

ASX Announcement

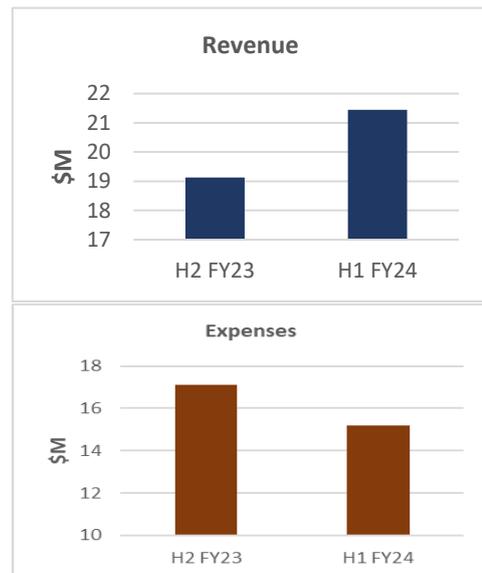
28 February 2024

Half Year Report and Appendix 4D

Revenue up, expenses down – transformation taking hold

Highlights

- 12.1% increase in revenue on H2 FY23 to \$21.4m
- 11% decrease in expenses on H2 FY23 to \$15.2m¹
- 24% growth on H2 FY23 Payments AU/NZ gross transaction value with \$3.4b annualised run rate
- \$4m+ annualised cost-reduction program announced and implemented post end of half
- External funding for growth initiatives secured – AUDD and International Bank of Australia
- Capital raising through convertible notes successfully raises \$3.5m



Novatti Group Limited (ASX:NOV) (Novatti or the Company), a leading fintech enabling businesses to pay and be paid, is pleased to provide an update on its activities for the Half Year ended 31 December 2023 (H1 FY24).

Commenting on the results, Novatti CEO, Mark Healy, said:

“The half year began with a new leadership team in place and we moved quickly to implement a clear strategy moving forward. This strategy is focused on simplifying the business, becoming market and customer led, and ultimately lifting financial performance. Most importantly, this strategy is underpinned by core financial targets of positive operating cashflow by mid-2024 and 70%+ margins within three years.”

“We are now deep into the implementation of this strategy and the broader transformation of Novatti’s business, with positive results emerging. Most notably, revenue is up 12.1%, and expenses are down 11% (HoH).”

“Novatti continues to be underpinned by a huge market opportunity that remains to be captured, with 45% of Australian businesses acknowledging the need to improve their payment systems.”²

¹ References to H1 FY24 expenses excludes costs related to International Bank of Australia and share option expenses.

² See: <https://www.sydney.edu.au/news-opinion/news/2023/08/31/half-of-australian-businesses-plan-to-invest-in-digital-payments.html>

“Going forward, we remain committed to our positive cashflow target in mid 2024, while we continue to position Novatti for longer term margin growth. With revenue now up and expenses moving down, our transformation is well underway.”

Operational Update

Novatti has undertaken a transformation strategy throughout H1 FY24 which has streamlined 12 individually operated businesses down to 4 core divisions: Payments AU/NZ, Payments International, Technology Solutions and Investments.

To implement this strategy, Novatti targeted specific areas of focus within each of the past two quarters, including simplifying the business in Q1 and optimising financing in Q2, while Q3 has commenced with a focus on cost reduction. This resulted in a long list of individual initiatives being implemented over H1, including: undertaking a strategic review of all business areas against financial goals, with potential for further divestment, restructured the business portfolio, streamlined the sales process and enabling access to multiple products.

Now in H2, Novatti has begun implementing a \$4m annualised cost-reduction program, launched a new marketing campaign targeting the education sector, and identified 1,000+ existing customers as potential prospects for cross-selling additional Novatti products.

Financial Update

Novatti generated \$21.4 million in sales revenue across H1, which represented a 12.1% increase on H2 FY23 (\$19.1m). Further, expenses for H1 totalled \$15.2m, an 11% reduction on the previous half (H2 FY23: \$17.1m).

These key metrics are central to Novatti’s target of achieving positive operating cashflow by mid 2024 and were coupled with \$0.8m growth in Payments AU/NZ margin in H1 FY24 compared to H2 FY23, as Novatti moves towards reaching its long term margin targets.³ Importantly, Novatti continues to see growth across its broader business, with Gross Transaction Volumes (GTV) in Payments AU/NZ growing 24% in H1 FY24 compared to H2 FY23.

With these emerging results, Novatti will advance to the next stage of its transformation strategy to begin unlocking new value from existing Novatti technology and business, through a customer and market led focus.

H1 FY24 underlying EBITDA improved on H2 FY23 to -\$6.6m.⁴ Further improvement in this result is expected in H2 FY24 following the implementation of Novatti’s \$4m annualised cost-reduction program.

³ Margins are normalised to remove all one-time prior period impacts.

⁴ 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, movement in foreign exchange and the banking business. 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.

After the completion of H1, a capital raising through convertible notes successfully raised \$3.5m. This capital raising was overwhelmingly supported by shareholders at an extraordinary general meeting held on 14 February 2024. These funds will support the delivery of Novatti's strategy, particularly by optimising the financing of Novatti's business and increasing available collateral to take on larger business opportunities.

Investments

A key focus of H1 was to identify external funding opportunities for key growth initiatives.

International Bank of Australia (IBOA) commenced an external Series A funding round in H1 with several parties having commenced due diligence. IBOA has now raised \$1.15m in the current Series A and Novatti holds an 86% interest in IBOA while the fundraising round continues.

