



## **ASX Announcement**

27 February 2024

### **Appendix 4D and Interim Report**

**BRISBANE, Australia** - In accordance with the Listing Rules of the Australian Securities Exchange (**ASX**), XPON Technologies Group Limited (ASX:XPON), (**XPON**) encloses for immediate release the following information:

- Appendix 4D – Half Year Report; and
- Interim Report for the half year ended 31 December 2023.

This announcement was authorised for release by the Board of XPON Technologies Group Limited.

**-ENDS-**

For further information, please contact:

[investors@xpon.ai](mailto:investors@xpon.ai)

For media inquiries, please contact:

[marketing@xpon.ai](mailto:marketing@xpon.ai)



**XPON Technologies Group Limited and Controlled Entities**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	XPON Technologies Group Limited and Controlled Entities
ACN:	635 810 258
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

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**2. Results for announcement to the market**

<b>Reported</b>	<b>31 December 2023 \$000's</b>	<b>31 December 2022 \$000's (i)</b>		<b>Change \$000's</b>	<b>Change %</b>
Revenue from ordinary activities	4,465	4,634	Down	(169)	(4%)
Net loss from ordinary activities after tax attributable to the owners of XPON Technologies Group Limited	(2,466)	(3,747)	Up	(1,281)	34%
Net loss for the half-year attributable to the owners of XPON Technologies Group Limited	(5,410)	(3,487)	Up	(1,923)	55%

**DIVIDENDS**

XPON Technologies Group Limited has not paid, recommended or declared dividends for the half-year ended 31 December 2023 (31 December 2022: Nil).

(i) Refer to point 5 of the Appendix 4D

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**3. Net tangible assets**

	<b>31-Dec-23 (cents)</b>	<b>31-Dec-22 (cents) (i)</b>
Net tangible assets per ordinary security	(1.07)	1.19

Derived by dividing the net assets less intangible assets attributable to equity holders of the Company by the total ordinary shares on 31 December 2023 (303,608,169) and 31 December 2022 (303,608,169) respectively.

(i) Refer to point 5 of the Appendix 4D

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**4. Control gained over entities**

Not applicable.

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**XPON Technologies Group Limited and Controlled Entities**  
**Appendix 4D**  
**Half-year report**

**5. Loss of control over entities**

XPON Digital Limited (UK Company) and Holoscribe Australia Pty Ltd (Australian Company) were sold on 22 December 2023 to reduce cash burn of the Company. Accordingly:

- The (loss)/profit of these divested entities has been presented as “(Loss)/profit for the half-year after tax from discontinued operations” in the consolidated statement of profit or loss and other comprehensive income. This presentation has been used for both the half-year ended 31 December 2023 and 31 December 2022 and further details are provided in note 3 of the following financial statements;
- The consolidated statement of financial position at 30 June 2023 and 31 December 2022 is unchanged in presentation from previous statutory reporting given the sale of the two entities was not announced until after those reporting dates;
- Metrics that are derived from the consolidated statement of financial position (such as Net tangible assets per ordinary security as at 31 Dec 2022) are also unchanged.

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**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.

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**7. Dividend reinvestment plans**

Not applicable.

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**8. Details of associates and joint venture entities**

Not applicable.

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**9. Foreign entities**

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

For all foreign entities, International Financial Reporting Standards have been used in compiling this report.

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**10. Audit qualification or review**

This half-year was subject to review by the Company’s auditors and the review report is attached as part of this half year report.


**XPON Technologies Group Limited and Controlled Entities**  
**Appendix 4D**  
**Half-year report**

**11. Attachments**

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

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**12. Signed**

Signed  \_\_\_\_\_

Date: 27 February 2024

Phil Aris  
Independent Non-Executive Chairman

# **XPON Technologies Group Limited and Controlled Entities**

**ACN 635 810 258**

**Half-year Report - 31 December 2023**

**XPON Technologies Group Limited and Controlled Entities**  
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**31 December 2023**

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**CORPORATE DIRECTORY**

**Directors**

Matt Forman – Managing Director  
and CEO

Phil Aris – Independent Non-  
Executive Chairman

Tim Ebbeck – Independent Non-  
Executive Director

Jodie Leonard – Independent Non-  
Executive Director

**Registered Office**

Suite GR-111/310 Edward St,  
Brisbane City, QLD, 4000

Australia

[www.xpon.ai](http://www.xpon.ai)

**Auditors**

BDO Audit Pty Ltd  
Level 10, 12 Creek Street

Brisbane QLD 4000

Australia

[www.bdo.com.au](http://www.bdo.com.au)

**Company Secretary**

Clare Craven

Company Matters Pty Limited

[www.companymatters.com.au](http://www.companymatters.com.au)

**Share Registry**

Automic Group

Level 5, 126 Phillip Street, Sydney

NSW 2000

[www.automicgroup.com.au](http://www.automicgroup.com.au)

**XPON Technologies Group Limited and Controlled Entities  
Directors' report  
31 December 2023**

The directors submit the interim financial report of the Group for the half year ended 31 December 2023.

