

The TTCL Agreement is otherwise on terms and conditions considered customary for agreements of that nature.

## 12.2 Unico Software and Master Services Agreement

Novatti is contracted with Unico pursuant to a software and master services agreement undated but commencing 19 May 2014 (**Unico Agreement**) for the provision by Novatti, to a leading Australian enterprise client of Unico, of a customised voucher management system application on a number of platforms, including production, testing and disaster recovery platforms, together with ongoing support and maintenance services, in accordance with approved SOWs.

As at the date of this Prospectus, Novatti has delivered all of its requirements for the provision of the voucher management system, and the agreement is in the ongoing support and maintenance phase.

The material terms and conditions of the Unico Agreement governing the ongoing contractual relations between Novatti and Unico are set out below.

**(a) Licence**

Novatti has granted to Unico an irrevocable, royalty free, perpetual, non-exclusive, right to use, modify, adapt, enhance, and develop prior technology rights in connection with the voucher management system for the sole purpose of Unico providing the project deliverables to its third party customer.

Novatti retains all intellectual property rights to the software unless assigned in a particular SOW.

**(b) Support and maintenance services**

Novatti must provide support and maintenance services in accordance with nominated service levels and performance standards.

This includes providing training and user documentation.

**(c) Fees**

Unico has agreed to pay a fixed annual price for ongoing maintenance and support services, payable periodically over the remaining term of the agreement.

**(d) Term and termination**

The contract expires on 18 May 2016 and automatically renews for a further 12 months (unless terminated no less than 60 days prior to the end of the initial term).

Unico may terminate the contract for any reason with or without cause by giving notice to Novatti 30 days' prior notice.

Either party may terminate the contract on 14 days' notice if the other: (1) suffers an insolvency event, or (2) breaches the agreement and does not rectify within a specified period of being notified to that effect.

In addition, Novatti may terminate the contract on 14 days' notice if amounts due and payable by Unico remain unpaid in excess of 90 days past the due date for payment.

**(e) Warranties**

Novatti provides standard warranties regarding the provision of hardware and software, including that it will not introduce any software virus or other disruptive software element, and that it has all the skills, resources, expertise and personnel necessary to perform its obligations.

**(f) Indemnity and limitation**

Novatti indemnifies Unico for claims, losses and costs it incurs or sustains as a result of a breach of warranties by Novatti.

Novatti's cumulative liability for all claims under the agreement and any SOW will not exceed the greater of: (1) the aggregate of all recoverable insurance claims made under relevant policies required to be maintained under the agreement and (2) the amount paid or payable by Unico pursuant to the SOW under which the claim was made. This does not exclude liability for death or personal injury resulting from Novatti's negligence, fraud or wilful default.

Neither party will be liable for any special, indirect or consequential loss or damage.

(g) **Confidentiality and privacy**

Standard confidentiality provisions apply to both Unico and Novatti, and survive termination of the agreement.

(h) **Assignment**

Neither party may assign or novate the agreement without the prior written consent of the other party, not to be unreasonably withheld.

(i) **Governing law and dispute resolution**

The agreement is governed by the laws of the Victoria. Disputes that cannot be resolved by management representatives are to be referred to mediation by the Australian Commercial Disputes Centre.

The Unico Agreement is otherwise on terms and conditions considered customary for agreements of that nature.

## **12.3 epay Supply and Distribution Agreement**

Flexewallet has entered into a supply and distribution agreement with epay, dated 29 September 2015 which sets out the base terms for the marketing and distribution by epay of Flexewallet prepaid voucher products to retailers.

The material terms and conditions of the agreement are set out below.

(a) **Distribution**

Flexewallet appoints epay as its exclusive distributor for the sale to end users of electronic prepaid vouchers and pins branded as "Flexepin" (**Prepaid Products**) to approved retailers in Australia, other than via online digital portals and social media services.

(b) **Intellectual Property**

Neither party acquires any right, title or interest in the intellectual property rights of the other, except as provided for under the agreement.

All right, title and interest in the pins remain with Flexewallet until sole to the end user by an approved retailer.

(c) **Support**

Flexewallet is required to provide customer service support and fault management relating to the use of Prepaid Products.

(d) **Fees**

Flexewallet is required to pay to epay an agreed deployment fee together with an ongoing minimum service fee for the term of the agreement. The agreement also provides for the payment of specified new denomination and production fees, key account sign-up fees and retailer margin fees.

Flexewallet will provide a refund to epay for any Prepaid Products that are faulty.

(e) **Term and termination**

The term of the agreement is three years. After the initial three year term, the agreement renews automatically for additional three year terms unless either party notifies of its intention not to renew at least 90 days prior to the expiration of the initial term or any additional term.



Either party may terminate the agreement immediately if (1) Flexewallet ceases offering electronic distribution of Prepaid Products, (2) the other suffers an insolvency event or (3) the other commits a material breach of the agreement which is not remedied within 30 days after being required by notice to do so.

**(f) Warranties**

Both parties provide standard warranties and representations for an agreement of this nature in respect of the products supplied and their respective obligations under the agreement.

**(g) Indemnity and limitation**

Each party indemnifies the other against all claims and liabilities arising as a result of (1) a breach of any of the agreement, (2) the acts, conduct or omissions of their related bodies corporate, employees, agents and contractors or (3) a breach of third party intellectual property rights and, in the case of Flexewallet, any violation by Flexewallet of laws or regulations relating to the provision of the Prepaid Products.

Neither party is liable to the other for any form of direct, indirect, special, consequential or incidental loss, damage or expense.

Liability is limited in any event to the lower of \$20,000 in the aggregate or the amount of services fees payable by Flexewallet to Epay in the previous 12 month period, except for wilful or intentional acts or omissions, a breach of confidentiality obligations or intellectual property rights.

**(h) Confidentiality**

Standard confidentiality provisions apply to both epay and Flexewallet.

**(i) Assignment**

Neither party may assign or transfer the agreement without the prior written consent of the other party.

**(j) Governing law**

The agreement is governed by the laws of New South Wales.

## **12.4 Payment Source Product Distribution Agreement**

Flexewallet has entered into a product distribution agreement with Canadian company, Payment Source, dated 18 November 2015 which sets out the base terms for the marketing and distribution by Payment Source of Flexewallet prepaid products to retailers.