AUDD stablecoin has continued to grow, also securing \$600k in pre-seed funding. Novatti retains an 80% interest. This funding and other operational changes sees AUDD become self-funding. The amount of AUDD in circulation continues to grow, backed 1:1 with AUD. Further information about how much AUDD is in circulation can be viewed in real time via the AUDD website.

In November 2023, Novatti divested its 19.9% stake in Reckon Limited and utilised proceeds to fully repay its \$10.5m corporate bond facility as part of the Company's ongoing strategy to streamline its business. Interest payments of approx. \$1.1m per year will be saved as a result of the early redemption of the bond, contributing to the Company's aim of achieving positive operating cashflow while also removing limitations on certain strategic activities. Importantly, the current commercial partnership with Reckon Limited continues, with more than 300 Reckon customers utilising Novatti merchant services. Novatti has now also secured an API integration with Reckon that enables access to larger Reckon customers, creating opportunities for larger potential revenue streams.

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>

Investors can view all Novatti announcements at: <http://www.novatti.com/asx-announcements/>.

This announcement has been approved for release to the ASX by the Board of Directors.

For further information, contact:

Mark Healy
CEO
Novatti Group Limited
investorrelations@novatti.com

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 start-ups to global organisations, our solutions will unlock your ambitions. Solutions include acquiring, billing, issuing, processing and banking (via International Bank of Australia Pty Ltd (IBOA) under a Restricted Authorised Deposit-taking Institution licence).

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 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	8.0% to	21,449
Loss from ordinary activities after tax attributable to the owners of Novatti Group Limited	up	3.3% to	(13,291)
Loss for the half-year attributable to the owners of Novatti Group Limited	up	3.3% to	(13,291)

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 and non-controlling interest amounted to \$13,291,000 (31 December 2022: \$12,862,000).

The Group's revenue increased by 8.0% to \$21,449,000 (31 December 2022: \$19,851,000). The Group's underlying EBITDA* changed from a \$7,113,000, loss in the prior half year to a loss of \$6,554,000, reflecting improvement of \$559,000.

	31 December 2023 \$'000	31 December 2022 \$'000	Change \$'000	Change %
Net loss from operations	(13,472)	(12,920)	(552)	4%
less:				
Interest income	(656)	(175)	(481)	275%
Add back:				
Depreciation and amortisation	1,082	1,101	(19)	(2%)
Finance charges	605	1,191	(586)	(49%)
Indirect tax expenses	136	126	10	8%
Income tax (benefit)/expense	(35)	1	(36)	(3600%)
EBITDA	<u>(12,340)</u>	<u>(10,676)</u>	<u>(1,664)</u>	
Add back/(less):				
Vesting of share-based payments	683	2,248	(1,565)	(70%)
Loss on investments held at fair value through profit or loss	2,639	13,963	(11,324)	(81%)
Foreign exchange loss/(gain)	1,140	(564)	1,704	(302%)
Dividend income	(563)	(13,511)	12,948	(96%)
Banking business	1,887	1,427	460	32%
Underlying EBITDA*	<u><u>(6,554)</u></u>	<u><u>(7,113)</u></u>	<u><u>559</u></u>	

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, whilst obtaining a banking license, the details of which are presented in the "Significant changes in the state of affairs" in the Directors' Report.

This Appendix 4D is to be read in conjunction with the 30 June 2023 Annual Report, the 31 December 2023 Half Year Report and the accompanying announcement and presentation.

Novatti Group Limited
Appendix 4D
Half-year report

The net asset position decreased by \$11,711,000 to \$3,764,000 as at 31 December 2023 (30 June 2023: \$15,475,000), with \$10,952,000 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, movement in foreign exchange and the banking business. 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>(0.87)</u>	<u>2.34</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

Not applicable.

9. Foreign entities

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

All foreign entities are in compliance with IFRS which is equivalent to Australian Accounting Standards.

Novatti Group Limited
Appendix 4D
Half-year report

10. Audit qualification or review

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

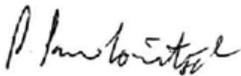
The financial statements have been reviewed and an unmodified review conclusion has been issued with emphasis of matter on a material uncertainty on going concern included in the review report. The review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Novatti Group Limited for the half-year ended 31 December 2023 is attached.

12. Signed



Signed _____

Date: 28 February 2024

Peter Pawlowitsch
Chairman

Novatti Group Limited

ACN 606 556 183

Interim Report - 31 December 2023

Novatti Group Limited
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31 December 2023

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Novatti Group Limited
Corporate directory
31 December 2023

Directors	Peter Pawlowitsch (Non-Executive Chairman) Peter Cook (Executive Director) Kenneth Lai (Non-Executive Director) Killian Murphy (Non-Executive Director)
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
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 2023

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 2023.

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 (Executive Director)
Kenneth Lai (Non-Executive Director)
Killian Murphy (Non-Executive Director)

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 received a restricted banking licence from APRA.

Dividends

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

Review of operations

During the half year, a new CEO and senior management team saw Novatti embark on a transformation program with a clear strategy to simplify the business, become market and customer led, and lift financial performance. This strategy is underpinned by a commitment to streamline the portfolio, target positive operating cashflow by mid calendar year 2024 and the goal of 70%+ margins within three years.

