

50%+ YoY revenue growth continues as H1 highlights delivery on growth strategy

Highlights

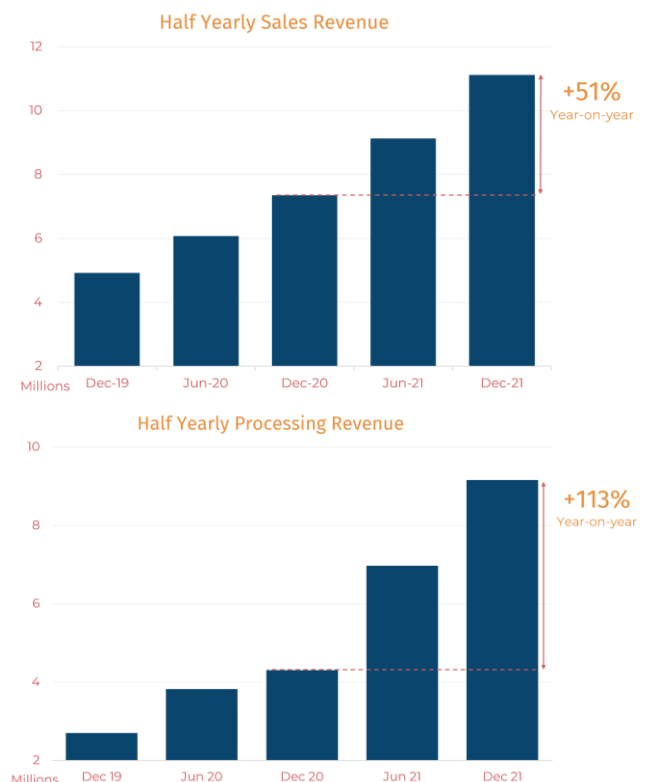
- 51% year-on-year growth in H1 sales revenue to \$11.1m – new record
- \$12.3m total half year revenue – new record
- 113% year-on-year growth in H1 processing revenue to \$9.1m – new record
- Strengthened balance sheet with net assets up nearly 370% on prior half
- Increasingly transactional revenues to benefit from leveraging Novatti's now global operating base
- \$40m+ capital raise for new growth strategy – focus turned to delivery
- ATX acquisition has since been completed, after the end of the half
- Expansion of Ripple partnership in South East Asia
- Well progressed on launch of payments solution for Reckon Limited, seeking value-add for its 114k users
- Increasingly positive on near-term bank licence decision – with \$10.5m funding committed subject to regulatory approval

Novatti Group Limited (ASX:NOV) (Novatti or Company), a leading fintech enabling businesses to pay and be paid, is pleased to provide an update on its performance for the first half of FY22.

Commenting on the results, Novatti Managing Director, Peter Cook, said:

“The first half of FY22 saw Novatti continue its consistent 50%+ growth rate, with two consecutive quarters of record revenue resulting in combined H1 sales revenue of \$11.1m and total revenue of \$12.3m. It is worth putting this growth in perspective – our first half sales revenue is now greater than Novatti's total sales revenue for FY20, just 18 months ago, highlighting the strong growth journey we are on.”

“Novatti's processing business continued its strong performance with 113% year-on-year first half revenue growth, to \$9.1m. The growth in this business highlights the benefits of Novatti's



Novatti

transactional revenue base and its ability to scale. We expect this scaling to continue as all our businesses, but particularly processing, increasingly leverage our now global operating base including Asia, North America, Europe and the UK, and of course Australia.”

“At the start of the first half, we laid out a new growth strategy focused on entering new and expanding our existing markets, pursuing acquisitions, and capitalising on our strategic investment in Reckon Limited. Our first half results, and the investments we’ve made, highlight that we are wasting no time in delivering against this strategy.”

“Our 19.9% strategic stake in Reckon Limited has already delivered a \$676k dividend in its first six months as we also explore a broader business relationship between Novatti and Reckon. As a first step, we are well progressed in the launch of an integrated payments solution that would seek to add value to Reckon’s 114k+ users.”

“We announced and subsequently completed the acquisition of ATX, a leading fintech in South-East Asia. The acquisition of ATX strengthens Novatti’s growth platform in South East Asia, bringing with it a network of more than 30k+ payments touch points.”

“Across the half we continued to invest heavily in our ecosystem and expanding our operations globally. We see the strength of our ecosystem, including our technology, licences, partnerships and team, as being central to our continued growth as it is increasingly leveraged globally to scale our revenue base.”

“The centerpiece of our ecosystem is our team, with our investment here clear in our financial results. Across calendar year 2021, we increased our team by more than 70% to 150, with a particular focus on hiring new talent in sales, business development, and operations. This investment is invaluable to Novatti’s future growth, particularly as we scale our newer businesses, such as acquiring, which is gaining momentum and creating long-term, reliable revenues for Novatti. The growth potential of this business was further strengthened during the first half by securing acquiring licences from both Visa and Mastercard.”

“We recognise that the development of some of our new business takes time to deliver. This is clearly the case for our new banking business, which has been several years in development. However, building this new business remains a key part of our long-term growth strategy as we continue to see the increasing demand from consumers and investors alike for fintech-led innovation and new service offerings in Australia’s banking sector.”

“Importantly, we are increasingly positive about a near-term decision on the bank licence as we work closely with Australia’s banking regulator.”

“After a record first half, we’ve moved into the second half carrying great momentum. Novatti is in an exciting phase of transitioning from development to monetisation, particularly as our transactional revenue streams begin to leverage our now global operating base to scale.”

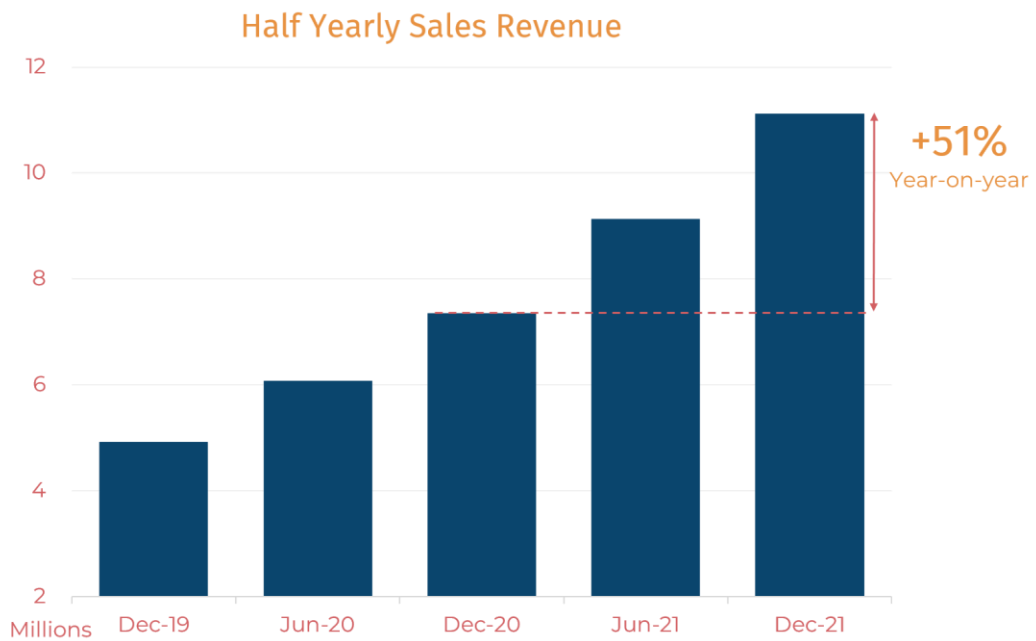
“Importantly, we are entering this next growth phase with a strengthened balance sheet, having increased net assets by nearly 370% across the half.”