The material terms and conditions of the agreement are set out below.

**(a) Distribution**

Flexewallet appoints Payment Source to market and distribute prepaid telecommunications services, stored value and prepaid card activations (**Prepaid Products**) through an electronic distribution network of point of sale terminals.

**(b) Intellectual Property**

Intellectual property rights do not transfer under the agreement. Each party grants to the other a royalty-free, non-exclusive licence to use each other's trademarks on any advertising, marketing or promotional material.

**(c) Support**

Flexewallet is required to provide customer support relating to the use of Prepaid Products by end-user customers.

(d) **Fees**

Payment Source will pay to Flexewallet a fixed fee for the Prepaid Products based on the face value of the relevant product, less agreed discounts.

Flexewallet will provide a credit to Payment Source for any Prepaid Products that are not sold prior to their “activation before” date or are not fully functional or faulty.

(e) **Term and termination**

The term of the agreement is three years. After the initial three year term, the agreement renews automatically for additional one year terms unless either party notifies of its intention not to renew at least 60 days prior to the expiration of the initial term or any additional term.

The agreement may also be terminated by either party giving the other 30 days' prior notice where certain conditions relating to loss of regulatory approval or banking relationships occur.

Either party may terminate the agreement immediately if the other suffers an insolvency event or commits a material breach of the agreement which is not remedied within 14 days after being required by notice to do so.

(f) **Warranties**

Flexewallet gives standard warranties and representations for an agreement of this nature in respect of the products supplied.

(g) **Indemnity and limitation**

Each party indemnifies the other against all claims and liabilities arising as a result of a breach of any of the agreement or unlawful collection, use or disclosure of personal information.

Neither party is liable to the other for any form of direct, indirect, special, consequential or incidental loss, damage or expense.

(h) **Confidentiality**

Standard confidentiality provisions apply to both Payment Source and Flexewallet.

(i) **Assignment**

Neither party may assign or transfer the agreement without the prior written consent of the other party.

(j) **Governing law**

The agreement is governed by the laws of Ontario, Canada.

## 12.5 **Lead Manager Engagement**

The Company has engaged Baker Young Stockbrokers Limited (**Lead Manager**) to act as lead manager of the Offer on an exclusive basis and provide corporate and capital market advisory services to the Company (**Engagement**) pursuant to a letter agreement dated 7 December 2015.

Pursuant to the terms of the Engagement, the Company has agreed to:

- (a) The Lead Manager will receive a broker handling fee of 5% (exclusive of GST) of the funds raised under the Offer, which the Lead Manager will allocate between itself,