**1. General information**

**Information on directors**

The following persons were directors of XPON Technologies Group Limited and Controlled Entities during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

The names of each person who has been a director during the half year and to the date of this report are:

Phil Aris – Independent Non-Executive Chairman

Matt Forman - Managing Director and CEO

Tim Ebbeck – Independent Non-Executive Director

Jodie Leonard – Independent Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report.

**Company Secretary**

Clare Craven - Company Matters Pty Limited

**2. Operating results and review of operations for the year**

The loss for the consolidated entity after providing for income tax amounted to \$5,409,737 (31 December 2022: \$3,487,405).

**XPON Technologies Group Limited and Controlled Entities**  
**Directors' report**  
**31 December 2023**

**Review and Results of operations**

	31 Dec 2023	31 Dec 2022	Movement %
	\$	\$	
<b>Revenue</b>	<b>4,465,126</b>	<b>4,633,795</b>	(4%)
Cost of sales	(1,137,446)	(1,334,473)	15%
<b>Gross profit \$</b>	<b>3,327,680</b>	<b>3,299,322</b>	1%
<b>Gross margin %</b>	<b>75%</b>	<b>71%</b>	4%
Other income	60,087	106,668	(44%)
Operating expenses	(5,139,707)	(6,855,100)	25%
<b>Adjusted EBITDA*</b>	<b>(1,751,940)</b>	<b>(3,449,110)</b>	49%
Depreciation and Amortisation	(124,614)	(254,987)	51%
Financial expenses (net)	(8,087)	(65,099)	88%
Write off of related party loans receivable	(428,501)	-	100%
(Loss)/profit from discontinued operations	(2,943,919)	259,338	(1235%)
<b>Loss before income tax</b>	<b>(5,257,061)</b>	<b>(3,509,858)</b>	(50%)

\*Adjusted Earnings before Interest, Tax, Depreciation and Amortisation is a non-IFRS disclosure. In the opinion of the Directors, the Group's Adjusted EBITDA (unaudited) reflects the results generated from ongoing operating activities which is used by Directors and Management as measures in assessing the financial performance of the Group. The non-operating adjustments outlined in this table are considered to be non-cash and/or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the Adjusted EBITDA.

*Revenue*

For the half year ended 31 December 2023, the Group's Revenue from continuing operations was \$4,465,126, representing a 4% decrease over the previous corresponding six-month period (31 December 2022: \$4,633,795). The decrease in continuing operations revenue is a result of tighter customer marketing budgets impacting advertising spend, particularly in the first quarter.

*Gross profit and margin*

The Group saw an increase in the gross profit from continuing operations by 1% to \$3,327,680 (31 December 2022: \$3,299,322) and gross margin expanded by 4 pts, reaching 75% for the half year ended 31 December 2023 in comparison with 71% at the prior corresponding period. These increases are assisted by higher margin revenue mix.

*Operating expenses*

Total operating expense from continuing operations was \$5,139,707, representing a decrease of 25% over the previous corresponding six-month period (31 December 2022: \$6,855,100).

The decrease is in line with the cost reductions implemented in May 2023 and October 2023 – in aggregate, annualised cost saving initiatives since May 2023 total c\$4.5 million (excluding the App Mod business costs included in discontinued operations).



**XPON Technologies Group Limited and Controlled Entities**  
**Directors' report**  
**31 December 2023**

*Write off of related party loans receivable and loss from discontinued operations*

Write off of related party loans receivable expense of \$428,501 arose from the divestment of the Application Modernisation (App Mod) business on 22 December 2023. Similarly, the \$2,943,919 loss from discontinued operations relates to the financial performance and impairment of intangibles in relation to the App Mod business for the period up until divestment. Further details are provided in Note 3 of the financial statements.

*Presentation of financial information in light of the App Mod divestment*

Given the divestment of the App Mod business on 22 December 2023:

- The (loss)/profit of the App Mod business has been presented as “(Loss)/profit for the half-year after tax from discontinued operations” in the consolidated statement of profit or loss and other comprehensive income. This presentation has been used for both the half-year ended 31 December 2023 and 31 December 2022 and further details are provided in note 3 of the following financial statements;
- The consolidated statement of financial position at 30 June 2023 and 31 December 2022 is unchanged in presentation from previous statutory reporting given the sale of the App Mod business was not announced until after those reporting dates.

