



NOVATTI GROUP LIMITED
ACN 606 556 183

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT

AND

PROXY FORM

Date of Meeting

Monday, 25 November 2019

Time of Meeting

11.30am (AEDT)

Place of Meeting:

William Buck | Spring & Exhibition Rooms
Level 20, 181 William Street
MELBOURNE VICTORIA 3000

NOVATTI GROUP LIMITED
ACN 606 556 183

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an annual general meeting of the shareholders of Novatti Group Limited (**Company**) will be held at held at 11.30am (AEDT) on Monday, 25 November 2019 at William Buck, Spring & Exhibition Rooms, Level 20, 181 William Street, Melbourne VIC 3000 (**Meeting**).

The Explanatory Statement to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 23 November 2019 at 7pm (AEDT). Terms and abbreviations used in this Notice and Explanatory Statement are defined in Schedule 1.

AGENDA

1. Annual Report

To table and consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2019, which includes the Financial Report, the Directors' Report and the Auditor's Report.

2. Resolution 1 - Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a non-binding resolution:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2019."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition: A vote on this Resolution must not be cast (in any capacity) by or on behalf of, either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or
- (b) a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person described in paragraph (a) or (b), and either:

- (c) the person voting is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (d) the person voting is the chair of the meeting and the appointment of the chair as proxy: (i) does not specify the way the proxy is to vote on the resolution; and (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. Resolution 2 - Re-election of Director – Paul Burton

To consider, and if thought fit, to pass the following as an ordinary resolution:

"That, for the purpose of clause 6.3(c) of the Constitution and for all other purposes, Paul Burton, a Director, retires and being eligible, is re-elected as a Director."

4. Resolution 3 - Re-election of Director – Kenneth Lai

To consider, and if thought fit, to pass the following as an ordinary resolution:

"That, for the purpose of clause 6.3(c) of the Constitution and for all other purposes, Kenneth Lai, a Director, retires and being eligible, is re-elected as a Director."

5. Resolution 4 - Approval of 10% Placement Capacity

To consider, and if thought fit, to pass the following as a special resolution:

"That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the Shares on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by any person who is expected to participate in the issue of Equity Securities under this Resolution and a person who will obtain a material benefit as a result of the proposed issue, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 5 - Ratification of Prior Issue of Shares – Listing Rule 7.4

To consider and, if thought fit, to pass, the following as an ordinary resolution:

"That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders ratify and approve the issue under Listing Rule 7.1 by the Company of 9,286,381 fully paid ordinary shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. Resolution 6 – Issue of Shares to Related Party – Peter Pawlowitsch

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 238,095 Shares to Peter Pawlowitsch (or his nominee) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Peter Pawlowitsch (or his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. Resolution 7 – Issue of Options to Related Party – Peter Pawlowitsch

To consider and, if thought fit, to pass, the following as an ordinary resolution:

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 500,000 Incentive Options to Mr Peter Pawlowitsch or his nominee, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Peter Pawlowitsch and his nominees or an associate of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition: A vote on this Resolution must not be cast (in any capacity) by or on behalf of, either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or
- (b) a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person described in paragraph (a) or (b), and either:

- (c) the person voting is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (d) the person voting is the chair of the meeting and the appointment of the chair as proxy: (i) does not specify the way the proxy is to vote on the resolution; and (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

9. Resolution 8 – Issue of Options to Related Party – Peter Cook

To consider and, if thought fit, to pass, the following as an ordinary resolution:

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 2,500,000 Incentive Options to Mr Peter Cook or his nominee, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Peter Cook and his nominees or an associate of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition: A vote on this Resolution must not be cast (in any capacity) by or on behalf of, either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or
- (b) a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person described in paragraph (a) or (b), and either:

- (c) the person voting is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (d) the person voting is the chair of the meeting and the appointment of the chair as proxy: (i) does not specify the way the proxy is to vote on the resolution; and (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

10. Resolution 9 – Issue of Options to Related Party – Brandon Munro

To consider and, if thought fit, to pass, the following as an ordinary resolution:

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 500,000 Incentive Options to Mr Brandon Munro or his nominee, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Brandon Munro and his nominees or an associate of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition: A vote on this Resolution must not be cast (in any capacity) by or on behalf of, either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or
- (b) a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person described in paragraph (a) or (b), and either:

- (c) the person voting is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (d) the person voting is the chair of the meeting and the appointment of the chair as proxy: (i) does not specify the way the proxy is to vote on the resolution; and (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Dated 10 October 2019

BY ORDER OF THE BOARD



Ian Hobson
Company Secretary

NOVATTI GROUP LIMITED
ACN 606 556 183

EXPLANATORY STATEMENT

1. Introduction

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 11.30am (AEDT) on Monday, 25 November 2019 at William Buck, Spring & Exhibition Rooms, Level 20, 181 William Street, Melbourne VIC 3000.