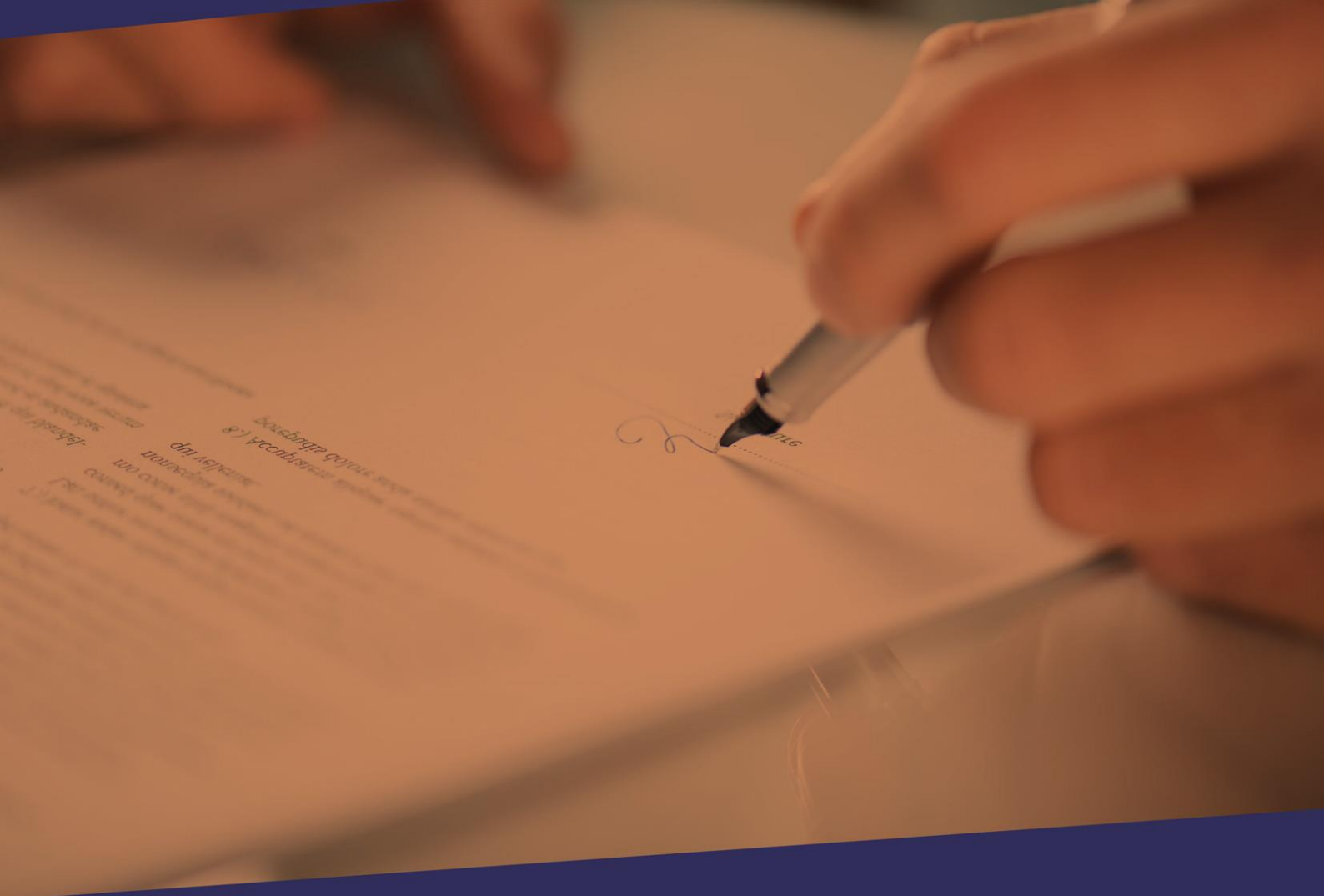


- participating brokers and institutions. This fee will not be payable on any funds introduced or raised by the Company.
- (b) In addition, the Company will pay the Lead Manager a lead manager's fee of 1% (exclusive of GST) on all funds raised under the Offer.
  - (c) The term of the Engagement expires upon successful completion of the Offer and commencement of trading of Shares on ASX, unless terminated earlier. The Lead Manager may terminate the Engagement on written notice at any time. The Company may terminate the Engagement if the Lead Manager breaches its obligations under the Engagement or is unable to provide the requisite services. In the event of termination, the Lead Manager is entitled to fees and expenses incurred under the Engagement up until the date of termination.
  - (d) The Company agrees to limit the aggregate liability of the Lead Manager under the Engagement to the Company to the fees received under the Engagement and to indemnify the Lead Manager on demand against all liabilities, losses, cost and expenses which may be incurred by the Lead Manager and are caused by the Company.

The Engagement is otherwise on terms considered standard for an engagement of this nature.



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## 13. Additional Information



## 13. Additional Information

### 13.1 Rights Attaching to Shares

Full details of the rights attaching to Shares are set out in the Constitution a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the more significant rights, privileges and restrictions attaching to all shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders.

#### (a) General meetings and notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the Listing Rules.

#### (b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### (c) Issues of further shares

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

#### (d) Variation of rights

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

#### (e) Transfer of shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.



The Directors may decline to register a transfer of shares (other than a proper transfer in accordance with the ASX Settlement Operating Rules) where permitted to do so under the Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 business days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for the refusal.

**(f) Partly paid shares**

The Directors may, subject to compliance with the Constitution, the Corporations Act and Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

**(g) Dividend rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividends, the Directors may declare a dividend in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend.

The Directors may from time to time pay to shareholders any interim dividend that they may determine. Subject to the rights of any preference shareholders and to the rights of the holders of any shares credited or raised under any special arrangement as to the dividend, the dividend as declared shall be payable on all shares according to the amount paid up, or credited as paid up, on the shares, and otherwise in accordance with Part 2H.5 of the Corporations Act.

Interest may not be paid by the Company in respect of any dividend, whether final or interim.

**(h) Winding-up**

Subject to the rights of holders of shares with special rights in a winding-up, if the Company is wound up, members will be entitled to participate in any surplus assets of the Company in proportion to the percentage of the capital paid-up or credited as paid up on the shares when the winding up begins.

**(i) Dividend reinvestment and share plans**

Subject to the requirements in the Corporations Act and the Listing Rules, the Directors may implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company) and any other share plans (under which any member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of fully paid shares).

**(j) Directors**

The Constitution states that the minimum number of Directors is three and the maximum number is 10.

**(k) Powers of the Board**

Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution, the Directors have the power to manage the business of the Company and may exercise every right, power or capacity of the Company.

**(l) Share buy backs**

Subject to the provisions of the Corporations Act and the Listing Rules, the Company may buy back shares in itself on the terms and at times determined by the Directors.

(m) **Unmarketable parcels**

The Company's constitution permits the Board to sell the shares held by a shareholder if they comprise less than a marketable parcel within the meaning of ASX Business Rules. The procedure may only be invoked once in any 12 month period and requires the Company to give the shareholder notice of the intended sale.

If a shareholder does not want his shares sold, he may notify the Company accordingly.

(n) **Capitalisation of profits**

The Company may capitalise profits. Subject to the Constitution and the terms of the issue of shares, members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

(o) **Capital reduction**

Subject to the Corporations Act and Listing Rules, the Company may reduce its share capital.

(p) **Preference shares**

The Company may issue preference shares, including preference shares that are liable to be redeemed. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company's members.

## 13.2 Terms and Conditions of Performance Shares

The following is a summary of the terms and conditions of the Performance Shares.

(a) **Performance Shares**

Each Performance Share is a share in the capital of the Company.

(b) **Conversion into Ordinary Shares**

Each Performance Share is convertible into one Ordinary Share, upon the following milestones being achieved:

Milestone	No. Performance Shares converted
<b>Milestone 1</b> Upon the Company achieving \$3.5 million in invoiced customer revenue at any time during the financial year commencing 1 July 2015 (2015/16), specifically excluding invoiced revenues arising directly or indirectly from (1) TransferBridge Pty Ltd ACN 168 010 802 and (2) Flexewallet Pty Ltd ACN 164 657 032.	5,000,000
<b>Milestone 2</b> Upon the Company achieving \$4 million in invoiced customer revenue at any time during the financial year commencing 1 July 2015 (2015/16), specifically excluding invoiced revenues arising directly or indirectly from (1) TransferBridge Pty Ltd ACN 168 010 802 and (2) Flexewallet Pty Ltd ACN 164 657 032.	5,000,000

Milestone	No. Performance Shares converted
<b>Milestone 3</b> Upon the Company achieving \$5 million in invoiced customer revenue at any time during the financial year commencing 1 July 2015 (2015/16), specifically excluding invoiced revenues arising directly or indirectly from (1) TransferBridge Pty Ltd ACN 168 010 802 and (2) Flexewallet Pty Ltd ACN 164 657 032.	5,000,000
<b>Milestone 4</b> Upon the Company achieving \$7 million in invoiced customer revenue at any time during the financial year commencing 1 July 2015 (2015/16), specifically excluding invoiced revenues arising directly or indirectly from (1) TransferBridge Pty Ltd ACN 168 010 802 and (2) Flexewallet Pty Ltd ACN 164 657 032 but including net transaction fees arising from those companies.	5,000,000

The Performance Shares shall not convert to Ordinary Shares until such time as the milestones referred to above have been satisfied. If the milestones are not achieved, or not achieved within the expiry dates, the Performance Shares for a particular tranche will be redeemed by the Company for a total nominal sum of \$1.00.

**(c) General Meetings**

The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.

**(d) No Voting Rights**

The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.

**(e) No Dividend Rights**

The Performance Shares do not entitle the Holder to any dividends.

**(f) Rights on Winding Up**

The Performance Shares do not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up of the Company.

**(g) Not Transferable**

The Performance Shares are not transferable.