“We are very excited about Novatti’s future growth and remain absolutely focused on delivering on our growth strategy to get us there.”

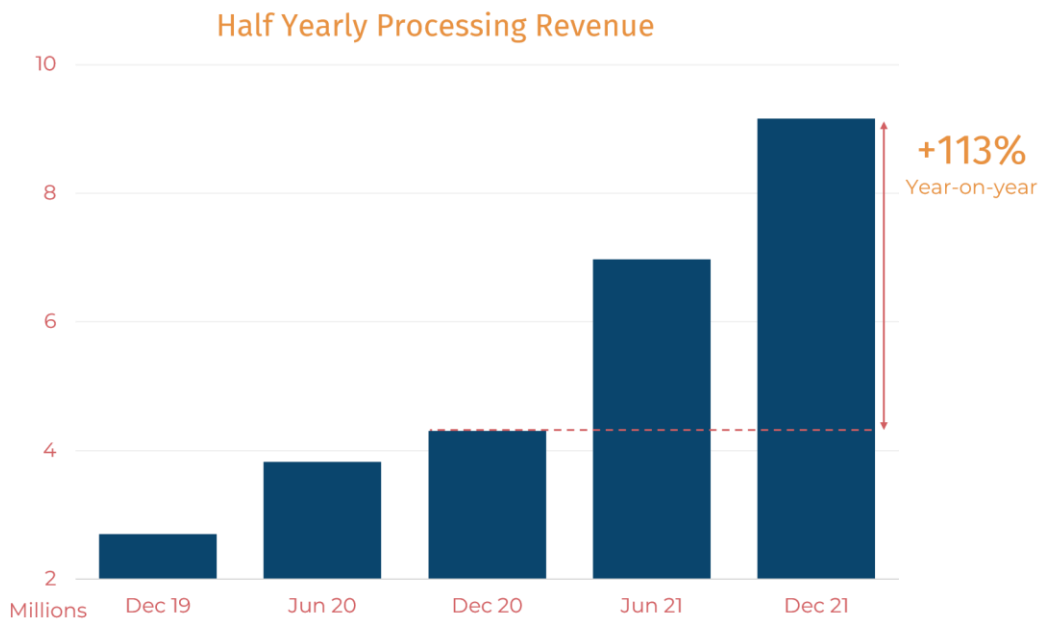
Financial performance

Revenue

The first half of FY22 saw Novatti deliver two consecutive quarters of record revenue, with 51% year-on-year growth in half year sales revenue to more than \$11.1m. Total half year revenue also reached \$12.3m.



Novatti's revenue growth continues to benefit from its largely transactional base, enabling it to be easily scaled. For example, Novatti's payment processing business grew 113% to \$9.1m for the first half, and has now produced 11 straight quarters of record revenue.



Novatti

Cash flow

At the end of the first half, Novatti's cash balance was \$12.9m (\$8.8m at 30 June 2021).

Receipts from customers increased substantially in the first half, up 63% year-on-year to \$25m. This again highlights the overall growth in Novatti's business during this time.

A core focus during this period was delivering on Novatti's growth strategy, announced at the beginning of the first half. This included more than \$25m in acquisitions and investments, including a 19.9% strategic stake in Reckon Limited and the acquisition of leading South East Asian fintech, ATX, which was subsequently completed after the conclusion of the first half. These investments are reflected in Novatti's strengthened balance sheet, with net assets having increased by nearly 370% across the half.

An adjustment in the market value of Novatti's 19.9% stake in Reckon Limited as at 31 December 2021 resulted in a loss attributed of \$1.6m. However, Novatti has already received a \$676k dividend from this investment during the half.

In addition, Novatti used the first half to invest heavily in expanding its operations. Most notably, across calendar year 2021, Novatti increased its team by more than 70% to 150, with a particular focus on sales, business development, and operations staff. As part of this investment, there was a strong focus on providing Novatti's future growth businesses, such as acquiring, with the resources required to deliver on their growth strategies. This investment is reflected in Novatti's financial results, with employee benefits increasing from \$6.8m in the same period of FY21 to \$12.5m for the first half of HY22.

Likewise, the overall growth in Novatti's business contributed to direct costs increasing from \$1.9m in the first half of FY21 to \$4.9m for the first half of FY22.

Novatti incurred \$1.1m of costs for its new banking business during the first half as it awaits the final regulatory approvals for its restricted banking licence.

Fundraising

During the first half, Novatti completed a \$40m plus capital raising, which comprised the issue of 73,180,015 Novatti fully paid ordinary shares under a placement to highly regarded institutional investors and a Share Purchase Plan offer to existing shareholders.

The funds raised enabled Novatti to launch an expanded growth strategy to:

- Increase its presence in existing markets
- Enter new markets
- Pursue a range of acquisition opportunities
- Purchase a 19.9% strategic stake in Reckon Limited

Novatti

In October 2021, Novatti received \$10.5m in commitments for a Series A funding round for its new banking business subject to regulatory approval being given by the end of February 2022, subsequently extended to 30 June 2022.

Outlook

Novatti has started FY22 with a record first half of revenue, continuing the strong momentum set across the previous financial years. For the second half of FY22, Novatti will continue to focus on delivering on its strategy with the aim of realising further growth.

Progress made against the key objectives of Novatti's growth strategy during the first half and key targets going forward are discussed below:

New and expanded markets

Strengthening acquiring business

During the first half, Novatti announced Principal Acquiring licences with both Visa and Mastercard, adding to the strength of its acquiring business and expanding its reach within the Australasian market.

Importantly, these new licences will result in increased margins and the ability to bring through larger business opportunities, while any revenue to be generated from the acquiring licenses will depend on take-up of services.

Novatti's acquiring business enables merchants, particularly those in e-commerce, to accept payment from consumers, including through credit cards, direct debits, and other mechanisms such as Alipay and WeChat Pay. The business has a rapidly growing customer base, including financial services and business customers of Novatti's other business units, who have sought additional services.

Expansion of Ripple partnership

Novatti's partnership with Ripple was expanded into Thailand. This partnership is now generating revenue in two new countries - Thailand and the Philippines.

Discussions are continuing between Novatti and Ripple to launch services in further new markets across South East Asia.

EU expansion

In addition, Novatti continues to make great progress in expanding its EU operations having recently launched new payment services in Verv, while its application for an E-Money licence, which would enable Novatti to issue a range of financial products in the EU, continues to be assessed.

Proposed new banking business

Novatti is increasingly positive about a near-term decision on its bank licence application as it works closely with Australia's banking regulator to fulfil its ambitions to enter Australia's banking market.

Commitments for the Series A funding are now in place subject to the bank licence being issued by 30 June 2022.

Acquisitions

ATX

During the first half Novatti announced the acquisition of leading South East Asian payments fintech, ATX. This acquisition has since been completed, after the end of the half.

Based in Malaysia, ATX provides e-wallet providers, traditional retail stores and kiosks with digital payment services, such as third party bill and product payments.

