



ASX Announcement

19 December 2022

ISSUE OF SHARE APPRECIATION RIGHTS

BRISBANE, Australia - XPON Technologies Group Limited (ASX:XPON), (“**XPON**” or “**the Company**”) advises that it has issued 1,585,835 Share Appreciation Rights (“**SARs**”) to Founder, Group CEO and Managing Director Matt Forman following Shareholder approval at the Annual General Meeting held on 24 October 2022.

The SARs were issued via an Offer under the Company’s Omnibus Incentive Plan (“**Offer**”) and the terms of the Offer are enclosed in this announcement.

**This announcement was approved by the Board of Directors of XPON Technologies Group Limited
ACN 635 810 258**

-ENDS-

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Terms of Share Appreciation Rights Offer to Matt Forman, Founder, Group CEO and Managing Director.

Feature of Offer	Details
Number of SARs	1,585,835
SARs Calculation	<p>LTI value / deemed value of SARs*</p> <p>= \$160,169 / \$0.101</p> <p>=1,585,835 SARs</p> <p>* The Board has determined that for the purpose of calculating the number of SARs to be granted, a SAR value is \$0.101, based on a Monte Carlo Simulation valuation methodology.</p>
Value of Award at Time of Grant	\$160,169
Grant Price	Nil Consideration
Share Price at time of Grant	\$0.16
Share Price at time of Exercise	60-trading day VWAP up to but not including the exercise date
Base Price (A)	<p>Grant date share price</p> <p>Being 60-trading day VWAP up to but not including grant date</p>
Exercise date Share Price (B)	<p>Exercise date share price</p> <p>Being 60-trading day VWAP up to but not including the date on which the SARs are exercised</p>
Performance Period	1 July 2022 to 30 June 2024



Exercise period	<p>From the Vesting Date to the date which is 5 years from the date the SARs are granted.</p>
SAR value (C)	<p>SAR value at exercise x number of SARs which have vested in accordance with the terms set out in this offer letter (Vested SARs)</p> <p>= (B – A) x Vested SARs</p> <p>= SAR value to be settled in cash or Shares</p>
Cash or Share settlement	<p>The Board has the discretion to satisfy its obligation to provide the holder with Shares on vesting of the holder’s SARs in part or whole in cash.</p> <p>The Board may have regard for the holder’s personal circumstances including taxation and shareholding as well as the Company’s circumstances in determining whether to settle in shares or cash.</p>
Share-settled SARs	<p>If SAR value is settled in Shares, the number of Shares will be determined as:</p> <p># of Shares = (C) / (B)</p>
Cash-settled SARs	<p>If the SAR value is settled in cash, cash will be equal to</p> <p>Cash = (B-A) x Vested SARs</p>
Vesting Dates and vesting conditions	<p>Vesting Date is the date on which the Board determines the level of vesting of the SARs.</p> <p>The SARs will vest at the determination of the Board after release of audited financial results for FY24 on satisfaction of the following conditions:</p> <ul style="list-style-type: none"> · The holder remains employed by the Company at the vesting date; · Compound annual growth rate (CAGR) of Annualised Recurring Revenue (ARR) per the Vesting Scale below; and · Operating cashflow breakeven for the full year FY24.



Vesting Scale	<table><thead><tr><th>CAGR ARR</th><th>SARs Vesting</th></tr></thead><tbody><tr><td>30%</td><td>50%</td></tr><tr><td>40%</td><td>75%</td></tr><tr><td>45%</td><td>100%</td></tr></tbody></table> <p>Pro-rata linear vesting applies between the scales.</p>	CAGR ARR	SARs Vesting	30%	50%	40%	75%	45%	100%
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40%	75%								
45%	100%								
Expiry date	The SARs expire on the fifth anniversary of the date of grant.								
Omnibus Incentive Plan	The Company's Omnibus Incentive Plan rules apply to this grant, as amended from time to time in accordance with its terms								
Other terms	<p>The rights and obligations that apply to SARs, including in relation to vesting, disposal and forfeiture, are specified in the Omnibus Incentive Plan. In the event of an inconsistency in terms between the Omnibus Incentive Plan and the terms in this Offer, the terms of this Offer will prevail.</p> <p>For the avoidance of doubt, the terms specified in this Offer in respect of but not limited to all the Features of the Offer listed in the first column of this Table, vesting dates, service conditions, performance conditions, cessation of office, change in control and restriction on disposal will prevail.</p>								
Dividend and Voting rights	<p>Dividends will not be paid on SARs.</p> <p>SARs do not have any voting rights.</p> <p>Shares received on exercise of vested SARs will rank equally with other Shares for the payment of dividends and voting rights from the date of exercise.</p>								
Cessation of employment	In the event of cessation of employment, unvested SARs shall remain on foot to be tested in the normal course except that the Board will have the absolute discretion to determine an alternative treatment that can include forfeiture of all unvested SARs having regard for the circumstances of the cessation of employment.								



Malus	<p>Malus is the forfeiture of unvested incentives.</p> <p>In the event of fraud, dishonesty, breach of obligations, or in the opinion of the Board vesting of the SARs would result in an inappropriate benefit, the Board may make a determination, including the forfeiture of unvested SARs, to ensure that no unfair benefit is obtained.</p>
Board Discretion	<p>The Board maintains an absolute discretion to deal with unvested SARs on cessation of employment as it sees fit. It may, but is not obliged to, allow some or all of the unvested SARs to vest or treat the unvested SARs as being held by the holder and subject to the existing vesting conditions as if the holder had not ceased to be employed by XPON.</p>
Change in Control	<p>Notwithstanding the terms of the Omnibus Incentive Plan, in the event of a takeover, scheme or arrangement or other transaction that may result in a person or entity becoming entitled to exercise control over the Company, the Board has absolute discretion to determine the extent to which unvested SARs may vest or lapse, or whether any resulting Shares which are subject to a restriction period should become unrestricted.</p>
Trading restrictions	<p>At all times, holders are required to comply with the Company's Securities Trading policy.</p>
Taxation	<p>The Company has no responsibility for the holder's personal affairs and all personal tax implications remain the responsibility of the participant.</p>