**(h) Reorganisation of Capital**

If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of reorganisation.

**(i) Application to ASX**

The Performance Shares will not be quoted on ASX. However, upon conversion of the Performance Shares into Ordinary Shares, the Company must, within seven (days after the conversion, apply for the Official Quotation of the Ordinary Shares arising from the conversion.

**(j) Participation in Entitlements and Bonus Issues**

Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Ordinary Shares such as bonus issues and entitlement issues.

**(k) Change in Control**

A “change of control event” means:

- (i) the occurrence of:
    - (A) the offeror under a takeover offer in respect of Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
    - (B) that takeover bid has become unconditional; or
  - (ii) the announcement by the Company that:
    - (A) shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party; and
    - (B) the Court, by order, approves the scheme of arrangement,
- but, for the avoidance of doubt does not include:
- (iii) the Company’s proposed admission to the Official List and capital raising under this Prospectus; nor
  - (iv) a scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, subdivision, reduction or return) of the issued capital of the Company.

If, as a result of a change in control event occurring, any performance milestone is triggered in accordance with the terms above, the maximum number of Performance Shares that can be converted into Ordinary Shares and issued upon a Change in Control Event occurring must not exceed 10% of the issued share capital of the Company (as at the date of the Change in Control Event). The Company shall ensure a pro-rata allocation of Ordinary Shares issued under this clause to all Holders of Performance Shares.

**(l) No Other Rights**

The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

The Company and the Holders agree to work together in good faith to obtain approval from ASX for the terms of the Performance Shares and, if the proposed terms of the Performance Shares are not approved by ASX, the parties agreed to negotiate in good faith a restructuring of the securities such that the Holders are in an equivalent position.



### 13.3 Terms and Conditions of Options

The terms and conditions attaching to the Options that have been issued to the Directors and Management (see Section 8) and that may be issued to unrelated parties who have assisted in the raising of capital under the Offer (see Section 6.15) are as follows:

(a) **Entitlement**

The Options will entitle the holder to subscribe for one Share upon the exercise of each Option that has vested in the holder. If the Options are subject to vesting, where the relevant person is no longer employed or engaged, as the case may be, by the Group on a vesting date, the Options will not vest to that holder. Options that have previously vested in the holder shall be retained by the holder.

(b) **Exercise price**

The exercise price of each Option will be \$0.20 (**Exercise Price**).

(c) **Expiry date**

The expiry date of each Option is 30 June 2019 (**Expiry Date**).

(d) **Exercise period**

The Options are exercisable at any time on or prior to the Expiry Date.

(e) **Notice of exercise**

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

(f) **Shares issued on exercise**

Shares issued on exercise of the Options will rank equally with the other issued Shares.

(g) **Quotation of Shares on exercise**

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

(h) **Timing of issue of Shares**

After an Option is validly exercised, the Company must as soon as possible:

- (i) allot and issue the Share; and
- (ii) do all such acts matters and things to obtain:
  - (A) the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Option; and
  - (B) receipt of cleared funds equal to the sum payable on the exercise of the Options.

(i) **Participation in new issues**

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



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

**(j) Adjustment for bonus issues of Shares**

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

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

**(k) Adjustment for rights issue of Shares**

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

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

Where:

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the five trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

**(l) Adjustments for reorganisation**

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

**(m) Unlisted Options**

The Company will not apply for quotation of the Options.

**(n) Options transferable**

The Options are transferable subject to compliance with the Corporations Act.

**(o) Lodgement instructions**

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

## 13.4 Substantial Shareholders

At the date of this Prospectus, the following parties are holding a relevant interest in 5% or more of the Shares on issue.

Shareholder	No. Shares Held	% Total Shares Held as at date of this Prospectus	% Total Shares Held on Offer Completion <sup>1</sup>
Brayter Limited	33,555,206	63.5%	46.0%
Corangamite Pty Ltd <sup>2</sup>	9,835,900	18.6%	13.5%

**Notes:**

<sup>1</sup> Assuming no more Shares are issued under the Offer than the Minimum Subscription.

<sup>2</sup> Peter Cook is associated with and has a relevant interest in this entity.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

## 13.5 Employee Share Plan

The Company has established an employee share plan (ESP) to assist in the attracting, motivating and rewarding employees who are eligible to participate. The key terms of the ESP are set out below:

- (a) The Board in its discretion may offer Ordinary Shares to full time, part time or casual employees, contractors and consultants and non-executive directors of the Company and any other person who may qualify to participate according to the relevant ASIC relief.
- (b) An Ordinary Share offered under the ESP may be subject to any conditions as determined by the Board in its absolute discretion.
- (c) Each Ordinary Share will be issued for a price determined by the Board, which may be nominal or nil.
- (d) Each Ordinary Share will be subject to such restriction conditions at the Board's discretion, including but not limited to any service condition or performance criteria. Each Ordinary Share is also subject to the general conditions under the Corporations Act and Listing Rules.
- (e) Each Ordinary Share will be issued once any issue conditions are satisfied and otherwise in accordance with the terms of the ESP and the conditions determined by the Board.
- (f) An Ordinary Share issued under the ESP will rank equally with all other Ordinary Shares and the Company will obtain official quotation of the Ordinary Share on ASX.

The ESP otherwise contains terms considered standard for a document of this nature.

## 13.6 Employee Share Option Plan

The Company has established an employee share option plan (ESOP) to assist in the attracting, motivating and rewarding employees who are eligible to participate. The key terms of the ESOP are set out below:

- (a) The Board in its discretion may offer options to full time, part time or casual employees, contractors and consultants and non-executive directors of the Company and any other person who may qualify to participate according to the relevant ASIC relief.

- (b) An option offered under the ESOP may be subject to any conditions as determined by the Board in its absolute discretion.
- (c) Each option will be issued for nil consideration.
- (d) Each option can be exercised once all exercise conditions are satisfied and otherwise in accordance with the terms of the ESOP and the conditions determined by the Board. Upon exercise, the option will entitle the participant to subscribe for and be allotted one Share.
- (e) Subject to the discretion of the Board, a participant's options will immediately lapse on the earlier of:
  - i. the participant ceasing to be an employee of the Company (or the Company's group);
  - ii. the exercise conditions of the options being unable to be met; or
  - iii. the option expiry date passing.
- (f) A Share issued on the exercise of an option will rank equally with all other Shares and the Company will obtain official quotation of the Share on ASX.
- (g) The Board may determine that a restriction period will apply to some or all of the Shares issued to the participant.