The ATX acquisition provides Novatti with an on-the-ground presence in South East Asia to further its expansion in that region, particularly following the expansion of Novatti's partnership with Ripple in the Philippines and Thailand. In addition, it presents strategic value for Novatti on a number of other fronts, including:

- Access to an established network of 30k+ payments touch points across Malaysia
- ATX's strong leadership team, including its founders who hold the positions of CEO and Director – Strategy, and who will remain employed post acquisition, ensuring continuity
- Access to ATX's existing innovative solutions and technology, including its e-wallets

Following the successful acquisition of ATX, Novatti continues to assess a number of other opportunities as part of its pipeline of potential acquisitions.

Strategic investment in Reckon Limited

At the start of the half, Novatti acquired a strategic 19.9% stake in leading ASX-listed accounting software provider, Reckon Limited. Reckon has annual revenue of more than \$71m, EBITDA of more than \$29 million, and a growing pool of more than 114k, cloud-based users.

During the half, Novatti received a \$676k dividend from its investment in Reckon.

Novatti and Reckon have used the past six months to explore a broader business relationship between the two companies. As a first step, Novatti is well progressed in the launch of an integrated payments solution that would seek to add value to Reckon's 114k+ users.

Novatti

Appointment of Abigail Cheadle as a non-executive director

Novatti has welcomed Abigail Cheadle as a non-executive director of the Company and Chair of the Company's Audit and Risk Committee, effective from 13 December 2021.

Ms Cheadle is a Chartered Accountant with 30 years' experience working across Asia, Europe, the Middle East, and Australia. During this time, she led professional services practices for a number of leading firms, including EY, Deloitte, and KordaMentha, with a focus on corporate strategy and risk management.

This included 17 years working in Asia, a key growth region for Novatti. Here Ms Cheadle advised and helped grow many listed companies, including during challenging economic periods, such as the Asian Financial Crisis. Notably, while advising the Indonesian-listed consumer finance company, BFI Finance Indonesia, its market capitalisation grew tenfold.

Ms Cheadle also brings extensive ASX-listed board experience having sat on four other ASX-listed boards to date.

Ends

Novatti invites investors to keep up to date with company news, events and industry research by joining the Novatti mailing list at: <https://www.novatti.com/subscribe>

For further information, contact:

Peter Cook
Managing Director
Novatti Group Limited
peter.cook@novatti.com

This announcement has been approved for release to the ASX by Peter Cook, Managing Director.

About Novatti Group Limited (ASX:NOV)

Novatti is a leading fintech that enables businesses to pay and be paid, from any device, anywhere. From corner stores and startups to global organisations, our solutions will unlock your ambitions. Solutions include issuing, acquiring, processing, and billing, while Novatti has also applied to APRA for a restricted banking licence through its subsidiary Novatti IBA Pty Ltd.

Novatti Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Novatti Group Limited
ACN:	606 556 183
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	51.3% to	11,121
Loss from ordinary activities after tax attributable to the owners of Novatti Group Limited	up	218.1% to	(9,923)
Loss for the half-year attributable to the owners of Novatti Group Limited	up	218.1% to	(9,923)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$9,923,000 (31 December 2020: \$3,119,000).

Despite the challenges of COVID-19, the Group's revenue increased by 51.3% to \$11,121,000 (31 December 2020: \$7,350,000). The Group's underlying EBITDA* changed from a \$748,000 loss in the prior half year to a loss of \$5,902,000, reflecting an increase of 689%.

During the half the consolidated entity continued to deliver on its strategy of long-term growth in our business. The consolidated entity continues to invest in the ecosystem of Technology, Licences, Partnerships and People as we transition from the development phase to a monetisation phase. This is particularly so in the newer business segments of the business, being Acquiring & Issuing.

This Appendix 4D is to be read in conjunction with the 2021 Annual Report, the 31 December 2021 Half Year Report and the accompanying announcement and presentation.

During the financial half year, the Group successfully raised more than \$40 million (before costs) through a placement to institutional and sophisticated investors and a share purchase plan to existing shareholders. The net asset position improved by \$32,831,000 to \$41,729,000 as at 31 December 2021 (30 June 2021: \$8,898,000), with \$12,994,000 held in cash and cash equivalents.

**Underlying EBITDA is a non-IFRS measure calculated as profit before income tax, and before depreciation and amortisation, share based payments, net finance costs, due diligence costs, gain on embedded derivative and impairment of capitalised bank licensing costs. The Company believes this non-IFRS and operational measure is useful in monitoring and understanding the Group's business and they should not be considered in isolation nor as a substitute for IFRS measures.*

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>11.32</u>	<u>1.60</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
High Impact	50.00%	50.00%	-	-
Novatti (Malaysia) Sdn Bhd	50.00%	50.00%	7	5
Lifepay Pty Ltd	25.00%	25.00%	-	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			7	5

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

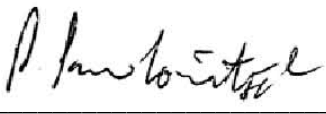
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Novatti Group Limited for the half-year ended 31 December 2021 is attached.

12. Signed

Signed 

Date: 28 February 2022

Peter Pawlowitsch
Chairman

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Novatti Group Limited

ACN 606 556 183

Interim Report - 31 December 2021

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Novatti Group Limited
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31 December 2021

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Novatti Group Limited
Corporate directory
31 December 2021

Directors	Peter Pawlowitsch (Non-Executive Chairman) Peter Cook (Managing Director and Chief Executive Officer) Kenneth Lai (Non-Executive Director) Steven Zhou (Non-Executive Director) Abigail Cheadle (Non-Executive Director) - appointed on 13 December 2021
Joint company secretaries	Ian Hobson Steven Stamboultgis
Registered office and principal place of business	Level 3 461 Bourke Street Melbourne VIC 3000 +61 3 9011 8490
Share register	Automic Registry Services Level 5, 191 St Georges Terrace Perth WA 6000 +61 8 9324 2099
Auditor	William Buck Level 20 181 William Street Melbourne VIC 3000
Solicitors	Milcor Legal Level 1 6 Thelma Street West Perth WA 6005
Bankers	ANZ 388 Collins Street Melbourne VIC 3000
Stock exchange listing	Novatti Group Limited securities are listed on the Australian Securities Exchange (ASX code: NOV)
Website	www.novatti.com
Corporate Governance Statement	www.novatti.com/corporate-governance
Australian Financial Services Licence	AFSL No.448066
New Zealand Financial Services Provider	FSP613789
Financial Conduct Authority	FCA No. 900631 as an appointed representative of CFS-ZIPP Ltd (FCA No. 900027) for issuance of e-money products

Novatti Group Limited
Directors' report
31 December 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Novatti Group Limited (referred to hereafter as the 'company', 'Novatti' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were directors of Novatti Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter Pawlowitsch (Non-Executive Chairman)
Peter Cook (Managing Director and Chief Executive Officer)
Kenneth Lai (Non-Executive Director)
Paul Burton (Non-Executive Director) (resigned on 3 September 2021)
Steven Zhou (Non-Executive Director)
Abigail Cheadle (Non-Executive Director) (appointed on 13 December 2021)

Principal activities

Novatti Group Limited is a leading fintech that enables businesses to pay and be paid, from any device, anywhere. Solutions include issuing, acquiring, processing, and billing, while the Group has also applied to APRA for a restricted banking licence.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$9,923,000 (31 December 2020: \$3,119,000).

