

2 January 2024

Capital Raising Initiative

Highlights:

- Firm commitments received for a convertible note facility under two separate tranches
- \$2 million share purchase plan offer to eligible shareholders at 6c per share with free attaching 9.5c, 31-Jan-27 options on a 1:2 basis
- Funds after costs to be applied to increasing the security collateral for the growing Payments Solutions division and general working capital

Novatti Group Limited (**Novatti** or **Company**) (ASX: NOV) is pleased to announce a capital raising initiative comprising a convertible note facility (**Facility**) for up to \$3.5 million (subject to shareholder approvals - see below) and a share purchase plan (**SPP**) to raise up to \$2 million (**Capital Raising**). If all approvals are received the aggregate raising under this initiative will be \$5.5 million.

Novatti's CEO Mark Healy said: "Since taking over as CEO I have made it a key goal to simplify and focus the Novatti business into a streamlined Payments Solutions company. This fundraising supports that goal as does our ongoing strategic review, which I expect will identify opportunities for portfolio optimisation and divestment.

"The Board and I have committed \$750,000 into tranche 2 of the convertible note facility, subject to shareholder approval, and importantly the SPP allows shareholders to participate as we continue our simplification strategy and drive towards cashflow positive trading."

MST Financial Services Pty Limited and Baker Young Limited have been appointed as joint lead managers to the Capital Raising.

Convertible Note Facility

The Company has 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 expected to be issued on 8 January 2024. The issue of the Notes in Tranche 1 is within the Company's placement capacity under Listing Rule 7.1 (on the basis of the conversion floor price and assuming all interest accruing on the notes is capitalised - see below) and is not subject to shareholder approval.

Tranche 2 comprises binding commitments to raise a further \$2.04 million (before costs of the offer) subject to shareholder approval being obtained for the purposes of Listing Rules 7.1 (for non-related parties) and 10.11 (for related parties), at a general meeting to be convened as soon as reasonably practicable. Directors and management who have committed to participate in the Facility are included in this tranche.

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.

A detailed summary of the terms and conditions of the Facility is set out in the schedule to this announcement.

The Company has also agreed, subject to obtaining shareholder approval under Listing Rule 7.1 at a general meeting to be convened as soon as reasonably practicable, to issue to Noteholders options to subscribe for Shares exercisable at 9.5 cents each and expiring on 31 January 2027 (**Options**). These are the same terms as the Options proposed to be offered under the SPP (see below). Each Noteholder will receive 25 Options for every three Notes issued (rounded up to the nearest whole number). If shareholders do not approve the issue of the Options, then Tranche 2 will not be issued and the Company will be in default of the Facility under Tranche 1, and those Noteholders may request immediate redemption of the Notes and repayment of the outstanding principal together with accrued interest. 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.

Share Purchase Plan

In addition to the Facility, the Company will launch the SPP seeking 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**) will be 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 Listing Rule 7.1 to be sought by the Company at a general meeting to be convened as soon as reasonably practicable.

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 issue of these Options is also subject to shareholder approval under Listing Rule 7.1 at the same general meeting. 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.

Further information in relation to the SPP, including the SPP terms and conditions and scale-back policy, will be outlined in the SPP offer booklet, expected to be released in early February 2024.

The Company also reserves the right to place any shortfall under the SPP (on the same terms).

The SPP offer is expected to open on 5 February 2024 and close at 5:00pm (AEDT) on 22 February 2024. A timetable is set out below.

The Company reserves the right to vary the terms of the SPP and the above and below dates.

The SPP offer is not underwritten.

Use of Funds

The funds raised under the Capital Raising after costs will be applied to additional collateral for growing Novatti's Payments Solutions division and supporting working capital.

Capital Raising Timetable*

Event	Date
SPP Record Date (7.00pm)	29 December 2023
Capital raising announced to ASX	2 January 2024
Issue of Tranche 1 Convertible Notes	8 January 2024
SPP Offer Booklet lodged with ASX Options Prospectus lodged with ASIC and ASX Opening Date of SPP Offer and SPP Option Offer Letters sent to Eligible Shareholders	5 February 2024
General Meeting to approve the issue of Tranche 2 Convertible Notes, SPP Shares and Options, and Noteholder Options	12 February 2024
Issue of Tranche 2 Convertible Notes	13 February 2024
Closing Date of SPP Offer and SPP Option Offer (5.00pm)	22 February 2024
Announcement of results of SPP	26 February 2024
Issue and trading of Shares under SPP (other than SPP Shortfall Shares, if any)	27 February 2024
Allotment of Options under SPP (other than in connection with the SPP Shortfall Offer, if any) and to Noteholders	27 February 2024

* The Company reserves the right to vary these times and dates (other than in respect of events that have already occurred) in its absolute discretion by sending a revised timetable to ASX. All times are AEDT.