The ESOP otherwise contains terms considered standard for a document of this nature.

## 13.7 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no promoter or person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or had within two years before lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer under this Prospectus; or
- (c) the Offer under this Prospectus.

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered in connection with the formation or promotion of the Company or the Offer of Shares under this Prospectus.

Baker Young Stockbrokers Limited has acted as lead manager of the Offer. In respect of this work, it will be paid such amounts as detailed in Section 12.5. During the 24 months preceding lodgement of this Prospectus at the ASIC, Baker Young Stockbrokers Limited has received no fees from the Company.

Milcor Legal has acted as the solicitors to the Company in relation to the Offer and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay Milcor Legal approximately \$55,000 (plus GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Milcor Legal has received \$29,212 (plus GST) from the Group.

William Buck Audit (Vic) Pty Ltd has acted as investigating accountant and has prepared the Investigating Accountant's Report which has been included in Section 10 of this Prospectus. The Company estimates it will pay William Buck Audit (Vic) Pty Ltd a total of approximately \$8,800 (inclusive of GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, William Buck Audit (Vic) Pty Ltd received \$28,600 (inclusive of GST) in fees from the Group.



Automic Pty Ltd trading as Automic Registry Services has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

## 13.8 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, other than those referred to in this Section;
- (b) has not authorised or caused the issue of this Prospectus or the making of the Offer; and
- (c) makes no representations regarding, and to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any statements in, or omissions from any part of this Prospectus other than a reference to its name and a statement and/or any report (if any) included in this Prospectus with the consent of that party as specified in this Section.

Baker Young Stockbrokers Limited has given its written consent to being named as the Lead Manager to the Offer in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

William Buck Audit (Vic) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 10 in the form and context in which the report is included. William Buck Audit (Vic) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

William Buck Audit (Vic) Pty Ltd has given its written consent to being named as the auditor to the Company in this Prospectus. William Buck Audit (Vic) Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Milcor Legal has given its written consent to being named as the lawyers to the Company in this Prospectus. Milcor Legal has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Automic Pty Ltd trading as Automic Registry Services has given its written consent to being named the Company's Share Registry in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

## 13.9 Litigation

To the knowledge of the Directors, as at the date of this Prospectus, no Group Company is involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against any Group Company.

## 13.10 Taxation

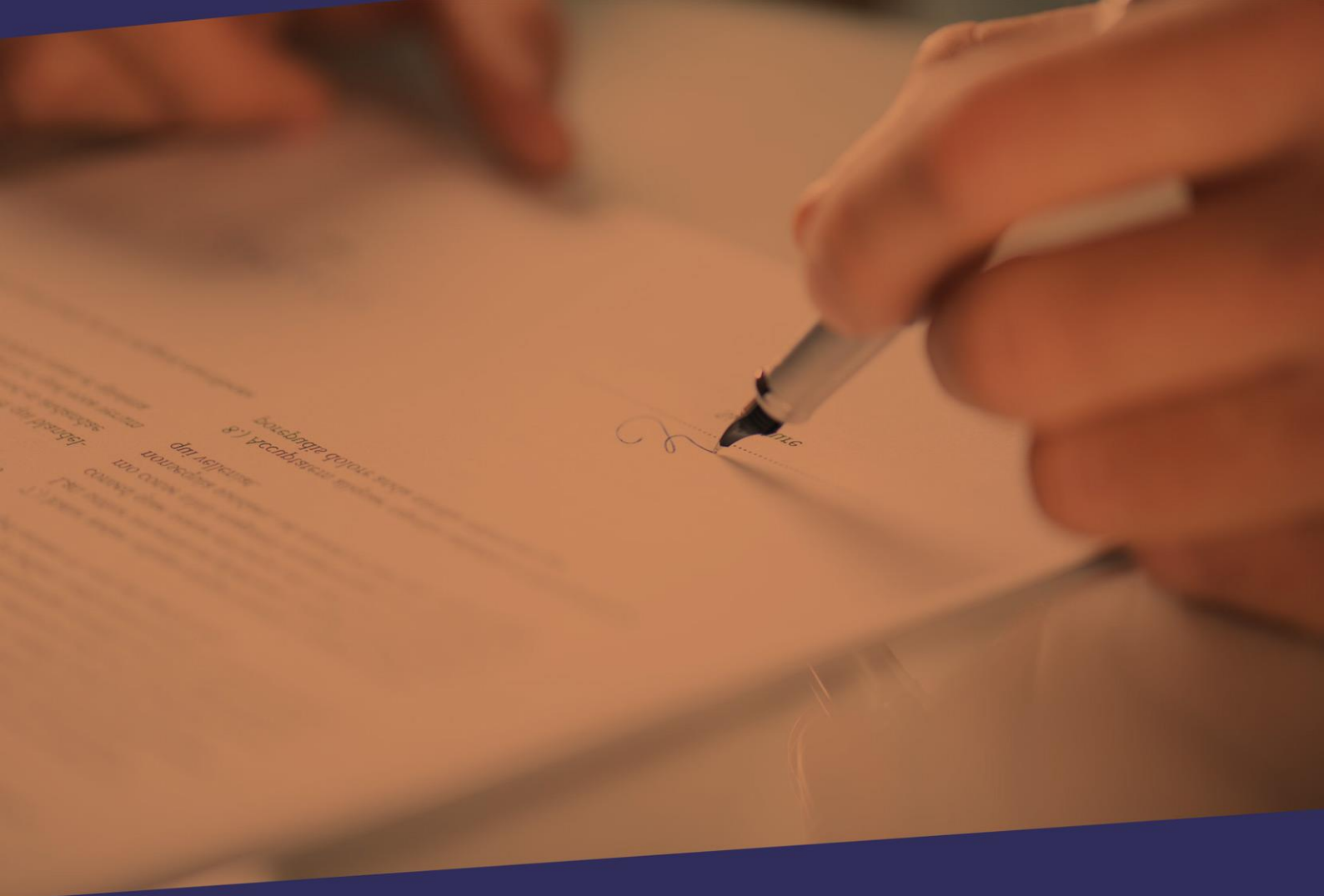
The acquisition and disposal of securities in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