This Explanatory Statement should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Statement is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Statement carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.2 Voting Prohibition by Proxy Holders

In accordance with the Corporations Act, a vote on Resolutions 1 and 7 to 9 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report;
or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolutions 1 and 7 to 9 as proxy if the vote is not cast on behalf of a person described in paragraphs (a) or (b) above and either:

- (c) the person voting is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or

- (d) the person voting is the chair of the meeting and the appointment of the chair as proxy: (i) does not specify the way the proxy is to vote on the resolution; and (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. Annual Report

There is no requirement for Shareholders to approve the Annual Report. Shareholders will be offered the following opportunities:

- (a) discuss the Annual Report which is online at <https://www.novattigroup.com/annualandhalfyearlyreports> and click on the direct link;
- (b) ask questions or make comment on the management of the Company;
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and the content of the Auditor's Report; and
- (b) the conduct of the audit;
- (c) accounting policies by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 - Remuneration Report

Section 250R(2) of the Corporations Act provides that the Company is required to put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

Section 250R(3) of the Corporations Act provides that Resolution 1 is advisory only and does not bind the Directors of itself, and a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report.

However, the Corporations Act was amended in 2011 by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 (Director and Executive Remuneration Act)*.

The Director and Executive Remuneration Act introduced new sections 250U and 250Y, amongst others, into the Corporations Act, giving Shareholders the opportunity to remove the Board if the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

In summary, if the Remuneration Report receives a 'no' vote of 25% or more at this Meeting, Shareholders should be aware that if there is a 'no' vote of 25% or more at the next annual general meeting the consequences are that it may result in the re-election of the Board.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, the Shareholder is considered to have provided the Chairman with an express authorization for the Chairman to vote the proxy in accordance with the Chairman's intention.

5. Resolution 2 - Re-election of Director – Paul Burton

Clause 6.3 of the Constitution requires that a Director (excluding the managing Director) must not hold office (without re-election) past the third annual general meeting following the Director's appointment or three years, whichever is longer.

At each annual general meeting, where the Company has three or more Directors, one-third of the Directors (rounded down to the nearest whole number) must retire (except for the managing Director).

A Director who retires under clause 6.3 of the Constitution is eligible for re-election.

The Company currently has six Directors (including one managing Director).

Paul Burton, a Director since 31 May 2016 and re-elected on 16 November 2016, is one of the two Directors who retires and seeks re-election. His details are set out in the Annual Report.

The Board unanimously supports the re-election of Paul Burton.

6. Resolution 3 - Re-election of Director – Kenneth Lai

Clause 6.3 of the Constitution requires that a Director (excluding the managing Director) must not hold office (without re-election) past the third annual general meeting following the Director's appointment or three years, whichever is longer.

At each annual general meeting, where the Company has three or more Directors, one-third of the Directors (rounded down to the nearest whole number) must retire (except for the managing Director).

A Director who retires under clause 6.3 of the Constitution is eligible for re-election.

The Company currently has six Directors (including one managing Director).

Kenneth Lai, a Director since 31 May 2016 and re-elected on 16 November 2016, is one of the two Directors who retires and seeks re-election. His details are set out in the Annual Report.

The Board unanimously supports the re-election of Kenneth Lai.

7. Resolution 4 - Approval of 10% Placement Capacity

7.1 General

Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital at the time of the issue over a period up to 12 months after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 4, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (as set out in Section 7.2 below).

The effect of Resolution 4 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue at the time of the issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing.

