

ASX Announcement

5 May 2022

Novatti to launch AUD Stablecoin leveraging Stellar Blockchain

Highlights

- Novatti to launch AUD stablecoin, leveraging the open source Stellar blockchain
- Stablecoin to be integrated across Novatti's existing payment solutions
- Will provide Novatti clients with an innovative new product while creating potential new revenue streams
- Timing ideal as global demand and use cases for digital currencies grows rapidly

Novatti Group Limited (ASX:NOV) (Novatti or Company), a leading fintech enabling businesses to pay and be paid, is pleased to announce that it will launch an Australian Dollar (AUD) backed stablecoin leveraging the open source Stellar blockchain.

The stablecoin, to be called AUDC, will provide a digital representation of the Australian dollar, and will be secured with a 1:1 backing of AUD fiat value. This provides a distinction to pure cryptocurrencies, which do not correlate or link to any particular market economy, commodity, or asset.

This technology will also create a secure, and permanent, digital record of all transactions and account balances, which maintains the integrity of each transaction and provides a strong framework to maintain Novatti's absolute focus on compliance.

While still a relatively new innovation, the demand for stablecoins is growing rapidly. In the 12 months to September 2021, the amount of USD-pegged stablecoins circulating on public blockchains increased by more than 500% to nearly US\$130b.¹ Even the Governor of the Reserve Bank of Australia, Dr Philip Lowe, has noted that in future we could see payments made "by moving tokens around rather than moving banknotes".²

Novatti believes that this is the direction that payments are heading, with growth in the demand for stablecoins only expected to accelerate. By launching an AUD backed stablecoin on Stellar, a network designed for stablecoins and renowned for its speed, low-cost, and interoperability, new opportunities to power more seamless and near-instant financial services emerge both domestically and across borders.

AUDC will be integrated into Novatti's existing suite of payment solutions, providing clients with even more choice in how they choose to pay and be paid, while creating new business use cases

¹ Liao and Caramichael, Board of Governors of the Federal Reserve System, International Financial Discussion Papers – "Stablecoins: Growth Potential and Impact on Banking" – January 2022

² Dr Philip Lowe, Speech – "Payments: The Future?" – 9 December 2021

with potential for: faster and lower cost domestic, cross-border and billing payments; as well as the option for stablecoin-linked payment cards. In doing so, it will create new potential revenue streams for Novatti, including conversion, transaction and merchant fees, subject to product demand.

The potential benefits of using stablecoins for payments were highlighted in a recent transaction that made headlines involving the Smorgons, a prominent Australian billionaire family. Here, stablecoins were used to transfer \$30m within 10 minutes, compared to what would have taken several days using existing systems, while also avoiding foreign exchange fees.³

Importantly, the Stellar Development Foundation has committed to supporting the development of Novatti's stablecoin in a staged approach, resulting in minimal capital contribution from Novatti.

Launched in 2014, Stellar is an open-source, decentralised network for currencies and payments. Since launching, it has processed more than two billion operations made by over 6.5m individual accounts.⁴ Large enterprise companies through to startups have chosen Stellar to move money and access new markets.

The design of Novatti's stablecoin also lends itself to being leveraged by additional blockchain networks in time.

Novatti's Managing Director, Peter Cook, said: "Enabling business to pay and be paid, from any device, anywhere, is core to Novatti's vision. Launching our own stablecoin will further this."

"We see digital currencies, such as stablecoins, as the evolution of money and payments as we know it. If you look back in history, we traded in silver and gold, then paper and now plastic banknotes. Novatti's stablecoin is part of the next leap in payments innovation, creating a purely digital representation of physical currency."

"We believe the demand for the use of digital currencies will only rapidly increase going forward, so launching this new stablecoin is timely, placing Novatti ahead of the curve. At the same time, we are incredibly excited to be launching on the Stellar network."

"Through this new product, we will be able to provide our clients with a faster, lower cost and more flexible option to pay and be paid, while opening up potential new revenue streams for Novatti."

³ AFR – ANZ the first bank to mint an Australian dollar stablecoin, the A\$DC – 24 March 2022

⁴ See www.stellar.org

This announcement follows some of Novatti's other recent growth-focused achievements, including:

- \$10.4m in sales revenue for the March quarter – a new record
- Successful integration of ATX, with an immediate positive financial impact
- Integration into Reckon Limited's products, creating new 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>

For further information, contact:

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

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

About Novatti Group Limited (ASX:NOV)

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

About Stellar

Stellar is a decentralized, fast, scalable, and uniquely sustainable network for financial products and services. It is both a cross-currency transaction system and a platform for digital asset issuance, designed to connect the world's financial infrastructure. Financial institutions worldwide issue assets and settle payments on the Stellar network, which has grown to over 6 million accounts. For more information, visit stellar.org.

About the Stellar Development Foundation

The Stellar Development Foundation (SDF) is a non-profit organization that supports the development and growth of Stellar, an open-source network that connects the world's financial infrastructure. Founded in 2014, the Foundation helps maintain Stellar's codebase, supports the technical and business communities building on the network, and serves as a voice to regulators and institutions. The Foundation seeks to create equitable access to the global financial system, using the Stellar network to unlock the world's economic potential through blockchain technology. For more information, visit stellar.org/foundation.