*Financial Position*

On 31 December 2023, the Group had net liabilities of \$1,302,108 (June 2023: \$4,082,761 net assets), including cash of \$2,257,265 (June 2023: \$4,415,166).

**3. Matters subsequent to the end of the financial half-year**

On 26 February 2024, the Group announced it had secured commitments from professional and sophisticated investors to raise \$1.125 million via the issue of 45,000,000 secured convertible notes with attached Warrants. The funds raised from the issue of the convertible notes will strengthen the Group’s balance sheet and support general working capital.

Aside from the item above, 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.

**Auditor's independence declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2023 has been received and can be found on page 5 of the interim financial report.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the directors



Phil Aris



Matt Forman

27 February 2024

**XPON Technologies Group Limited and Controlled Entities  
Auditor's independence declaration**



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Australia

**DECLARATION OF INDEPENDENCE BY R J LIDDELL TO THE DIRECTORS OF XPON TECHNOLOGIES  
GROUP LIMITED**

As lead auditor for the review of XPON Technologies Group Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'R J Liddell', is written over a light blue horizontal line.

**R J Liddell**  
Director

**BDO Audit Pty Ltd**

Brisbane, 27 February 2024

**XPON Technologies Group Limited and Controlled Entities**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2023**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2023 \$</b>	<b>31 Dec 2022 \$</b>
Revenue from contracts with customers	5	4,465,126	4,633,795
Cost of sales		<u>(1,137,446)</u>	<u>(1,334,473)</u>
Gross profit		<u>3,327,680</u>	<u>3,299,322</u>
Other income	5	60,087	106,668
<b>Expenses</b>			
IT and Facilities expenses		(445,266)	(403,504)
Employee benefits expense		(3,293,973)	(4,189,764)
Superannuation expense		(292,125)	(341,238)
Depreciation and amortisation expense		(124,614)	(254,987)
Contractor expenses		(3,698)	(173,627)
Other expenses	6	(1,006,838)	(1,222,731)
Finance costs		(8,087)	(65,099)
Sales and Marketing expenses		(97,807)	(524,236)
Write off of related party loans receivable	3	<u>(428,501)</u>	<u>-</u>
<b>Loss before income tax (expense)/benefit</b>		(2,313,142)	(3,769,196)
Income tax (expense)/benefit		(152,676)	22,453
<b>Loss after income tax (expense)/benefit for the half-year from continuing operations</b>		<u>(2,465,818)</u>	<u>(3,746,743)</u>
<b>Discontinued Operations</b>			
(Loss)/profit for the half-year after tax from discontinued operations	3	(2,943,919)	259,338
<b>Loss for the half-year</b>		(5,409,737)	(3,487,405)
<b>Other comprehensive income</b>			
<b>Items that will be reclassified to profit or loss</b>			
Exchange differences on translating foreign controlled entities		<u>(48,742)</u>	<u>(53,350)</u>
Other comprehensive loss for the half-year, net of tax		<u>(48,742)</u>	<u>(53,350)</u>
<b>Total comprehensive loss for the half-year</b>		<u>(5,458,479)</u>	<u>(3,540,755)</u>

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**XPON Technologies Group Limited and Controlled Entities**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2023**

		<b>31 Dec 2023 Cents</b>	<b>31 Dec 2022 Cents</b>
<b>Earnings per share</b>			
Basic earnings per share	15	(1.78)	(1.15)
Diluted earnings per share	15	(1.78)	(1.15)
<b>Earnings per share from continuing operations</b>			
Basic earnings per share	15	(0.81)	(1.23)
Diluted earnings per share	15	(0.81)	(1.23)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**XPON Technologies Group Limited and Controlled Entities**  
**Consolidated statement of financial position**  
**As at 31 December 2023**