Despite the challenges of COVID-19, the Group's revenue increased by 51.3% to \$11,121,000 (31 December 2020: \$7,350,000). The Group's underlying EBITDA* changed from a \$748,000 loss in the prior half year to a loss of \$5,902,000, reflecting an increase of 689%.

During the half the consolidated entity continued to deliver on its strategy of long-term growth in our business. The consolidated entity continues to invest in the ecosystem of Technology, Licences, Partnerships and People as we transition from the development phase to a monetisation phase. This is particularly so in the newer business segments of the business, being Acquiring & Issuing.

This Interim Report for the half year ending 31 December 2021 is to be read in conjunction with the 2021 Annual Report.

The first half of FY22 saw Novatti deliver two consecutive quarters of record revenue, with 51.3% year-on-year growth in half year sales revenue to more than \$11.1m. Total half year revenue also reached \$12.3m.

Novatti's revenue growth continues to benefit from its largely transactional base, enabling it to be easily scaled. For example, Novatti's payment processing business grew 113% to \$9.1m for the first half while having now produced 11 straight quarters of record revenue.

Novatti used the first half to invest heavily in expanding its operations. Most notably, across calendar year 2021, Novatti increased its team by more than 70%, to 150, with a particular focus on sales, business development, and operations staff. As part of this investment, there was a particular focus on providing Novatti's future growth businesses, such as acquiring, with the resources required to deliver on their growth strategies. This investment is reflected in Novatti's financial results, with employee benefits increasing from \$6.8m in the same period of FY21 to \$12.5m for the first half of HY22.

A core focus during the first half of FY22 period was delivering on Novatti's growth strategy, announced at the beginning of the first half. This included more than \$25m in acquisitions and investments, including a 19.9% strategic stake in Reckon Limited and the acquisition of leading South East Asian fintech, ATX, which was subsequently completed after the conclusion of the FY22 first half.

In October 2021, Novatti received \$10.5m in commitments for a Series A funding round for its new banking business subject to regulatory approval being given by the end of February 2022, subsequently extended to 30 June 2022.

During the financial half year, the Group successfully raised more than \$40 million (before costs) through a placement to institutional and sophisticated investors and a share purchase plan to existing shareholders. The net asset position improved by \$32,831,000 to \$41,729,000 as at 31 December 2021 (30 June 2021: \$8,898,000), with \$12,994,000 held in cash and cash equivalents.

Novatti Group Limited
Directors' report
31 December 2021

	31 December 2021 \$'000	31 December 2020 \$'000	Change \$'000	Change %
Net loss from operations	(9,923)	(3,119)	(6,804)	218%
Less:				
Interest income	(19)	(23)	4	(17%)
Add back:				
Depreciation and amortisation	750	740	10	1%
Finance charges	513	710	(197)	(28%)
Indirect tax expenses	83	18	65	361%
EBITDA	(8,596)	(1,674)	(6,922)	414%
Add back/(less):				
Vesting of share-based payments	1,317	1,717	(400)	(23%)
Loss on investments held at fair value through profit or loss	1,575	-	1,575	-
Gain on embedded derivative	(729)	(791)	62	(8%)
Non-operating add back of expenses relating to corporate activity	531	-	531	-
Underlying EBITDA*	(5,902)	(748)	(5,154)	689%

**Underlying EBITDA is a non-IFRS measure calculated as profit before income tax, and before depreciation and amortisation, share based payments, net finance costs, due diligence costs, gain on embedded derivative and impairment of capitalised bank licensing costs. The Company believes this non-IFRS and operational measure is useful in monitoring and understanding the Group's business and they should not be considered in isolation nor as a substitute for IFRS measures.*

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Group has taken precautionary measures by temporarily closing the Company's offices (for all but essential services) and having arranged for its the employees to work remotely, as well as curtailing travel. At the date of this report, the impact of these measures is not expected to significantly affect Novatti's business operations.

Significant changes in the state of affairs

On 2 July 2021, the Group launched a \$45 million capital raising under a \$40 million placement and a \$5 million share purchase plan to expand its presence in existing markets, enter new markets, and acquire a 19.9% interest in Reckon Limited (ASX:RKN).

On 5 July 2021, the Group issued 37,500 fully paid ordinary shares on conversion of 37,500 unlisted options exercisable at \$0.20 per share.

On 9 July 2021, the Group completed Tranche 1 of its capital raising, by issue of 51,120,472 fully paid ordinary shares at \$0.55 per share, raising \$28,116,260 before costs.

On 13 July 2021, the Group completed its previously announced acquisition of a 19.9% interest in Reckon Limited (ASX:RKN) by payment of \$22.5 million for acquisition of 22.5 million shares in Reckon and associated costs.

During July 2021, the Group issued 6,080,000 fully paid ordinary shares upon conversion of 1,520,000 convertible notes (4 for 1). Subsequently, on 4 August 2021, the Group settled 97,500 convertible notes by way of repayment or redemption.

On 6 August 2021, the Group completed the share purchase plan and on 9 August 2021 the Group issued 452,742 fully paid ordinary shares at \$0.55 raising \$249,000 before costs.

On 20 August 2021, the Group held a General Meeting for the ratification of shares issued prior and for the adoption of the 2021 Novatti Employee Incentive plan, and approval for issue of shares for Tranche 2 of the capital raising. On 27 August 2021, the Group completed Tranche 2 of the capital raising by the issue of 21,606,801 fully paid ordinary shares at \$0.55 per share, raising \$11,883,740 before costs.

Novatti Group Limited
Directors' report
31 December 2021

On 1 September 2021, the Group issued 310,000 fully paid ordinary shares on conversion of 310,000 unlisted options exercisable at \$0.25 per share.

On 1 October 2021, the Group issued the following securities:

- 600,000 fully paid ordinary shares on conversion of 600,000 unlisted options exercisable at \$0.25 per share;
- 40,000 fully paid ordinary shares at \$0.50 per share to service providers in lieu of investor relations services;
- 500,000 unlisted options in lieu of investor relations services exercisable at \$0.66, expiring 31 December 2023;
- 100,000 unlisted options in lieu of investor relations services exercisable at \$0.60, expiring 31 December 2022;
- 500,000 unlisted options in lieu of investor relations services exercisable at \$0.30, expiring 30 June 2022.

On 6 October 2021, the Group bought back the 19.9% shares of Novatti B Holding Company Pty Ltd from BC Investment Group Holdings Ltd.

On 15 October 2021, the Group issued the following securities:

- 1,000,000 fully paid ordinary shares at \$0.45 per share to employees as Employee Incentives;
- 1,300,000 unlisted options exercisable at \$0.495, expiring 15 October 2024;
- 1,300,000 unlisted options exercisable at \$0.75, expiring 15 October 2024.

On 3 December 2021, the Group issued the following securities:

- 2,950,000 fully paid ordinary shares on conversion of 2,950,000 unlisted options exercisable at \$0.25 per share;
- 179,106 fully paid ordinary shares on cashless exercise of 450,000 unlisted options exercisable at \$0.20 per share;
- 68,907 fully paid ordinary shares on cashless exercise of 400,000 unlisted options exercisable at \$0.275 per share;

On 20 December 2021, the Group issued 8,500,000 unlisted options exercisable at \$0.45, expiring 30 November 2025.