Since the start of the half, the Group made substantial progress in executing this strategy, including:

- Strategic review of all business areas against financial goals, with potential for further divestment
- Restructured the Payments AU/NZ business
- Streamlined the sales process and access to multiple products
- Secured external funding for key growth initiatives such as AUDD
- Divested the Reckon stake while maintaining a commercial and operating partnership with Reckon
- \$4m annualised cost-reduction program announced and being implemented
- New marketing campaign launched targeting the education sector
- 1,000+ existing customers identified as potential prospects for additional Novatti products via cross-selling

Novatti's strategy is still being implemented however, early and promising results are already being seen. For example, across the first half of FY24, revenue was up and expenses down on the prior half (ie H2/FY23), with key results including:

- 12.1% growth in revenue on prior half;
- 11% decrease in operating expenses on prior half (excluding the International Bank of Australia);
- 24% growth in Payments AU/NZ gross transaction value.

The Group's revenue increased by 8.0% to \$21,449,000 (31 December 2022: \$19,851,000). The Group's underlying EBITDA* changed from a \$7,113,000, loss in the prior half year to a loss of \$6,554,000, reflecting improvement of \$559,000.

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$13,291,000 (31 December 2022: \$12,862,000).

The net asset position decreased by \$11,711,000 to \$3,764,000 as at 31 December 2023 (30 June 2023: \$15,475,000), with \$10,952,000 held in cash and cash equivalents.

This Interim Report for the half year ending 31 December 2023 is to be read in conjunction with the 2023 Annual Report.

Novatti Group Limited
Directors' report
31 December 2023

	31 December 2023 \$'000	31 December 2022 \$'000	Change \$'000	Change %
Net loss from operations	(13,472)	(12,920)	(552)	4%
less:				
Interest income	(656)	(175)	(481)	275%
Add back:				
Depreciation and amortisation	1,082	1,101	(19)	(2%)
Finance charges	605	1,191	(586)	(49%)
Indirect tax expenses	136	126	10	8%
Income tax (benefit)/expense	(35)	1	(36)	(3600%)
EBITDA	<u>(12,340)</u>	<u>(10,676)</u>	<u>(1,664)</u>	
Add back/(less):				
Vesting of share-based payments	683	2,248	(1,565)	(70%)
Loss on investments held at fair value through profit or loss	2,639	13,963	(11,324)	(81%)
Dividend income	(563)	(13,511)	12,948	(96%)
Foreign exchange loss/(gain)	1,140	(564)	1,704	(302%)
Banking business	1,887	1,427	460	32%
Underlying EBITDA*	<u>(6,554)</u>	<u>(7,113)</u>	<u>559</u>	

*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, movement in foreign exchange and the banking business. 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.

Significant changes in the state of affairs

On 16 November 2023, the company announced that it had agreed the sale of its 19.9% holding in Reckon Limited (ASX: RKN) ("Reckon") at \$0.40 per share for an aggregate price of \$8.9 million and would redeem and fully repay its \$10.5 million corporate bond facility.

Matters subsequent to the end of the financial half-year

Convertible Note Facility

On 2 January 2024, the Company received binding commitments for the issue of convertible notes ("Notes") in the amount of \$3.5 million, comprising \$2.75 million from professional and sophisticated investors and an additional \$750,000 from directors and management. The issue of the Notes will occur over two tranches.

Tranche 1 comprises binding commitments to raise \$1.46 million (before costs of the offer) with the Notes were issued on 8 January 2024.

Tranche 2 comprises binding commitments to raise a further \$2.04 million (before costs of the offer) which were subject to shareholder approval which was obtained on 14 February 2024. Tranche 2 were issued on 15 February 2024.

The key terms and conditions of the Notes are as follows:

- Each Note has a face value of \$1.00.
- Each Note attracts a coupon of 10% per annum, payable quarterly in arrears. Noteholders may elect prior to the issue of the Notes to receive interest either in cash or capitalise accrued interest on a monthly basis.
- Notes have a maturity date of 22 December 2026.
- Notes (including any capitalised interest) may be converted by Noteholders into fully paid ordinary shares in the Company (Shares) at any time up to the maturity date. The conversion price is the lower of 6 cents and the next capital raising price, subject to a floor price of 4 cents.
- The Company may not redeem the Notes prior to the maturity date.
- Notes issued to non-directors and management will be secured by way of a general security agreement with the Company and share mortgages over three operating subsidiary companies in the Novatti group. Notes issued to directors and management will be unsecured but otherwise on the same terms.

Novatti Group Limited
Directors' report
31 December 2023

The Company also agreed, subject to obtaining shareholder approval which was obtained on 14 February 2024, to issue to Noteholders options to subscribe for Shares exercisable at 9.5 cents each and expiring on 31 January 2027 ("Options") (rounded up to the nearest whole number). The Company intends to apply for quotation of the Options on ASX, subject to compliance with the Listing Rules. The Options were offered under a transaction-specific prospectus.

Share Purchase Plan

On 2 January 2024, the Company announced that the Share Purchase Plan ("SPP") which was launched on 5th February 2024 to raise up to an additional \$2 million. Shareholders as at the record date of 7:00pm (AEDT) on 29 December 2023 with a registered address in Australia and New Zealand (Eligible Shareholders) were invited to participate in the SPP.

The SPP will enable Eligible Shareholders to apply for up to \$30,000 worth of Shares at an offer price of 6 cents per Share. The SPP is subject to shareholder approval under.