### 13.11 Expenses of the Offer

The estimated expenses of the Offer are as follows:

Item of Expenditure	Minimum Subscription (\$)	Full Over-Subscription (\$)
ASIC fees	2,552	2,552
Legal fees	66,000	66,000
Investigating Accountant	8,800	8,800
Independent due diligence reviews	14,300	14,300
Capital raising fees	264,000	462,000
ASX fees	75,350	78,650
Printing and other expenses	12,100	12,100
Project management	55,000	55,000
<b>Total</b>	<b>498,102</b>	<b>699,402</b>




## 14. Directors' Authorisation



## 14. Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.



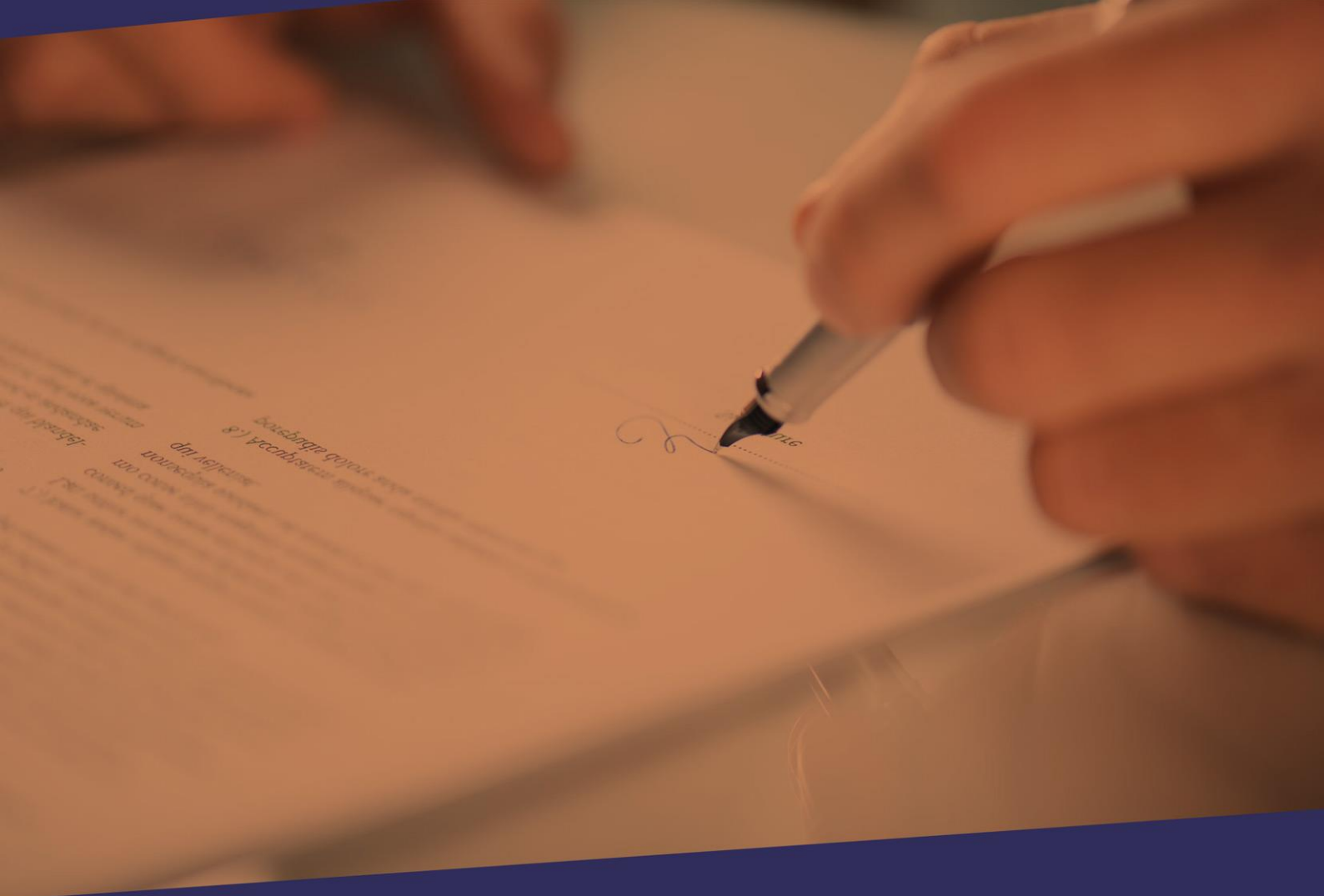
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Peter Pawlowitsch

Chairman and Non-Executive Director

for and on behalf of Novatti Group Limited

8 December 2015



## 15. Glossary





## 15. Glossary

Where the following terms are used in this Prospectus they have the following meanings:

**A\$ or \$** means an Australian dollar.

**AEDT** means Australian Eastern Daylight Time.

**AML** means anti-money laundering.

**Alternative Payments** means payment methods other than cash, credit/debit cards, and bank transfers, typically including digital wallets, mobile money, mobile payments, prepaid cards and vouchers.

**API** means application programme interface.

**Applicant** means a person who submits an Application Form.

**Application** means a valid application for Shares pursuant to an Application Form.

**Application Form** means the application form accompanying this Prospectus relating to the Offer.

**Application Monies** means application monies for Shares received and banked by the Company.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange operated by ASX Limited (as the context requires).

**ATM** means automatic teller machine.

**BI System** means business intelligence system.

**Board** means the board of Directors as constituted from time to time.

**Business Day** means a week day when trading banks are ordinarily open for business in Melbourne, Victoria.

**CAGR** means compound annual growth rate.

**Cloud** means a model for delivering information technology services in which resources are retrieved from the Internet through web-based tools and applications, rather than a direct connection to a server.