On 24 December 2021, the Group issued the following securities:

- 32,000 fully paid ordinary shares in lieu of investor relations services;
- 1,350,000 fully paid ordinary shares on conversion of 1,350,000 unlisted options exercisable at \$0.25 per share.

On 31 December 2021, the Group issued 1,666,667 fully paid ordinary shares on conversion of 1,666,667 unlisted options exercisable at \$0.19 per share.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

On 14 January 2022, the Group completed the acquisition of 100% of the issued share capital in ATX Fintech Holding Sdn Bhd, a leading South East Asian payments fintech, based in Malaysia. As part of the initial consideration, the Group issued 3,600,000 fully paid ordinary shares at \$0.55 per share.

The Group is still in the process of accounting for the above acquisition due to the timing of the transaction and the completion date.

On 25 January 2022, the Group issued 600,000 unlisted options to employees exercisable at \$0.3262, expiring 25 January 2025.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

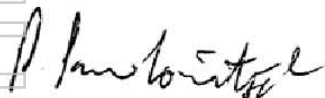
Novatti Group Limited
Directors' report
31 December 2021

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Pawlowitsch
Chairman

28 February 2022

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF NOVATTI GROUP LIMITED**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck
William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A handwritten signature in black ink, appearing to read 'N. S. Benbow'.

N. S. Benbow
Director

Melbourne, 28th February 2022

ACCOUNTANTS & ADVISORS
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Novatti Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

		Consolidated	
	Note	31 December 2021	31 December 2020
		\$'000	\$'000
Revenue	4	11,121	7,350
Other income	5	1,216	991
Expenses			
Administrative and corporate costs		(1,350)	(1,055)
Client hosting fees and other direct services		(4,910)	(1,938)
Employee benefits		(12,511)	(6,830)
Foreign currency gains/(losses)		257	(218)
Marketing and selling expenses		(153)	(11)
Data management expenses		(394)	(173)
Loss on investments at fair value through profit or loss		(1,575)	-
Share-based payments		(1,036)	(574)
Share of net profit of joint ventures accounted for using the equity method		7	5
Gain on embedded derivative - convertible note facility into Novatti Group Ltd the parent entity		729	791
Depreciation and amortisation expense		(750)	(740)
Finance costs		(513)	(710)
Loss before income tax expense		(9,862)	(3,112)
Income tax expense		(61)	(7)
Loss after income tax expense for the half-year attributable to the owners of Novatti Group Limited		(9,923)	(3,119)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(4)	(114)
Other comprehensive income for the half-year, net of tax		(4)	(114)
Total comprehensive income for the half-year attributable to the owners of Novatti Group Limited		(9,927)	(3,233)
		Cents	Cents
Basic earnings per share	13	(3.14)	(1.38)
Diluted earnings per share	13	(3.14)	(1.38)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Novatti Group Limited
Statement of financial position
As at 31 December 2021

		Consolidated	
	Note	31 December	30 June 2021
		2021	2021
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		12,994	8,798
Trade and other receivables		4,987	4,138
Financial assets - funds in trust	6	41,722	39,019
Other current assets		632	324
Total current assets		<u>60,335</u>	<u>52,279</u>
Non-current assets			
Investments accounted for using the equity method		811	804
Other investments at fair value through profit and loss	7	21,972	1,030
Plant and equipment		467	544
Right-of-use assets		1,794	1,933
Intangible assets	8	4,470	4,991
Deposit for investment		3,149	-
Deposits	11	2,672	2,206
Total non-current assets		<u>35,335</u>	<u>11,508</u>
Total assets		<u>95,670</u>	<u>63,787</u>
Liabilities			
Current liabilities			
Trade and other payables		8,110	6,817
Settlement and remittance funds payable	9	41,347	38,609
Lease liabilities		234	247
Unearned revenue		495	876
Convertible note facilities		200	4,907
Employee benefits		1,513	1,314
Total current liabilities		<u>51,899</u>	<u>52,770</u>
Non-current liabilities			
Lease liabilities		1,854	1,971
Employee benefits		188	148
Total non-current liabilities		<u>2,042</u>	<u>2,119</u>
Total liabilities		<u>53,941</u>	<u>54,889</u>
Net assets		<u>41,729</u>	<u>8,898</u>
Equity			
Issued capital	10	88,076	44,144
Reserves		4,625	3,803
Accumulated losses		(50,972)	(41,018)
Equity attributable to the owners of Novatti Group Limited		<u>41,729</u>	<u>6,929</u>
Non-controlling interest		-	1,969
Total equity		<u>41,729</u>	<u>8,898</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Novatti Group Limited
Statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	Issued capital \$'000	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Non-Controlling Interests \$'000	Total equity \$'000
Balance as at 1 July 2020	26,685	1,757	620	(29,547)	-	(485)
Loss after income tax expense for the half-year	-	-	-	(3,119)	-	(3,119)
Other comprehensive income for the half-year, net of tax	-	-	(114)	-	-	(114)
Total comprehensive income for the half-year	-	-	(114)	(3,119)	-	(3,233)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	9,540	-	-	-	-	9,540
Lapse of expired share options	-	(342)	-	342	-	-
Vesting of share based payments arrangements	-	1,717	-	-	-	1,717
Issue of shares in lieu of consultancy fees	50	-	-	-	-	50
Issue of shares on cashless exercise of options	18	(18)	-	-	-	-
Issue of shares on exercise of options	6	(2)	-	-	-	4
Issue of shares on conversion of convertible notes	183	-	-	-	-	183
Balance as at 31 December 2020	<u>36,482</u>	<u>3,112</u>	<u>506</u>	<u>(32,324)</u>	<u>-</u>	<u>7,776</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Novatti Group Limited
Statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	Issued capital \$'000	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Non- Controlling Interests \$'000	Total equity \$'000
Balance as at 1 July 2021	44,144	3,226	577	(41,018)	1,969	8,898
Loss after income tax expense for the half-year	-	-	-	(9,923)	-	(9,923)
Other comprehensive income for the half-year, net of tax	-	-	(4)	-	-	(4)
Total comprehensive income for the half-year	-	-	(4)	(9,923)	-	(9,927)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 10)	38,029	-	-	-	-	38,029
Vesting of share based payments arrangements	-	1,483	-	-	-	1,483
Issue of shares in lieu of consultancy fees	26	-	-	-	-	26
Issue of shares in lieu of staff remuneration	250	-	-	-	-	250
Issue of shares on exercise of options	2,273	(656)	-	-	-	1,617
Issue of shares on conversion of convertible notes and exercise of bonus options held by convertible note holders	3,354	(1)	-	-	-	3,353
Reacquisition of equity in Novatti B Holdings Pty Ltd formerly owned by BC Invest	-	-	-	(31)	(1,969)	(2,000)
Balance as at 31 December 2021	<u>88,076</u>	<u>4,052</u>	<u>573</u>	<u>(50,972)</u>	<u>-</u>	<u>41,729</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Novatti Group Limited
Statement of cash flows
For the half-year ended 31 December 2021