Participants in the SPP will also be entitled to subscribe for free-attaching Options. These Options will be on the same terms as those proposed to be issued to Noteholders under the Facility, with an exercise price of 9.5 cents each and expiring on 31 January 2027. The offer comprises one free attaching Option for every two Shares issued under the SPP. The Company intends to apply for quotation of the Options on ASX, subject to compliance with the Listing Rules. The Options will be offered under a transaction-specific prospectus.

The shareholders approved the SPP and Options at a General Meeting on 14 February 2024.

The SPP will be closed on or about 27 February 2024 with the shares and options will be issued on 4 March 2024.

Self funding for key growth initiatives

On 24 January 2024, the Company announced that AUDD had closed its pre-seed funding round and raised \$600,000 before costs. The completion of this funding round resulted in AUDD obtaining a pre-money valuation of \$2,400,000, with the Company, through AUDC Pty Ltd retaining an 80% interest.

Further, there remains strong interest in the current Series A capital raising for the International Bank of Australia (IBOA). To-date IBOA has raised \$1,150,000 from external investors in the current Series A capital raise, with Novatti currently holding 86.2% ownership of IBOA. In parallel, IBOA continues to meet ongoing APRA compliance requirements and work on technology enablement, product design and development of its policies, procedures and compliance functions as it progresses towards regulatory approval for a full banking licence.

No other matter or circumstance has arisen since 31 December 2023 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.

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 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Novatti Group Limited

As lead auditor for the review of Novatti Group Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, 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.

This declaration is in respect of Novatti Group Limited and the entities it controlled during the period.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136

A. A. Finnis

A. A. Finnis

Director

Melbourne, 28 February 2024

Novatti Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

		Consolidated	
	Note	31 December 2023	31 December 2022
		\$'000	\$'000
Revenue	4	21,449	19,851
Other income	5	1,479	14,942
Expenses			
Administrative and corporate costs		(2,162)	(2,178)
Client hosting fees and other direct services		(12,378)	(10,954)
Employee benefits		(13,427)	(14,582)
Foreign currency gains		(1,140)	564
Marketing and selling expenses		(318)	(372)
Data management expenses		(2,001)	(1,749)
Loss on investments at fair value through profit or loss		(2,639)	(13,963)
Share-based payments		(683)	(2,209)
Share of net profit of joint ventures accounted for using the equity method		-	23
Depreciation and amortisation expense		(1,082)	(1,101)
Finance costs		(605)	(1,191)
Loss before income tax (expense)/benefit		(13,507)	(12,919)
Income tax (expense)/benefit		35	(1)
Loss after income tax (expense)/benefit for the half-year		(13,472)	(12,920)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		228	(24)
Other comprehensive income for the half-year, net of tax		228	(24)
Total comprehensive income for the half-year		<u>(13,244)</u>	<u>(12,944)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		(181)	(58)
Owners of Novatti Group Limited		(13,291)	(12,862)
		<u>(13,472)</u>	<u>(12,920)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(181)	(58)
Owners of Novatti Group Limited		(13,063)	(12,886)
		<u>(13,244)</u>	<u>(12,944)</u>
		Cents	Cents
Basic earnings per share	12	(3.92)	(3.82)
Diluted earnings per share	12	(3.92)	(3.82)

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 2023

		Consolidated	
	Note	31 December 2023 \$'000	30 June 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		10,952	18,215
Trade and other receivables		9,453	7,748
Financial assets - funds in trust	6	118,036	92,444
Other current assets		644	1,131
Total current assets		<u>139,085</u>	<u>119,538</u>
Non-current assets			
Other investments		165	11,847
Plant and equipment		353	407
Right-of-use assets		1,519	1,509
Intangible assets		7,098	7,904
Security deposits		4,399	4,429
Total non-current assets		<u>13,534</u>	<u>26,096</u>
Total assets		<u>152,619</u>	<u>145,634</u>
Liabilities			
Current liabilities			
Trade and other payables		23,553	22,420
Settlement and remittance funds payable	7	118,036	91,629
Borrowings	8	1,500	-
Lease liabilities		354	271
Contract liabilities		582	286
Employee benefits		3,159	3,338
Total current liabilities		<u>147,184</u>	<u>117,944</u>
Non-current liabilities			
Borrowings	8	-	10,500
Lease liabilities		1,537	1,575
Employee benefits		134	140
Total non-current liabilities		<u>1,671</u>	<u>12,215</u>
Total liabilities		<u>148,855</u>	<u>130,159</u>
Net assets		<u>3,764</u>	<u>15,475</u>
Equity			
Issued capital	9	90,686	90,686
Reserves		5,377	5,401
Accumulated losses		(95,833)	(83,477)
Equity attributable to the owners of Novatti Group Limited		230	12,610
Non-controlling interest		3,534	2,865
Total equity		<u>3,764</u>	<u>15,475</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 2023