**Closing Date** means the date on which the Offer closes as set out in the indicative timetable in Section 3.

**Company** means Novatti Group Limited ACN 606 556 183.

**Conditions of the Offer** means the conditions of the Offer outlined in Section 6.2.

**Constitution** means the constitution of the Company.

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

**Directors** mean the directors of the Company specified in Section 8.1.

**epay** means epay Australia Pty Limited ABN 71 093 666 057.

**Exposure Period** means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

**FinTech** means financial technology.

**Flexewallet** means Flexewallet Pty Ltd ACN 164 657 032.

**Full Over-Subscription** means 35,000,000 Shares at \$0.20 each to raise \$7,000,000.

**GDP** means gross domestic product.

**Group** means the Company, Novatti, TransferBridge, Flexewallet, Novatti (Malaysia) and Monisend, and **Group Company** means any one of them.

**GSM** means global system for mobile communications.

**GSMA** means the GSM (Group Speciale Mobile) Association.

**GST** has the same meaning as in A New Tax System (Goods & Services Tax) Act 1999 (Cth).

**GUI** means graphical user interface.

**Investigating Accountant's Report** means the investigating accountant's report in Section 10.

**KYC** means know your client.

**Lead Manager** means Baker Young Stockbrokers Limited ABN 92 006 690 320.

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

**M2M** means machine to machine.

**Minimum Subscription** means 20,000,000 Shares at \$0.20 each to raise \$4,000,000.

**Monisend** means High Impact Corp, a company incorporated in the Republic of Seychelles under company number 132299, trading as "Monisend".

**Novatti** means Novatti Pty Ltd ACN 164 457 783.

**Novatti (Malaysia)** means Novatti (Malaysia) Sdn Bhd, a company incorporated in Malaysia, under company number 114407-K.

**Novatti Platform** means a suite of technology payment modules that are owned by Novatti and collectively make up a high capacity transaction processing, switching, and stored value account management system that can be integrated with a broad range of external systems including banks, ATMs, point of sale terminals, mobile phones, web portals, point of sale systems, prepaid and post-paid billing systems, and telecommunications infrastructure.

**Offer** means the offer of Shares pursuant to this Prospectus as outlined in Section 6.1.

**Official List** means the official list of ASX.

**Official Quotation** means official quotation of the Shares by ASX in accordance with the Listing Rules.

**PaaS** means platform as a service.

**Payment Source** means Payment Source, Inc (Canada).

**pin** means electronic code allowing end-users of products to add credit to their account.

**POS** means point of sale.

**Prospectus** means this prospectus.

**SaaS** means software as a service, a way of delivering applications over the internet, as a service. Instead of installing and maintaining software, it is accessible via the internet, freeing users of the software from complex software and hardware management.

**Section** means a section of this Prospectus.

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

**Share Registry** means Automic Pty Ltd ABN 27 152 260 814 trading as Automic Registry Services.

**Shareholder** means a holder of Shares.

**SOW** means statement of work.

**TransferBridge** means TransferBridge Pty Ltd ACN 168 010 802.

**TTCL** means Tanzania Telecommunications Company Limited.

**Unbanked** means a person who does not have banking services with a formal financial institution.

**Under-banked** means a person who has limited access to very basic or limited banking services.

**Unico** means Unico Computer Systems Pty Ltd.

**User** means a user of the Novatti Platform.

**USSD** means unstructured supplementary service data, is a protocol used by GSM cellular telephones to communicate with the service provider's computers.

**WST** means Australian Western Standard Time.

**REPLACEMENT PROSPECTUS APPLICATION FORM**

This is an Application Form for Shares in Novatti Group Limited (**Company**) and relates to the offer of 20,000,000 Shares in the Company at \$0.20 per Share with the right to accept oversubscriptions for a further 15 million Shares at an issue price of \$0.20 each to raise a further \$3 million pursuant to the Replacement Prospectus dated 8 December 2015 (**Prospectus**). The expiry date of the Prospectus is the date that is 13 months after the date of the Prospectus. This Application Form and your cheque must be received by the registry, Automic Registry Services, by the Closing Date in the Prospectus. A person who gives another person access to this Application Form must at the same time give the other person access to the Prospectus, and any supplementary prospectus (if applicable).

**The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser.**

<b>1</b> Number of Shares you are applying for <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/>	<b>2</b> Total amount payable (multiply box 1 by \$0.20 per share) AS <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/>
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Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

**3** Write the name(s) you wish to register the shares in (see reverse for instructions)

Name of Applicant 1

Name of Applicant 2 or <Account Designation>

Name of Applicant 3 or <Account Designation>

**4** Write your postal address here – to be registered against your holding

Number/Street



Suburb/Town

State

Postcode

**5** CHESS Participants only – Holder Identification Number (HIN)

☒                   

**Note:** if the name and address details in sections 3 & 4 above do not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.

**6** Email Address (see reverse of form – this is for all communications legally permissible and despatched by the Company)

**7** TFN/ABN/Exemption Code

Applicant #1

Applicant #2

Applicant #3

If NOT an individual TFN/ABN, please note the type in the box  
 C = Company; P = Partnership; T = Trust; S = Super Fund

**8 PLEASE INSERT CHEQUE DETAILS**

Cheques must be drawn on an Australian branch of a financial institutional in Australian currency, made payable to **Novatti Group Limited – Share Application Account** crossed “Not Negotiable” and forwarded to Automic Registry Services to arrive no later than the Closing Date.

Cheque Number

BSB



Account Number

**9 CONTACT DETAILS**

Please use details where we can contact you between the hours of 9:00am and 5:00pm should we need to speak to you about your application.

Telephone Number

Contact Name (PRINT)

**10 DECLARATION**

Return of the Application Form with your payment of the Application Monies will constitute your offer to subscribe for Shares in the Company. I/We declare that:

- this Application is completed according to the declaration/appropriate statements on the reverse of this form and I/we agree to become members of the Company and be bound by the Constitution of the Company; and
- I/we have received personally a copy of the Prospectus accompanying the Application Form, before applying for Shares.

## INSTRUCTIONS FOR COMPLETION OF THIS APPLICATION FORM

### YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM

Please complete all relevant sections of this Application Form using BLOCK LETTERS. The below instructions are cross-referenced to each section of the Application Form.

#### 1 Number of Shares

Insert the number of Shares you wish to apply for in section 1. Your application must be for a minimum of 10,000 Shares and in multiples of 1,000 Shares thereafter.

#### 2 Payment Amount

Enter into section 2 the total amount payable. Multiply the number of Shares applied for by \$0.20 – the application price per Share.