		Consolidated	
	Note	31 December 2021	31 December 2020
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		25,017	15,322
Payments to suppliers and employees (inclusive of GST)		(31,973)	(18,346)
Interest received		19	30
Dividends received		676	-
Receipt of Government Stimulus		256	616
Interest and other finance costs paid		(528)	(129)
Net cash used in operating activities		<u>(6,533)</u>	<u>(2,507)</u>
Cash flows from investing activities			
Payment for acquisition of investment partnership/business		(22,517)	(270)
Deposit for ATX acquisition		(3,149)	-
Payments for plant and equipment		(103)	(72)
Payments for intangible assets		(84)	(170)
Payments for security deposits		(555)	-
Reacquisition of equity in Novatti B Holdings Pty Ltd formerly owned by BC Invest		(2,000)	-
Proceeds from disposal of investments		-	360
Net cash used in investing activities		<u>(28,408)</u>	<u>(152)</u>
Cash flows from financing activities			
Proceeds from issue of shares	10	40,246	10,204
Proceeds from exercise of share options	10	1,619	-
Proceeds from conversion of convertible notes	10	2	-
Proceeds from borrowings		-	200
Share issue transaction costs	10	(2,220)	(660)
Repayment of borrowings		(639)	(123)
Repayment of lease liabilities		(129)	(193)
Net cash from financing activities		<u>38,879</u>	<u>9,428</u>
Net increase in cash and cash equivalents		3,938	6,769
Cash and cash equivalents at the beginning of the financial half-year		8,798	2,600
Effects of exchange rate changes on cash and cash equivalents		258	(218)
Cash and cash equivalents at the end of the financial half-year		<u><u>12,994</u></u>	<u><u>9,151</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Novatti Group Limited as a consolidated entity consisting of Novatti Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Novatti Group Limited's functional and presentation currency.

Novatti Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3
461 Bourke Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into seven operating business segments:

- (1) Technology, incorporating enterprise sales, Maintenance & Support via the Novatti Platform and Basis2 operating under Novatti Incorporated
- (2) Business Automation, incorporating Emersion Systems Pty Ltd and Novatti Emersion Inc.
- (3) Acquiring, incorporating Novatti Acquiring Holdings Pty Ltd and Novatti Acquiring Services (AUS) Pty Ltd
- (4) Alternative Payments, incorporating Flexewallet Pty Ltd, Flexe Payments (South Africa) Pty Ltd and Flexe Payments Ltd
- (5) Banking Services, incorporating the banking services under Novatti B Holding Company Pty Ltd
- (6) Issuing, incorporating Flexewallet (NZ) Limited and Vasco Pay Pty Ltd
- (7) Corporate Overheads, the overhead segment that holds the financial assets for the Group and captures the corporate, public running costs and overheads costs

These operating business segments are based on the internal reports that are reviewed and used by the Board of Directors who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

Note 3. Operating segments (continued)

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Technology	Platform: Develops, deploys and supports specialised mobile and alternate payment technology, primarily through the deployment of the Novatti Platform.
Business Automation	Billing Solutions: Basis2 trading under Novatti Inc. provides a technologically advanced billing and CIS solution to service providers in the utilities industry. Emersion: Automates business processes including customer engagement, billing, collections, subscription management and embedded payments.
Acquiring	Novatti Acquiring: Enables businesses to accept payments online for e-commerce with a strong focus on mobile point-of-sales as key growth area.
Alternative Payments	TransferBridge: Provides a comprehensive global network that interconnects emerging payment platforms, remittance operators, financial institutions, retailers, utilities and other types of cross border payment settlement offerings. Flexewallet and Flexe Payments: Offers customers an alternative payment method in the form of a prepaid cash voucher. Vouchers can be used for a multitude of payment methods such as prepaid account top-ups and for secure online payment of goods and services. Vouchers are available in a variety of currencies and locations globally.
Banking Services	Novatti B Holding Company Pty Ltd, on approval as a Restricted Authorised Deposit-Taking Institution ('RADI') or its banking licence by APRA, Novatti B Holding Company Pty Ltd will offer new banking services to Australian customers with a focus on the migrant demographic.
Issuing	Vasco Pay Pty Ltd and Novatti Group Ltd: Provides a payment system centred around reloadable prepaid cards that meets the needs and wants of international and local university and college students.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans are eliminated on consolidation.

Major customers

During the half-year ended 31 December 2021, 48.62% (31 December 2020: 22.56%) of the consolidated entity's external revenue was derived from sales to customers as follows:

	Consolidated 31 December 2021 %	Consolidated 31 December 2020 %
Customer A	17.49%	13.14%
Customer B	15.82%	3.79%
Customer C	15.31%	5.63%
	<hr/> 48.62%	<hr/> 22.56%

Novatti Group Limited
Notes to the financial statements
31 December 2021

Note 3. Operating segments (continued)

Operating segment information

	Technology	Business Automation	Acquiring	Alternative Payments	Banking Services	Issuing	Corporate Overheads	Total
Consolidated - 31 December 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	1,900	1,158	118	7,266	-	679	-	11,121
Other revenue	-	-	-	-	-	-	1,197	1,197
Total revenue	1,900	1,158	118	7,266	-	679	1,197	12,318
EBITDA	1,137	(1,190)	(1,357)	1,254	(1,149)	(1,130)	(6,161)	(8,596)
Depreciation and amortisation	-	-	-	-	-	-	(750)	(750)
Interest revenue	-	-	-	-	-	-	19	19
Finance costs	-	-	-	-	-	-	(513)	(513)
Other taxes	-	-	-	-	-	-	(22)	(22)
Profit/(loss) before income tax expense	1,137	(1,190)	(1,357)	1,254	(1,149)	(1,130)	(7,427)	(9,862)
Income tax expense								(61)
Loss after income tax expense								(9,923)
	Technology	Business Automation	Acquiring	Alternative Payments	Banking Services	Issuing	Corporate Overheads	Total
Consolidated - 31 December 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	2,893	1,084	-	3,111	-	262	-	7,350
Other revenue	-	-	-	-	-	-	968	968
Total revenue	2,893	1,084	-	3,111	-	262	968	8,318
EBITDA	2,111	(80)	(59)	303	(791)	(403)	(2,755)	(1,674)
Depreciation and amortisation	-	-	-	-	-	-	(740)	(740)
Interest revenue	-	-	-	-	-	-	23	23
Finance Costs	-	-	-	-	-	-	(710)	(710)
Other taxes	-	-	-	-	-	-	(11)	(11)
Profit/(loss) before income tax expense	2,111	(80)	(59)	303	(791)	(403)	(4,193)	(3,112)
Income tax expense								(7)
Loss after income tax expense								(3,119)

For the breakdown of operating segment revenue into disaggregated revenue components, refer to note 4.