	Issued capital \$'000	Equity settled share-based payments reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity attributable to owners of the company \$'000	Non-controlling interest \$'000	Total equity \$'000
Consolidated							
Balance at 1 July 2022	89,336	4,361	620	(57,676)	36,641	-	36,641
Loss after income tax expense for the half-year	-	-	-	(12,862)	(12,862)	(58)	(12,920)
Other comprehensive income for the half-year, net of tax	-	-	(24)	-	(24)	-	(24)
Total comprehensive income for the half-year	-	-	(24)	(12,862)	(12,886)	(58)	(12,944)
Transactions with owners in their capacity as owners:							
Issue of shares on exercise of equity settled share based payment rights	1,319	(1,098)	-	-	221	-	221
Equity settled share based payments	-	2,326	-	-	2,326	-	2,326
Equity settled share based payments which lapsed during the period	-	(666)	-	270	(396)	-	(396)
External Investor ownership in subsidiary	-	-	-	-	-	3,000	3,000
Balance at 31 December 2022	<u>90,655</u>	<u>4,923</u>	<u>596</u>	<u>(70,268)</u>	<u>25,906</u>	<u>2,942</u>	<u>28,848</u>
	Issued capital \$'000	Equity settled share-based payments reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity attributable to owners of the company \$'000	Non-controlling interest \$'000	Total equity \$'000
Consolidated							
Balance at 1 July 2023	90,686	5,019	382	(83,477)	12,610	2,865	15,475
Loss after income tax expense for the half-year	-	-	-	(13,291)	(13,291)	(181)	(13,472)
Other comprehensive income for the half-year, net of tax	-	-	228	-	228	-	228
Total comprehensive income for the half-year	-	-	228	(13,291)	(13,063)	(181)	(13,244)
Transactions with owners in their capacity as owners:							
Vesting of share based payments arrangements	-	683	-	-	683	-	683
Lapsed of share options	-	(935)	-	935	-	-	-
External Investor ownership in subsidiary	-	-	-	-	-	850	850
Balance at 31 December 2023	<u>90,686</u>	<u>4,767</u>	<u>610</u>	<u>(95,833)</u>	<u>230</u>	<u>3,534</u>	<u>3,764</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 2023

	Consolidated	
	31 December	31 December
	2023	2022
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	44,883	38,545
Payments to suppliers and employees (inclusive of GST)	(52,878)	(43,536)
Interest received	651	198
Dividends received	563	13,511
Government grant received	338	1,051
Interest and other finance costs paid	(772)	(659)
Income taxes refunded/(paid)	35	(19)
	<u>(7,180)</u>	<u>9,091</u>
Cash flows from investing activities		
Payments for plant and equipment	(10)	(26)
Payments for intangible assets	(124)	(182)
Payments for security deposits	-	(1,573)
Proceeds from disposal of Reckon	8,958	-
	<u>8,824</u>	<u>(1,781)</u>
Cash flows from financing activities		
Proceeds from the issue of shares into IBOA Group Holdings Pty Limited	-	3,000
Proceeds from borrowings	1,500	10,500
Borrowings transaction costs	-	(392)
Repayment of borrowings	(10,500)	(40)
Repayment of lease liabilities	(142)	(152)
	<u>(9,142)</u>	<u>12,916</u>
Net increase/(decrease) in cash and cash equivalents	(7,498)	20,226
Cash and cash equivalents at the beginning of the financial half-year	18,215	6,059
Effects of exchange rate changes on cash and cash equivalents	235	(564)
	<u>10,952</u>	<u>25,721</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>10,952</u></u>	<u><u>25,721</u></u>

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

Novatti Group Limited
Notes to the financial statements
31 December 2023

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 2024.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 2023 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 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Going concern

The financial statements for the period ended 31 December 2023 have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. During the period the entity recorded revenue of \$21,449,000, a net loss after tax of \$13,472,000 and incurred net cash outflows from operating activities of \$7,180,000.

The Group's ability to continue as a going concern is dependent upon its ability to generate positive cash flow from its business operations. The above matters described indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

Note 2. Material accounting policy information (continued)

- The Directors are planning for the business to reduce net operating cash outflows during FY24 and FY25 by increasing cash receipts from customers in order to work towards positive future operating cash flow;
- As part of the simplification strategy established in FY24 the Novatti group has re-organised around four discrete portfolio pillars: Payments AU/NZ, Payments International, Technology Solutions and Investments. Moving forward the strategy of the Group is centred around payments, focussed on AU/NZ market penetration and elevating the financial return from all embedded product lines. The Payments AU/NZ pillar will be the core focus for investment and the company's future growth engine. A strategic review and execution path is underway to streamline assets and capabilities that sit outside this pillar based on corporate development priorities, market interest and maximising the potential financial return to Novatti;
- The entity has historically demonstrated its ability to raise funds to satisfy its cash requirements;
- Management are actively considering the future capital requirements of the entity and will consider all funding options as required; and
- The Group is undertaking a simplification strategy to extract more value from existing resources rather than adding extra cost and has the ability to scale back certain activities that are non-essential to existing customers so as to conserve cash.

Should the entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into eight 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) ATX Payments, incorporating ATX Fintech Holding Sdn Bhd
- (8) 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.

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.

Note 3. Operating segments (continued)

Technology	Platform: Develops, deploys and supports specialised mobile and alternate payment technology, primarily through the deployment of the Novatti Wallet 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 a wide range of payments online and offline with a strong focus on mobile point-of-sales as key growth area.
Alternative payments	Novatti Billpay: Enables processing of payments from Asian wallets, including bill payments for international and local university and college students.
Banking services	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.
Issuing	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 Vasco Pay Pty Ltd and Novatti Group Ltd: Provides a payment system centred around digital and physical prepaid, gift and debit cards for a variety of fintechs and commercial enterprises.
ATX payments	ATX Fintech Holding Sdn Bhd: Provides large, established payments network across Malaysia, including 30k+ touch points.

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 year ended 31 December 2023, the consolidated entity did not transact with any single customer that individually represented more than 10% of revenues (31 December 2022: nil).