#### 3 Name(s) in which the Shares are to be registered

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

### CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample < Food Help Club A/C>	Food Help Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

#### 4 Postal Address

Enter into section 4 the postal address to be used for all written correspondence. Only one address can be recorded against a holding. With exception to annual reports, all communications to you from the Company will be mailed to the person(s) and address shown. Annual reports will be made available online when they are released. Should you wish to receive a hard copy of the annual report you must notify the Share Registry. You can notify any change to your communication preferences by visiting the registry website – [www.automic.com.au](http://www.automic.com.au)

#### 5 CHESS Holders

If you are sponsored by a stockbroker or other participant and you wish to have your allocation directed into your HIN, please complete the details in section 5.

#### 6 Email Address

As permitted under the Corporations Act, Novatti Group Limited will only be forwarding printed annual reports to shareholders electing to receive one. Our company annual report and company information will be available at [www.novatti.com](http://www.novatti.com). You may elect to receive all communications despatched by Novatti Group Limited electronically (where legally permissible) such as a notice of meeting, proxy form and annual report via email.

#### 7 TFN/ABN/Exemption

If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details in section 7. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application Form.

#### 8 Cheque Details

Cheques must be drawn on an Australian branch of a financial institutional in Australian currency, made payable to **Novatti Group Limited – Share Application Account** and crossed "Not Negotiable". Please complete the relevant details in section 8.

#### 9 Contact Details

Please enter contact details where we may reach you between the hours of 9:00am and 5:00pm should we need to speak to you about your application.

#### 10 Declaration

Before completing the Application Form the Applicant(s) should read the Prospectus in full. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares in the Company upon and subject to the terms of the Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section 1 that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign this Application Form.

### HOW TO LODGE YOUR APPLICATION FORM

Mail or deliver your completed Application Form with your cheque to the following address.

#### Mailing Address

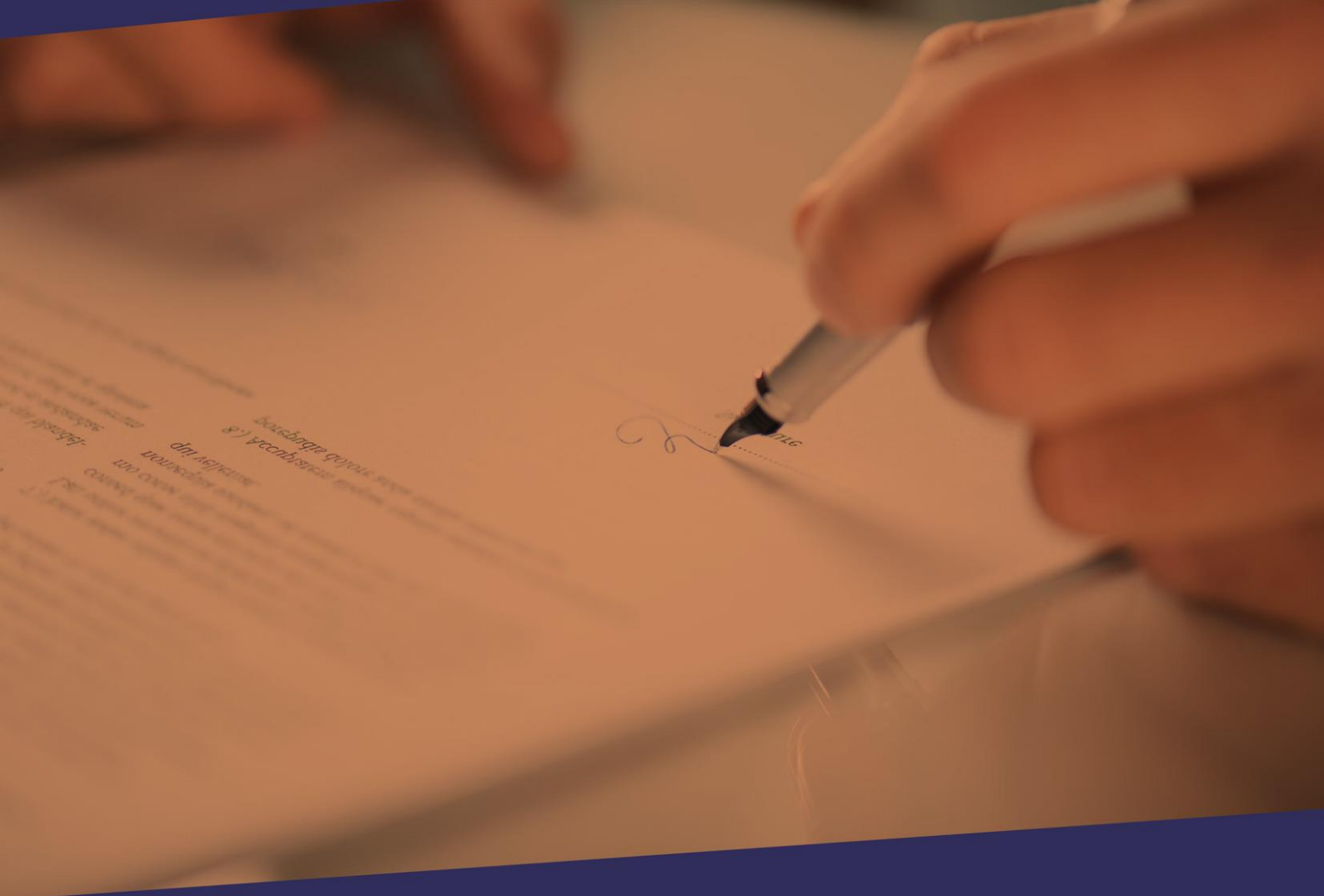
Novatti Group Limited  
C/- Automic Registry Services  
PO Box 223  
West Perth WA 6872

#### Hand Delivery (Please do not use this address for mailing purposes)

Novatti Group Limited  
C/- Automic Registry Services  
Level 1, 7 Ventnor Avenue  
West Perth WA 6005

**Privacy Notice:** Please refer to Section 6.19 of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on this Application Form, the Company may not be able to accept or process your Application. Automic Pty Ltd (ACN 152 260 814) trading as Automic Registry Services (Automic) advises that Chapter 2C of the *Corporation Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – [www.automic.com.au](http://www.automic.com.au).







 Novatti