Novatti Group Limited
Notes to the financial statements
31 December 2021

Note 4. Revenue

31 December 2021

	Timing of revenue recognition Services provided at point in time	Timing of revenue recognition Services provided over time	Consolidated 31 December 2021
	\$'000	\$'000	\$'000
Sales revenue:			
Technology	1,137	763	1,900
Business Automation	-	1,158	1,158
Acquiring	-	118	118
Alternative Payments	7,266	-	7,266
Issuing	679	-	679
	<u>9,082</u>	<u>2,039</u>	<u>11,121</u>

31 December 2020

	Timing of revenue recognition Services provided at point in time	Timing of revenue recognition Services provided over time	Consolidated 31 December 2020
	\$'000	\$'000	\$'000
Sales revenue:			
Technology	1,248	1,645	2,893
Business Automation	-	1,084	1,084
Acquiring	-	-	-
Alternative Payments	3,111	-	3,111
Issuing	262	-	262
	<u>4,621</u>	<u>2,729</u>	<u>7,350</u>

Note 5. Other income

	Consolidated	
	31 December 2021 \$'000	31 December 2020 \$'000
Government grants	256	723
Research and development grant	-	240
Dividends	676	-
Interest	19	23
Other	265	5
Other income	<u>1,216</u>	<u>991</u>

Note 6. Current assets - financial assets - funds in trust

	Consolidated	
	31 December	
	2021	30 June 2021
	\$'000	\$'000
Settlement funds*	21,911	15,913
Remittance funds*	5,146	18,371
Client visa funds	14,665	4,735
	<u>41,722</u>	<u>39,019</u>

* Refer to note 9 Current liabilities – Settlement and Remittance funds payable

Note 7. Non-current assets - other investments at fair value through profit and loss

	Consolidated	
	31 December	
	2021	30 June 2021
	\$'000	\$'000
Investment in Slice Payments	780	780
Investment in Rent Pay Pty Ltd	250	250
Investment in Reckon Limited	20,942	-
	<u>21,972</u>	<u>1,030</u>

For all of these investments, the directors consider that the Company has less than a significant influence. Accordingly, they are all held at fair value through profit or loss. The investments in Slice Payments and Rent Pay Pty Ltd are Level 2 valuation investments as they are unlisted, with the derivation of their value from the last available public information for trading in the shares of those investments at arms-length terms. The investment in Reckon Limited is a Level 1 investment, being that it is quoted on the Australian Securities Exchange. The Reckon Limited shares were originally acquired at \$1.00 per share. As at 31 December 2021 the value of those shares declined to \$0.93 per share, contributing to a fair valuation loss of \$1,575,000.

Note 8. Non-current assets - intangible assets

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$'000	\$'000
Brand asset	568	568
Less: Accumulated amortisation	(201)	(173)
	<u>367</u>	<u>395</u>
Intellectual property - at cost	847	847
Less: Accumulated amortisation	(390)	(347)
	<u>457</u>	<u>500</u>
Customer lists	3,683	3,619
Less: Accumulated amortisation	(1,506)	(1,206)
	<u>2,177</u>	<u>2,413</u>
Licences	475	475
Less: Accumulated amortisation	(119)	(71)
	<u>356</u>	<u>404</u>
Other intangible assets	46	46
Product development	1,643	1,643
Less: Accumulated amortisation	(576)	(410)
	<u>1,067</u>	<u>1,233</u>
	<u><u>4,470</u></u>	<u><u>4,991</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Brand asset	Intellectual	Customer	Licences	Other	Product	Total
Consolidated	\$'000	property	lists	\$'000	intangible	development	\$'000
	\$'000	\$'000	\$'000	\$'000	assets	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2021	395	500	2,413	404	46	1,233	4,991
Exchange differences	-	-	50	-	-	-	50
Amortisation expense	(28)	(43)	(286)	(48)	-	(166)	(571)
Balance as at 31 December 2021	<u>367</u>	<u>457</u>	<u>2,177</u>	<u>356</u>	<u>46</u>	<u>1,067</u>	<u>4,470</u>

Note 9. Current liabilities - settlement and remittance funds payable

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$'000	\$'000
Settlement funds payable*	21,911	15,913
Remittance funds payable*	5,146	18,371
Client visa funds payable	14,290	4,325
	<u>41,347</u>	<u>38,609</u>

*Client Funds held for Settlement and Remittance, refer to note 6.

Note 10. Equity - issued capital

	31 December	Consolidated		
	2021	30 June 2021	31 December	
	Shares	Shares	2021	
			\$'000	
			30 June 2021	
			\$'000	
Ordinary shares - fully paid	331,697,521	244,203,326	88,076	44,144

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2021	244,203,326	44,144
Issue of shares on conversion of convertible notes	5 July 2021	4,880,000	2,692
Issue of shares on exercise of options	5 July 2021	37,500	10
Issue of shares to sophisticated and institutional investors	9 July 2021	51,120,472	28,116
Issue of shares on conversion of convertible notes	30 July 2021	1,200,000	662
Issue of shares to existing shareholders under Share Purchase Plan	9 August 2021	452,742	249
Issue of shares to sophisticated and institutional investors	27 August 2021	21,606,801	11,884
Issue of shares on exercise of options	1 September 2021	310,000	103
Issue of shares on exercise of options	1 October 2021	600,000	199
Issue of shares in lieu of consultancy fees	1 October 2021	40,000	17
Issue of shares to employees	15 October 2021	1,000,000	250
Issue of shares on exercise of options	3 December 2021	3,198,013	1,046
Issue of shares in lieu of consultancy fees	24 December 2021	32,000	9
Issue of shares on exercise of options	24 December 2021	1,350,000	448
Issue of shares on exercise of options	31 December 2021	1,666,667	467
Cost of capital raising		-	(2,220)
Balance	31 December 2021	331,697,521	88,076

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 11. Contingent liabilities

Deposits under non-current assets are refundable collateral held on application of the Visa issuing licence and Currency Cloud float. The conditions in place for the deposits are relating to a) the Visa partnership; b) the Currency Cloud float; and c) Visa collateral.

Programs managed under the Novatti Visa licence requires Novatti clients to maintain 6 days float in accounts held by Novatti for the client. Where a client's business model fails, their float held by Novatti, is used to settle outstanding card payments. In the unlikely event that the client funds fall short of clearing their outstanding Visa settlements, the cash on deposit will be used for the shortfall. The Currency Cloud float enables expedient payments. Where the client does not forward the balance of the funds for cross-border payments, Novatti is at risk of the unpaid balance of that transaction.

The consolidated entity had no other contingent liabilities as at 31 December 2021 and 30 June 2021.

Note 12. Events after the reporting period

On 14 January 2022, the Group completed the acquisition of 100% of the issued share capital in ATX Fintech Holding Sdn Bhd, a leading South East Asian payments fintech, based in Malaysia. As part of the initial consideration, the Group issued 3,600,000 fully paid ordinary shares at \$0.55 per share.

The Group is still in the process of accounting for the above acquisition due to the timing of the transaction and the completion date.

On 25 January 2022, the Group issued 600,000 unlisted options to employees exercisable at \$0.3262, expiring 25 January 2025.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 13. Earnings per share

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
Loss after income tax attributable to the owners of Novatti Group Limited	<u>(9,923)</u>	<u>(3,119)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>315,823,793</u>	<u>225,360,878</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>315,823,793</u>	<u>225,360,878</u>
	Cents	Cents
Basic earnings per share	(3.14)	(1.38)
Diluted earnings per share	(3.14)	(1.38)

As at 31 December 2021, the Group has 40,506,668 unlisted options on issue. These options are considered to be non-dilutive whilst the Group is in a loss position.

Note 14. Share-based payments

Options issued under employee share option plan

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the Company to certain key management personnel and staff of the Group.

The Employee Share Option Plan is designed to provide long-term incentives for Senior Management (including Directors) and staff to deliver long-term shareholder returns. Options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

The options granted in the current financial half-year were calculated based on the Binomial model method of calculation for share-based payments.

The following Share-based payment arrangements were in existence during the current financial half-year and are supported by the table below.