Novatti Group Limited
Notes to the financial statements
31 December 2023

Note 3. Operating segments (continued)

Operating segment information

	Technology	Business Automation	Acquiring	Alternative Payments	Banking Services	ATX Payments	Issuing	Total
Consolidated - 31 December 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	1,760	1,174	1,694	11,842	-	2,329	2,650	21,449
Total revenue	<u>1,760</u>	<u>1,174</u>	<u>1,694</u>	<u>11,842</u>	<u>-</u>	<u>2,329</u>	<u>2,650</u>	<u>21,449</u>
EBITDA	<u>1,029</u>	<u>(528)</u>	<u>(2,902)</u>	<u>778</u>	<u>(1,887)</u>	<u>(273)</u>	<u>848</u>	<u>(2,935)</u>
Corporate EBITDA								(9,506)
Depreciation and amortisation								(1,082)
Interest revenue								656
Finance costs								(604)
Other taxes								(36)
Loss before income tax benefit								<u>(13,507)</u>
Income tax benefit								35
Loss after income tax benefit								<u>(13,472)</u>

	Technology	Business Automation	Acquiring	Alternative Payments	Banking Services	ATX payments	Issuing	Total
Consolidated - 31 December 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	2,029	1,069	995	11,610	-	3,026	1,122	19,851
Total revenue	<u>2,029</u>	<u>1,069</u>	<u>995</u>	<u>11,610</u>	<u>-</u>	<u>3,026</u>	<u>1,122</u>	<u>19,851</u>
EBITDA	<u>1,283</u>	<u>(1,749)</u>	<u>(2,824)</u>	<u>2,441</u>	<u>(465)</u>	<u>(259)</u>	<u>(1,275)</u>	<u>(2,848)</u>
Corporate EBITDA								(7,829)
Depreciation and amortisation								(1,101)
Interest revenue								175
Finance costs								(1,191)
Other taxes								(125)
Loss before income tax expense								<u>(12,919)</u>
Income tax expense								(1)
Loss after income tax expense								<u>(12,920)</u>

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 2023

Note 4. Revenue

	Timing of revenue recognition Services provided at point in time \$'000	Timing of revenue recognition Services provided over time \$'000	Consolidated 31 December 2023 \$'000
31 December 2023			
Sales revenue:			
Technology	948	812	1,760
Business automation	26	1,148	1,174
Acquiring	1,694	-	1,694
Alternative payments	11,842	-	11,842
Issuing	2,650	-	2,650
ATX payments	2,329	-	2,329
	<u>19,489</u>	<u>1,960</u>	<u>21,449</u>

	Timing of revenue recognition Services provided at point in time \$'000	Timing of revenue recognition Services provided over time \$'000	Consolidated 31 December 2022 \$'000
31 December 2022			
Sales revenue:			
Technology	994	1,035	2,029
Business Automation	1	1,067	1,068
Acquiring	995	-	995
Alternative Payments	11,610	-	11,610
Banking Services	1	-	1
Issuing	1,122	-	1,122
ATX payments	3,026	-	3,026
	<u>17,749</u>	<u>2,102</u>	<u>19,851</u>

Note 5. Other income

	Consolidated	
	31 December 2023 \$'000	31 December 2022 \$'000
Government grants	339	1,051
Dividends	563	13,511
Interest	656	175
Other	(79)	205
Other income	<u>1,479</u>	<u>14,942</u>

Novatti Group Limited
Notes to the financial statements
31 December 2023

Note 6. Financial assets - funds in trust

	Consolidated	
	31 December	30 June 2023
	2023	2023
	\$'000	\$'000
<i>Current assets</i>		
Settlement funds*	29,227	41,800
Remittance funds*	34,364	12,644
Client visa funds*	54,445	38,000
	<u>118,036</u>	<u>92,444</u>

* Refer to note 7 Current liabilities – Settlement, Remittance and Client visa funds payable

Note 7. Settlement and remittance funds payable

	Consolidated	
	31 December	30 June 2023
	2023	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Settlement funds payable*	30,116	41,746
Remittance funds payable*	33,641	12,622
Client visa funds payable*	54,279	37,261
	<u>118,036</u>	<u>91,629</u>

*Client Funds held for Settlement, Remittance and Visa, refer to note 6 - Financial assets - funds in trust.

Note 8. Borrowings

	Consolidated	
	31 December	30 June 2023
	2023	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Unsecured loans from related parties *	1,500	-
<i>Non-current liabilities</i>		
Bonds **	-	10,500
	<u>1,500</u>	<u>10,500</u>

* Unsecured loans from related parties at 12% interest per annum on the principal amount, which will accrue from day to day.

** On 15 August 2022, the Company completed a \$10.5 million corporate bond issue to support growth in core payment processing business and capital for proposed banking business. The bonds are secured over all of the assets and undertakings of the consolidated entity other than IBOA Group Holdings Pty Ltd and its controlled subsidiaries; and are issued for a fixed term of five years from the date funds are received by Company, with interest at 90-day BBSW plus 650bps, interest settled quarterly and there are no equity conversion features with respect to this bond. It was fully repaid during the half year ended 31 December 2023.

Note 9. Issued capital

	Consolidated			
	31 December 2023 Shares	30 June 2023 Shares	31 December 2023 \$'000	30 June 2023 \$'000
Ordinary shares - fully paid	<u>338,656,542</u>	<u>338,656,542</u>	<u>90,686</u>	<u>90,686</u>

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 10. 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 Principal License; b) the Currency Cloud float; and c) Visa Collateral.