If and when the Company does utilise the 10% Placement Capacity within the 12 months following the AGM, assuming Resolution 4 is passed, the Company will be required to give ASX details of who the allottees are and how many Equity Securities they each received. In addition, the Company will be required to release by way of ASX announcement the information set out in Listing Rule 3.10.5A, namely:

- (a) details about the dilution to the existing Shareholders caused by the issue of Equity Securities under the 10% Placement Capacity;
- (b) if cash is raised, an explanation why a pro rata issue or other type of issue allowing existing shareholders to participate was not adopted instead of or as well as using the 10% Placement Capacity;
- (c) details about any underwriting and underwriting fees paid, and
- (d) details about any other fees or costs incurred in connection with the issue of Equity Securities under the 10% Placement Capacity.

The Directors believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution. The Chairman intends to vote all available proxies in favour of Resolution 4.

Resolution 4 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

7.2 ASX Listing Rule 7.1A

Listing Rule 7.1A enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately \$33,000,000.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class of Equity Securities on issue, being the Shares (ASX Code: NOV).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement:

- (a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;

- (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
- (c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under this rule; and
- (d) less the number of Shares cancelled in the previous 12 months.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4.

7.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to Resolution 4:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within five ASX trading days of the date in Section 7.3(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking),

being the **10% Placement Capacity Period**.

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.095 50% decrease in Issue Price	\$0.190 Current Issue Price	\$0.285 50% increase in Issue Price
166,879,213 (Current)	Shares issued	16,687,921 Shares	16,687,921 Shares	16,687,921 Shares
	Funds raised	\$1,585,353	\$3,170,705	\$4,756,058
250,318,820 (50% increase)	Shares issued	25,031,882 Shares	25,031,882 Shares	25,031,882 Shares
	Funds raised	\$2,378,029	\$4,756,058	\$7,134,086
333,758,426 (100% increase)	Shares issued	33,375,843 Shares	33,375,843 Shares	33,375,843 Shares
	Funds raised	\$3,170,705	\$6,341,410	\$9,512,115

*The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. The current shares on issue are the Shares on issue as at 7 October 2019.
2. The issue price set out above is the closing price of the Shares on ASX on 7 October 2019.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
5. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (i) the market price for Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised to further the Company's application for a restricted banking licence and working capital, or
- (ii) as non-cash consideration for product development and expansion. In such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

(e) Allocation policy under the 10% Placement Capacity

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) Previous Approval under ASX Listing Rule 7.1A

The Company previously obtained Shareholder approval under Listing Rule 7.1A at its annual general meeting held on 27 November 2018. In the 12 months preceding the date of the 2019 Annual General Meeting, the Company issued a total of 9,370,881 Equity Securities, representing approximately 5% of the total number of Equity Securities on issue at 27 November 2018.

The Equity Securities issued in the preceding 12 month period comprise those issues as are set out in Schedule 2.

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

8. Resolution 5 – Ratification of prior issue of shares - Listing Rule 7.4

On 18 March 2019 the Company announced to ASX that it had completed a placement to professional and sophisticated investors to raise approximately \$2 million. The Company issued 9,286,381 shares at \$0.21 per share under Listing Rule 7.1. The funds raised were and shall be used to further the Company's banking licence application and for general working capital.

Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue or agree to issue more equity securities in any 12 month period other than the amount which is equal to 15% of its fully paid ordinary securities on issue at the start of that 12 month period (**15% share issue capacity**).

Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of those Listing Rules if shareholders subsequently ratify it and the issue did not breach Listing Rule 7.1.

The Company is seeking shareholder approval to ratify the 29 March 2019 issue of 9,286,381 Shares to professional and sophisticated investors, including existing shareholders and clients of Baker Young Stockbrokers Limited (AFSL 338264) who acted as lead manager to the placement, under the Company's 15% share issue capacity.

Without shareholder approval pursuant to Listing Rule 7.4, the issue will be counted towards the Company's 15% share issue capacity and will therefore reduce the Company's capacity to issue securities in the future without obtaining shareholder approval.

Accordingly, this resolution seeks shareholder approval to allow the Company to refresh its 15% share issue capacity. The directors of the Company unanimously recommend that shareholders vote in favour of Resolution 5.

9. Resolution 6 – Issue of Shares to Related Party – Peter Pawlowitsch

9.1 General

On 18 March 2019 the Company announced to ASX that it had completed a placement to professional and sophisticated investors to raise approximately \$2 million. The Company issued 9,286,381 shares at \$0.21 per share under Listing Rule 7.1 (**Placement**) (see Section 8) and Mr Peter Pawlowitsch (a Director) agreed to participate in the Placement, subject to Shareholder approval. Resolution 6 seeks Shareholder approval for the issue of up to 238,095 Shares at an issue price of \$0.21 per Share to Mr Pawlowitsch (or his nominee) to raise up to \$50,000 arising from his participation in the Placement.