This announcement has been approved for release to ASX by Peter Pawlowitsch, Chairman and Mark Healy, CEO.

For further information, contact:

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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).

SCHEDULE
SUMMARY OF THE NOVATTI CONVERTIBLE NOTE TERMS AND CONDITIONS

Issuer	Novatti Group Limited ACN 606 556 183
Face Value	\$1.00 per Note
Maturity Date	22 December 2026
Coupon Rate	10% per annum coupon rate, accrued from the issue date. Interest is payable either in cash or, at the Noteholder's election (made at the time of application for the Notes) may be capitalised at the end of each calendar month. Interest capitalisation for related party noteholders is subject to compliance with, or appropriate waiver from, ASX listing rules.
Interest Payment Dates	Interest is payable quarterly, in arrears, within seven days of the end of each calendar quarter (unless capitalised) until the maturity date.
Conversion	Each Note (including any capitalised and accrued interest) is convertible at the Noteholder's election into fully paid ordinary shares of the Issuer (Shares) at a price equal to the lesser of: (a) \$0.06 each; and (b) the issue price for Shares issued by the Issuer under the next equity capital raising (excluding the SPP), subject to a floor price of \$0.04 (Floor Price). A Noteholder may exercise conversion rights in relation to some, or all, of their Notes at any time.
Options	Subject to the Issuer obtaining shareholder approval, Noteholders will be issued options to subscribe for Shares exercisable at \$0.095 each and expiring on 31 January 2027 (Options) on the basis of 25 Options for every three Notes issued (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 will be offered under a transaction-specific prospectus. If shareholders do not approve the issue, then this shall be deemed an Event of Default and, as a consequence, Noteholders may request immediate redemption of the Notes and repayment of the outstanding principal sum together with accrued interest.

<p>Security and Ranking/Status</p>	<p>Notes for non-directors and management are secured by way of a general security agreement with the Company and share mortgages granted over shares in the following subsidiary companies of the Issuer:</p> <ul style="list-style-type: none"> (a) Novatti Pty Ltd ACN 100 681 758; (b) Novatti Acquiring Holdings Pty Ltd ACN 647 518 447; and (c) Novatti Global Services Pty Ltd ACN 644 643 069. <p>Notes are senior secured obligations of the Issuer and ranks for payment in a winding up of the Issuer:</p> <ul style="list-style-type: none"> (a) equally and proportionally with each Note; and (b) ahead of all subordinated debts of the Issuer and ordinary shareholders. <p>The security is held by a security trustee (not related to the Company) on trust for the Noteholders.</p> <p>Notes issued to Issuer directors and management are unsecured.</p>
<p>Transferability</p>	<p>Notes are freely transferable subject to compliance with all applicable laws in any relevant jurisdiction.</p>
<p>Redemption</p>	<p>Repayment of the principal sum (being the Face Value of each Note and any capitalised interest) and any unpaid interest must be made on the Maturity Date or sooner if the Issuer commits an Event of Default and Noteholders request immediate redemption.</p> <p>The Company has no right of early redemption of the Notes.</p>
<p>Covenants, Representations, Warranties and Undertakings</p>	<p>Covenants, representations, warranties and undertakings customary for securities of this nature are given by the Issuer, including capacity and power, continued compliance with continuous disclosure obligations and maintenance of all regulatory filings. The Issuer will indemnify and keep indemnified each noteholder in relation to each Note against all liabilities, costs and expenses incurred by the Noteholder, arising from a breach thereof.</p>
<p>Events of Default</p>	<p>In addition to the Conditions (above) not being satisfied, customary events of default for securities of this nature apply, including but not limited to payment, redemption or conversion breaches, breaches of covenants, representations, warranties and undertakings, and insolvency events.</p>
<p>Voting Rights</p>	<p>Notes do not give a Noteholder shareholder meeting attendance rights, voting rights or dividend rights.</p>
<p>Conversion Protections</p>	<p>Notes are subject to standard anti-dilution for re-organisation or reconstruction of capital.</p>

Transaction Documents	The definitive agreements for the Notes are: <ul style="list-style-type: none">(a) Convertible Note Deed Poll;(b) Security Trust Deed;(c) General Security Agreement; and(d) Share Mortgage.
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