As a Principal License holder for Visa Prepaid/Debit Issuing, Novatti can provide services to clients for both Visa BIN Sponsorship and Visa Program Management. Visa requires the member to maintain a Collateral account which is held in trust at a Visa nominated to settle all debts to merchants and any monies owed to issuers and their Visa Prepaid cardholders.

In addition, Novatti requires BIN Sponsors and/or Program Manager mandates, as part of the client contract, that the client maintains a minimum of their 6 days Visa Settlement total in a bank account (held in Trust For the client) with the Visa Settlement Bank (Australia ANZ and NZ ASB). This assures that the Visa daily settlement process is, and can be funded by the client directly.

Alternatively, if a client does not agree to maintaining a float account Novatti will Direct Debit from the client's nominated corporate bank account to directly fund settlement daily. If this method is agreed the client is required to deposit a Security Deposit to an In-Trust-For (ITF) account with Novatti.

The consolidated entity had no other contingent liabilities as at 31 December 2023 and 30 June 2023.

Note 11. Events after the reporting period

Convertible Note Facility

On 2 January 2024, the Company received binding commitments for the issue of convertible notes ("Notes") in the amount of \$3.5 million, comprising \$2.75 million from professional and sophisticated investors and an additional \$750,000 from directors and management. The issue of the Notes will occur over two tranches.

Tranche 1 comprises binding commitments to raise \$1.46 million (before costs of the offer) with the Notes were issued on 8 January 2024.

Tranche 2 comprises binding commitments to raise a further \$2.04 million (before costs of the offer) which were subject to shareholder approval which was obtained on 14 February 2024. Tranche 2 were issued on 15 February 2024.

The key terms and conditions of the Notes are as follows:

Note 11. Events after the reporting period (continued)

- Each Note has a face value of \$1.00.
- Each Note attracts a coupon of 10% per annum, payable quarterly in arrears. Noteholders may elect prior to the issue of the Notes to receive interest either in cash or capitalise accrued interest on a monthly basis.
- Notes have a maturity date of 22 December 2026.
- Notes (including any capitalised interest) may be converted by Noteholders into fully paid ordinary shares in the Company (Shares) at any time up to the maturity date. The conversion price is the lower of 6 cents and the next capital raising price, subject to a floor price of 4 cents.
- The Company may not redeem the Notes prior to the maturity date.
- Notes issued to non-directors and management will be secured by way of a general security agreement with the Company and share mortgages over three operating subsidiary companies in the Novatti group. Notes issued to directors and management will be unsecured but otherwise on the same terms.

The Company also agreed, subject to obtaining shareholder approval which was obtained on 14 February 2024, to issue to Noteholders options to subscribe for Shares exercisable at 9.5 cents each and expiring on 31 January 2027 ("Options") (rounded up to the nearest whole number). The Company intends to apply for quotation of the Options on ASX, subject to compliance with the Listing Rules. The Options were offered under a transaction-specific prospectus.

Share Purchase Plan

On 2 January 2024, the Company announced that the Share Purchase Plan ("SPP") which was launched on 5th February 2024 to raise up to an additional \$2 million. Shareholders as at the record date of 7:00pm (AEDT) on 29 December 2023 with a registered address in Australia and New Zealand (Eligible Shareholders) were invited to participate in the SPP.

The SPP will enable Eligible Shareholders to apply for up to \$30,000 worth of Shares at an offer price of 6 cents per Share. The SPP is subject to shareholder approval under.

Participants in the SPP will also be entitled to subscribe for free-attaching Options. These Options will be on the same terms as those proposed to be issued to Noteholders under the Facility, with an exercise price of 9.5 cents each and expiring on 31 January 2027. The offer comprises one free attaching Option for every two Shares issued under the SPP. The Company intends to apply for quotation of the Options on ASX, subject to compliance with the Listing Rules. The Options will be offered under a transaction-specific prospectus.

The shareholders approved the SPP and Options at a General Meeting on 14 February 2024.

The SPP will be closed on or about 27 February 2024 with the shares and options will be issued on 4 March 2024.

Self funding for key growth initiatives

On 24 January 2024, the Company announced that AUDD had closed its pre-seed funding round and raised \$600,000 before costs. The completion of this funding round resulted in AUDD obtaining a pre-money valuation of \$2,400,000, with the Company, through AUDC Pty Ltd retaining an 80% interest.

Further, there remains strong interest in the current Series A capital raising for the International Bank of Australia (IBOA). To-date IBOA has raised \$1,150,000 from external investors in the current Series A capital raise, with Novatti currently holding 86.2% continues to meet ongoing APRA compliance requirements and work on technology enablement, product design and development of its policies, procedures and compliance functions as it progresses towards regulatory approval for a full banking licence.

No other matter or circumstance has arisen since 31 December 2023 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.

Novatti Group Limited
Notes to the financial statements
31 December 2023

Note 12. Earnings per share

	Consolidated	
	31 December 2023	31 December 2022
	\$'000	\$'000
Loss after income tax	(13,472)	(12,920)
Non-controlling interest	181	58
	<u>(13,291)</u>	<u>(12,862)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>338,656,542</u>	<u>336,296,100</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>338,656,542</u>	<u>336,296,100</u>
	Cents	Cents
Basic earnings per share	(3.92)	(3.82)
Diluted earnings per share	(3.92)	(3.82)

As at 31 December 2023, the Group has 58,352,695 unlisted options on issue. These options are considered to be non-dilutive both as the Group incurred a loss for the reporting period and the average share price during the reporting period was below the exercise prices of the respective options.