9.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The participation will result in the issue of Shares which constitutes giving a financial benefit and Mr Peter Pawlowitsch is a related party of the Company by virtue of being a Director

The Directors (other than Mr Pawlowitsch who has a material personal interest in Resolution 6) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 6 because the Shares will be issued to Mr Pawlowitsch on the same terms as Shares issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

9.3 ASX Listing Rule 10.11

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As the Placement involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

9.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 6:

- (a) the Shares will be issued to Mr Peter Pawlowitsch (or nominee);
- (b) the maximum number of Shares to be issued to Mr Pawlowitsch (or his nominee) is 238,095 Shares;
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (d) the issue price will be \$0.21 per Share, being the same as all other Shares issued under the Placement;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

- (f) the funds raised will be used to further the Company's application for a restricted banking licence and general working capital.

Approval pursuant to ASX Listing Rule 7.1 is not required for Resolution 6 as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Shares pursuant to Resolution 6 will not be included in the use of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

10. Resolutions 7 to 9 – Proposed grant of Options to Directors

10.1 General

Resolutions 7 to 9 propose the issue of Incentive Options to Messrs Peter Pawlowitsch, Peter Cook and Brandon Munro, all of whom are Directors.

The purpose of the issues is to align the interest of these Directors with those of the Company and its shareholders. The Board believes that the future success of the Company will depend in large measure on the skills and motivation of the people engaged in and overseeing the management of the Company's operations. It is therefore important that the Company is able to attract and retain people of the highest calibre.

The Board considers that the most appropriate means of achieving this is to provide these Directors with an opportunity to participate in the Company's future growth and give them an incentive to contribute to that growth.

The issue of options as part of the remuneration packages of company directors is a well-established practice of micro-cap publicly listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding the Directors.

In determining the number of Incentive Options to be issued and their terms of grant, consideration was given to the relevant experience and role of each of the Directors, their respective overall remuneration terms, and the recent market price of the Shares.

10.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Incentive Options constitutes giving a financial benefit and Messrs Peter Pawlowitsch, Peter Cook and Brandon Munro are each a related party of the Company by virtue of them each being a Director.

The Directors (other than Messrs Peter Pawlowitsch, Peter Cook and Brandon Munro who have a material personal interest in the Resolutions) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Resolutions because the Incentive Options are to be issued as part of the Company's remuneration packages for these Directors, and the remuneration package in each case is reasonable in the circumstances of the Company and the individuals concerned. Accordingly, the "reasonable remuneration" exception in section 211 of the Corporations Act applies.

10.3 ASX Listing Rule 10.11

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As the Placement involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

10.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolutions 7 to 9:

(a) Maximum number of options to be issued:

3,500,000 Incentive Options

(b) Date by which the Company will issue options:

No later than one month after the date of the Meeting.

(c) Price at which options to be issued:

Nil - The Options are being issued to remunerate the Directors as an incentive for future services.

(d) Names of the allottees:

Peter Pawlowitsch (or nominee): 500,000 Incentive Options

Peter Cook (or nominee): 2,500,000 Incentive Options

Brandon Munro (or nominee): 500,000 Incentive Options.

(e) Terms of issue:

The Incentive Options will be exercisable at a price equal to the VWAP for the 20 trading days ending on and including 25 November 2019 and expire on 30 November 2023.

The Incentive Options will only “vest” (ie become exercisable) in the following numbers upon achievement of certain specified milestone events:

Name	Position	Incentive Options (Milestone 1)	Incentive Options (Milestone 2)	Incentive Options (Milestone 3)	Incentive Options (Total)
Peter Pawlowitsch	Non-Executive Chairman	166,667	166,666	166,666	500,000
Peter Cook	Managing Director	833,334	833,333	833,333	2,500,000
Brandon Munro	Non-Executive Director	166,667	166,666	166,666	500,000

The milestone events and timeframes for achievement are as follows.

Milestone 1: The 20-day VWAP achieving a price greater than or equal to 130% of the November 2019 20-day VWAP at any time during the period commencing 1 December 2019 and ending 30 November 2020 (inclusive).