Novatti Group Limited
Notes to the financial statements
31 December 2021

Note 14. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

31 December
2021

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
27/11/2018	30/11/2022	\$0.190	5,333,335	-	(1,666,667)	-	3,666,668
25/11/2019	30/11/2023	\$0.200	3,000,000	-	-	-	3,000,000
19/12/2019	19/12/2022	\$0.200	4,750,000	-	(487,500)	-	4,262,500
10/07/2020	10/07/2023	\$0.200	850,000	-	-	-	850,000
10/07/2020	01/03/2024	\$0.200	441,667	-	-	-	441,667
10/07/2020	01/03/2025	\$0.200	441,667	-	-	-	441,667
10/07/2020	01/03/2026	\$0.200	66,666	-	-	-	66,666
10/07/2020	31/12/2022	\$0.200	3,200,000	-	-	-	3,200,000
26/10/2020	26/10/2023	\$0.300	1,000,000	-	-	-	1,000,000
25/11/2020	30/11/2024	\$0.270	2,500,000	-	-	-	2,500,000
22/12/2020	22/12/2023	\$0.275	3,600,000	-	(400,000)	-	3,200,000
22/12/2020	14/10/2023	\$0.300	2,000,000	-	-	-	2,000,000
05/05/2021	05/05/2024	\$0.750	100,000	-	-	-	100,000
08/02/2021	08/02/2024	\$0.300	200,000	-	-	-	200,000
07/04/2021	07/04/2024	\$0.600	100,000	-	-	-	100,000
05/04/2021	05/04/2024	\$0.300	300,000	-	-	-	300,000
31/05/2021	31/05/2024	\$0.750	400,000	-	-	-	400,000
15/10/2021	15/10/2024	\$0.495	-	1,300,000	-	-	1,300,000
15/10/2021	15/10/2024	\$0.750	-	1,300,000	-	-	1,300,000
20/12/2021	30/11/2025	\$0.450	-	8,500,000	-	-	8,500,000
			<u>28,283,335</u>	<u>11,100,000</u>	<u>(2,554,167)</u>	<u>-</u>	<u>36,829,168</u>

Weighted average exercise price	\$0.237	\$0.490	\$0.205	\$0.000	\$0.310
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31 December
2020

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
27/11/2018	30/11/2022	\$0.190	9,000,000	-	-	(3,666,667)	5,333,333
25/11/2019	30/11/2023	\$0.200	3,500,000	-	(166,667)	(333,333)	3,000,000
19/12/2019	19/12/2022	\$0.200	5,370,000	-	(20,000)	(80,000)	5,270,000
10/07/2020	10/07/2023	\$0.200	-	850,000	-	-	850,000
10/07/2020	01/03/2024	\$0.200	-	441,667	-	-	441,667
10/07/2020	01/03/2025	\$0.200	-	441,667	-	-	441,667
10/07/2020	01/03/2026	\$0.200	-	66,666	-	-	66,666
10/07/2020	31/12/2022	\$0.200	-	3,200,000	-	-	3,200,000
25/11/2020	30/11/2024	\$0.270	-	2,500,000	-	-	2,500,000
22/12/2020	22/12/2023	\$0.275	-	3,600,000	-	-	3,600,000
22/12/2020	14/10/2023	\$0.300	-	2,000,000	-	-	2,000,000
			<u>17,870,000</u>	<u>13,100,000</u>	<u>(186,667)</u>	<u>(4,080,000)</u>	<u>26,703,333</u>

Weighted average exercise price	\$0.195	\$0.249	\$0.200	\$0.191	\$0.222
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Note 14. Share-based payments (continued)

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
15/10/2021	15/10/2024	\$0.450	\$0.495	70.00%	-	0.98%	\$0.197
15/10/2021	15/10/2024	\$0.450	\$0.495	70.00%	-	0.98%	\$0.160
15/10/2021	15/10/2024	\$0.450	\$0.495	70.00%	-	0.98%	\$0.110
15/10/2021	15/10/2024	\$0.450	\$0.750	70.00%	-	0.98%	\$0.147
15/10/2021	15/10/2024	\$0.450	\$0.750	70.00%	-	0.98%	\$0.123
15/10/2021	15/10/2024	\$0.450	\$0.750	70.00%	-	0.98%	\$0.076
15/10/2021	15/10/2024	\$0.450	\$0.750	70.00%	-	0.98%	\$0.125
15/10/2021	15/10/2024	\$0.450	\$0.750	70.00%	-	0.98%	\$0.079
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.128
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.137
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.146
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.100
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.074
20/12/2021	30/11/2025	\$0.275	\$0.450	70.00%	-	0.98%	\$0.040

These options have different tranches with different vesting periods.

Bonus options issued for convertible notes

On 30 March 2020 the Group issued 3,500,000 bonus options to the convertible note holders. These options were valued using the Binomial model method of calculation for share-based payments.

Set out below are summaries of bonus options granted to convertible note holders:

31 December 2021		Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the half-year
Grant date	Expiry date						
15/11/2019	30/10/2022	\$0.250	1,475,000	-	(10,000)	-	1,465,000
18/02/2020	30/10/2022	\$0.250	1,112,500	-	-	-	1,112,500
			<u>2,587,500</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>2,577,500</u>

31 December 2020		Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the half-year
Grant date	Expiry date						
15/11/2019	30/10/2022	\$0.250	2,275,000	-	(175,000)	-	2,100,000
18/02/2020	30/10/2022	\$0.250	1,225,000	-	-	-	1,225,000
			<u>3,500,000</u>	<u>-</u>	<u>(175,000)</u>	<u>-</u>	<u>3,325,000</u>

Options issued to consultants

On 15 September 2020 and 1 October 2021, the Group issued 7,000,000 and 1,100,000 unquoted options to consultants in lieu of investor relation service fees. These options were valued using Black-Scholes valuation model.

Set out below are summaries of options granted to consultants:

Note 14. Share-based payments (continued)

31 December 2021		Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the half-year
Grant date	Expiry date						
15/09/2020	31/12/2021	\$0.250	5,200,000	-	(5,200,000)	-	-
01/10/2021	30/06/2022	\$0.300	-	500,000	-	-	500,000
01/10/2021	31/12/2022	\$0.600	-	100,000	-	-	100,000
01/10/2021	31/12/2023	\$0.660	-	500,000	-	-	500,000
			<u>5,200,000</u>	<u>1,100,000</u>	<u>(5,200,000)</u>	<u>-</u>	<u>1,100,000</u>

31 December 2020		Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the half-year
Grant date	Expiry date						
15/09/2020	31/12/2021	\$0.250	7,000,000	-	-	-	7,000,000
			<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000,000</u>

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/10/2021	30/06/2022	\$0.430	\$0.300	70.00%	-	0.98%	\$0.167
01/10/2021	31/12/2022	\$0.430	\$0.600	70.00%	-	0.98%	\$0.086
01/10/2021	31/12/2023	\$0.430	\$0.660	70.00%	-	0.98%	\$0.122

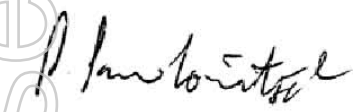
Novatti Group Limited
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Pawlowitsch
Chairman

28 February 2022

Novatti Group Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Novatti Group Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (together, the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Novatti Group Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

ACCOUNTANTS & ADVISORS

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Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck
William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A handwritten signature in black ink, appearing to read "N. S. Benbow".

N. S. Benbow
Director

Melbourne, 28th February 2022

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