Note 13. 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 2023

Note 13. Share-based payments (continued)

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

Grant date	Expiry date	Service / Market conditions	Exercise price (\$)	Balance at the start of the period	Granted	Exercised	Expired / Forfeited / other	Balance at the end of the period
25/11/2019	30/11/2023	Market	\$0.20	3,000,000	-	-	(3,000,000)	-
10/07/2020	10/07/2023	Service	\$0.20	750,000	-	-	(750,000)	-
10/07/2020	01/03/2024	Service	\$0.20	375,000	-	-	-	375,000
10/07/2020	01/03/2025	Service	\$0.20	375,000	-	-	-	375,000
26/10/2020	26/10/2023	Service	\$0.30	1,000,000	-	-	(1,000,000)	-
25/11/2020	30/11/2024	Market	\$0.27	2,500,000	-	-	-	2,500,000
22/12/2020	22/12/2023	None	\$0.28	2,700,000	-	-	(2,700,000)	-
22/12/2020	14/10/2023	Service	\$0.30	2,000,000	-	-	(2,000,000)	-
08/02/2021	08/02/2024	Service	\$0.30	200,000	-	-	-	200,000
05/04/2021	05/04/2024	Service	\$0.30	300,000	-	-	-	300,000
07/04/2021	07/04/2024	Service	\$0.60	100,000	-	-	-	100,000
05/05/2021	05/05/2024	Service	\$0.75	100,000	-	-	-	100,000
31/05/2021	31/05/2024	Service	\$0.75	400,000	-	-	(200,000)	200,000
15/10/2021	15/10/2024	Service	\$0.50	800,002	-	-	-	800,002
15/10/2021	15/10/2024	Service	\$0.75	1,400,000	-	-	-	1,400,000
20/12/2021	30/11/2025	Market	\$0.45	7,000,000	-	-	-	7,000,000
25/01/2022	25/01/2025	Service	\$0.33	300,000	-	-	-	300,000
05/04/2022	19/04/2025	Service	\$0.35	2,375,000	-	-	-	2,375,000
06/07/2022	06/07/2025	Service	\$0.25	833,333	-	-	-	833,333
06/07/2022	06/07/2025	Service	\$0.16	1,666,667	-	-	-	1,666,667
30/09/2022	30/06/2026	None	\$0.25	1,000,000	-	-	-	1,000,000
23/11/2023	30/11/2026	Market	\$0.20	13,000,000	-	-	-	13,000,000
13/12/2022	30/06/2026	None	\$0.25	250,000	-	-	-	250,000
17/04/2023	17/04/2026	Service	\$0.18	1,500,000	-	-	-	1,500,000
13/06/2023	30/06/2027	Market/ Service	\$0.20	6,750,000	-	-	-	6,750,000
13/06/2023	30/06/2027	Service	\$0.00	5,568,182	-	-	-	5,568,182
28/11/2023	30/06/2027	Service	\$0.00	-	5,159,377	-	-	5,159,377
28/11/2023	30/06/2027	None	\$0.00	-	3,900,134	-	-	3,900,134
28/11/2023	30/06/2027	Market/ Service	\$0.20	-	2,700,000	-	-	2,700,000
				<u>56,243,184</u>	<u>11,759,511</u>	-	<u>(9,650,000)</u>	<u>58,352,695</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 \$	Barrier price \$	Expected volatility %	Dividend yield %	Risk-free interest rate %	Fair value at grant date \$
28/11/2023	30/06/2027	0.0820	0.2000	0.5000	80.00	nil	4.21	0.0247
28/11/2023	30/06/2027	0.0820	0.2000	0.7500	80.00	nil	4.21	0.0155
28/11/2023	30/06/2027	0.0820	0.2000	1.0000	80.00	nil	4.21	0.0106
28/11/2023	30/06/2027	0.0820	0.0000	0.0000	0.00	nil	0.00	0.0820

Options issued to consultants

Novatti Group Limited
Notes to the financial statements
31 December 2023

Note 13. Share-based payments (continued)

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.

Set out below are summaries of options granted to consultants:

31 December 2023			Balance at			Expired/	Balance at
Grant date	Expiry date	Exercise price	the start of the half-year	Granted	Exercised	forfeited/ other	the end of the half-year
01/10/2021	31/12/2023	\$0.660	<u>500,000</u>	-	-	(500,000)	-

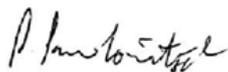
Novatti Group Limited
Directors' declaration
31 December 2023

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 2023 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 2024

Independent auditor's review report to the members of Novatti Group Limited

Report on the half-year financial report



Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Novatti Group Limited (the Company), and its subsidiaries (the Group) does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of profit or loss and other comprehensive income for the half-year then ended,
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, including material accounting policy information, and
- the directors' declaration.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 within the half-year financial report, which states that the Group incurred a net loss after tax of \$13,472,000 and net cash outflows from operating activities of \$7,180,000 for the half-year ended 31 December 2023. As stated in Note 2, these events and conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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.

Responsibilities of the directors for the half-year 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.

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 Group's financial position as at 31 December 2023 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

Alan Finnis

A. A. Finnis
Director
Melbourne, 28 February 2024