Milestone 2: The 20-day VWAP achieving a price greater than or equal to 160% of the November 2019 20-day VWAP at any time during the period commencing 1 December 2019 and ending 30 November 2021 (inclusive).

Milestone 3: The 20-day VWAP achieving a price greater than or equal to 190% of the November 2019 20-day VWAP at any time during the period commencing 1 December 2019 and ending 30 November 2022 (inclusive).

The Incentive Options will be issued for no consideration and otherwise on the terms and conditions as outlined in Schedule 3.

(f) Intended use of funds raised:

The Incentive Options will be issued for no consideration. There are no funds being raised from the allotment as the Options will be issued as an incentive for future services. Funds raised through the exercise of the Incentive Options will be used to further the Company's application for a restricted banking licence, continue expansion of the Company's business units and for general working capital purposes.

(g) Dates of allotment:

Allotment will occur on one date.

Schedule 1 - Definitions

In this Notice and the Explanatory Statement:

\$ means Australian Dollars.

20-day VWAP means the VWAP over a period of 20 consecutive trading days.

AEDT means Australian Eastern Daylight-Savings Time.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2019.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Auditor's Report means the auditor's report on the Financial Report.

Board means the board of Directors.

Chair or Chairman means the person appointed to chair the Meeting convened by this Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Novatti Group Ltd (ACN 606 556 183).

Constitution means the constitution of the Company as at the commencement of the Meeting.

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

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Statement means the explanatory statement attached to the Notice.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

Incentive Option means an Option on the terms and conditions set out in Schedule 3 and elsewhere in this Notice.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting has the meaning in the introductory paragraph of the Notice:

Notice means this notice of meeting.

November 2019 20-day VWAP means the VWAP ending on and including the date of the Meeting.

Option means an option to acquire a Share.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Notice.

Section means a section contained in this Explanatory Statement.

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

Shareholder means a shareholder of the Company.

VWAP means volume weighted average price of Shares traded on ASX.

In this Notice and the Explanatory Statement words importing the singular include the plural and vice versa.

Schedule 2 - Equity Securities issued since 2018 AGM

Date of issue	Number issued	Class/Type of equity security and Summary of terms	Names of persons who received securities or basis on which those persons was determined	Issue Price / Discount	Consideration	
18 December 2018	9,500,000	Unlisted options exercisable at 19 cents and expiring 30 November 2022	Directors, as approved by shareholders 27 November 2018	Issue price: NIL	Total cash consideration	NIL
					Amount of cash consideration spent and description of what consideration was spent on	N/A
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Non cash Consideration: \$1,016,500 Current Value: \$845,000
28 February 2019	84,500	Ordinary shares on exercise of unlisted options	Option holders	Issue Price \$0.20 each Discount 25%	Total cash consideration	\$16,900
					Amount of cash consideration spent and description of what consideration was spent on	\$16,900 Working capital
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Nil
29 March 2019	9,286,381	Fully paid ordinary shares	Placement to sophisticated investors	Issue Price \$0.21 each Discount 13%	Total cash consideration	\$1,950,140
					Amount of cash consideration spent and description of what consideration was spent on	\$1,950,140 Working Capital
					Intended use for remaining cash consideration	N/A
					Non-cash consideration paid and current value of that non-cash consideration	Nil

Schedule 3 – Terms and Conditions of Incentive Options

The terms and conditions of the Incentive Options (**Options**) are as follows:

- (a) Each Option entitles the holder to subscribe for and be allotted one ordinary fully paid share (**Share**) in Novatti Group Limited ACN 606 556 183 (**Company**).
- (b) Each Option is exercisable at a price equal to the volume weighted average price of Shares on ASX for the 20 trading days ending on and including 25 November 2019 (**Exercise Price**).
- (c) The Options will expire at 5.00pm (AEDT) on 30 November 2023 (**Expiry Date**).
- (d) The Options are classified according to specific milestones (as set out in paragraph (e)) and are not exercisable unless and until the relevant milestone has been achieved or a Change of Control Event (as defined in paragraph (f)) has occurred within the prescribed timeframe (**Vesting**). If Vesting of the relevant Options has not occurred within the prescribed timeframe, the relevant number of Options shall automatically lapse.
- (e) The milestones and timeframes for achievement are as follows.

Milestone 1: The 20-day VWAP achieving a price greater than or equal to 130% of the November 2019 20-day VWAP at any time during the period commencing 1 December 2019 and ending 30 November 2020 (inclusive).

Milestone 2: The 20-day VWAP achieving a price greater than or equal to 160% of the November 2019 20-day VWAP at any time during the period commencing 1 December 2019 and ending 30 November 2021 (inclusive).

Milestone 3: The 20-day VWAP achieving a price greater than or equal to 190% of the November 2019 20-day VWAP at any time during the period commencing 1 December 2019 and ending 30 November 2022 (inclusive).

- (f) A **Change of Control Event** shall be taken to mean:
 - (i) the occurrence of the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that the takeover bid has become unconditional; or
 - (ii) the announcement by the Company that shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party and the Court, by order, approves the proposed scheme of arrangement.
- (g) Options are exercisable at any time from their date of Vesting up until the Expiry Date by notice in writing to the Company accompanied by payment of the Exercise Price.
- (h) If an Optionholder or the person who nominated the Optionholder to receive the Options, as the case may be, ceases to be employed or engaged by the Company (or a member of the Company's corporate group) or, if a director of the Company (**Director**), ceases to be a Director then, unless the Company's board of Directors determines otherwise, the Optionholder automatically forfeits their interest in any Options that have not yet been exercised and all such Options shall automatically lapse.
- (i) (i) Notwithstanding the requirement for payment of the Exercise Price in accordance with paragraph (g), in order to exercise some or all of the Options, the holder may, subject to sub-paragraph (i)(iv), elect to pay the Exercise Price by using the cashless exercise facility provided for under this paragraph (i) (**Cashless Exercise Facility**).

- (ii) The Cashless Exercise Facility entitles the holder to set-off the Exercise Price against the number of Shares which the holder is entitled to receive upon exercise of the holder's Options. By using the Cashless Exercise Facility, the holder will receive Shares to the value of the surplus after the Exercise Price has been set-off.
- (iii) If the holder elects to use the Cashless Exercise Facility, the holder will only be issued that number of Shares (rounded down to the nearest whole number) as are equal in value to the difference between the total Exercise Price otherwise payable for the Options on the Options being exercised and the then market value of the Shares at the time of exercise (determined as the volume weighted average prices at which Shares were traded on the ASX over the five trading day period immediately preceding the exercise date) calculated in accordance with the following formula:

$$S = \frac{O \times (MSP - EP)}{MSP}$$

Where:

S = Number of Shares to be issued on exercise of the Options.

O = Number of Options.

MSP = Market value of the Shares (calculated using the volume weighted average prices at which Shares were traded on the ASX over the five trading day period immediately preceding the exercise date).

EP = Option exercise price.

- (iv) If the difference between the total Exercise Price otherwise payable for the Options on the Options being exercised and the then market value of the Shares at the time of exercise (calculated in accordance with subparagraph (i)(iii)) is zero or negative, then the holder will not be entitled to use the Cashless Exercise Facility.
- (j) The Options are non transferable.
- (k) All Shares issued upon exercise of the Options will rank *pari passu* in all respects with the then existing Shares. The Company will apply for Official Quotation by the ASX of all Shares issued upon exercise of the Options.
- (l) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to the Company's shareholders during the currency of the Options. However, if from time to time on or prior to the Expiry Date the Company makes an issue of new Shares to its shareholders, the Company will if practicable given the timetable for the issue send a notice to each holder of Options as soon as reasonably practicable before the record date referable to that issue to give holders an opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) If from time to time on or prior to the Expiry Date the Company makes an issue of Shares to its shareholders by way of capitalisation of profits or reserves (a **Bonus Issue**), then upon exercise of their Options, Optionholders will be entitled to have issued to them (in addition to the Shares which would otherwise be issued to them upon such exercise) the number of Shares of the class which would have been issued to them under that Bonus Issue (**Bonus Shares**) if on the record date for the Bonus Issue they have been registered as holder, if, immediately prior to that date, they had fully exercised their Options and the Shares the subject of such exercise had been duly allotted and issued to them. The Bonus Shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue will rank *pari passu* in all respects with the other Shares allotted upon exercise of the Options.
- (n) There is no right to a change in the exercise price of the Options or to the number of Shares over which the Options are exercisable in the event of a new issue of capital (other than a Bonus Issue) during the currency of the Options.

- (o) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

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