	<b>Note</b>	<b>Consolidated 31 Dec 2023 \$</b>	<b>30 Jun 2023 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,257,265	4,415,166
Trade and other receivables	8	3,498,360	4,295,955
Contract assets		-	499,316
Prepayments		312,285	313,999
Other assets		50,505	37,886
<b>Total current assets</b>		<u>6,118,415</u>	<u>9,562,322</u>
<b>Non-current assets</b>			
Property, plant and equipment		32,526	113,009
Intangible assets		1,438,031	4,217,046
Deferred tax		499,081	585,532
Other assets		81,578	143,594
<b>Total non-current assets</b>		<u>2,051,216</u>	<u>5,059,181</u>
<b>Total assets</b>		<u>8,169,631</u>	<u>14,621,503</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	7,805,392	8,935,230
Borrowings		-	20,283
Employee benefits		403,197	520,507
Contract liabilities	10	1,184,324	946,467
<b>Total current liabilities</b>		<u>9,392,913</u>	<u>10,422,487</u>
<b>Non-current liabilities</b>			
Borrowings		-	36,644
Employee benefits		78,826	79,611
<b>Total non-current liabilities</b>		<u>78,826</u>	<u>116,255</u>
<b>Total liabilities</b>		<u>9,471,739</u>	<u>10,538,742</u>
<b>Net (liabilities)/assets</b>		<u>(1,302,108)</u>	<u>4,082,761</u>
<b>Equity</b>			
Issued capital	11	21,796,430	21,796,430
Reserves	12	1,809,852	1,784,984
Accumulated losses		<u>(24,908,390)</u>	<u>(19,498,653)</u>
<b>Total equity (deficit)/surplus</b>		<u>(1,302,108)</u>	<u>4,082,761</u>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**XPON Technologies Group Limited and Controlled Entities**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2023**

<b>Consolidated</b>	<b>Ordinary Shares</b>	<b>Foreign Currency Translation Reserves</b>	<b>General Reserves</b>	<b>Employee Share Based Payment Reserves</b>	<b>Accumulated Losses</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2022	21,796,430	29,806	157,596	1,021,152	(11,157,631)	11,847,353
Loss after income tax expense for the half-year	-	-	-	-	(3,487,405)	(3,487,405)
Other comprehensive loss for the half-year, net of tax	-	(53,350)	-	-	-	(53,350)
Total comprehensive loss for the half-year	-	(53,350)	-	-	(3,487,405)	(3,540,755)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	-	-	-	310,354	-	310,354
Share Appreciation Rights	-	-	-	93,323	-	93,323
Balance at 31 December 2022	<u>21,796,430</u>	<u>(23,544)</u>	<u>157,596</u>	<u>1,424,829</u>	<u>(14,645,036)</u>	<u>8,710,275</u>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**XPON Technologies Group Limited and Controlled Entities**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2023**

<b>Consolidated</b>	<b>Ordinary Shares</b> \$	<b>Foreign Currency Translation Reserves</b> \$	<b>Employee Share Based Payment Reserves</b> \$	<b>Accumulated Losses</b> \$	<b>Total equity</b> \$
Balance at 1 July 2023	21,796,430	48,206	1,736,778	(19,498,653)	4,082,761
Loss after income tax expense for the half-year	-	-	-	(5,409,737)	(5,409,737)
Other comprehensive loss for the half-year, net of tax	-	(48,742)	-	-	(48,742)
Total comprehensive loss for the half-year	-	(48,742)	-	(5,409,737)	(5,458,479)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 12)	-	-	30,619	-	30,619
Share Appreciation Rights (note 12)	-	-	42,991	-	42,991
Balance at 31 December 2023	<u>21,796,430</u>	<u>(536)</u>	<u>1,810,388</u>	<u>(24,908,390)</u>	<u>(1,302,108)</u>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**XPON Technologies Group Limited and Controlled Entities**  
**Consolidated statement of cash flows**  
**For the half-year ended 31 December 2023**

Note	Consolidated	
	31 Dec 2023 \$	31 Dec 2022 \$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	6,895,807	9,420,389
Payments to suppliers and employees (inclusive of GST)	(8,693,908)	(10,597,123)
Interest received	4,935	11,319
Interest and other costs of finance paid	(705)	(8,180)
Government grant	-	76,685
Net cash used in operating activities	<u>(1,793,871)</u>	<u>(1,096,910)</u>
<b>Cash flows from investing activities</b>		
Payment for intangible asset	-	(4,200)
Purchase of property, plant and equipment	-	(51,771)
Proceeds from disposal of property, plant and equipment	3,201	-
Proceeds/(payment) from disposal of businesses	<u>(261,522)</u>	<u>-</u>
Net cash used in investing activities	<u>(258,321)</u>	<u>(55,971)</u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(56,927)	(10,984)
Principal repayments of lease liabilities	-	(38,721)
Net cash used in financing activities	<u>(56,927)</u>	<u>(49,705)</u>
Net decrease in cash and cash equivalents	(2,109,119)	(1,202,586)
Cash and cash equivalents at the beginning of the financial half-year	4,415,166	8,236,634
Effects of exchange rate changes on cash and cash equivalents	<u>(48,782)</u>	<u>(53,350)</u>
Cash and cash equivalents at the end of the financial half-year	<u>2,257,265</u>	<u>6,980,698</u>

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



**XPON Technologies Group Limited and Controlled Entities**  
**Notes to the consolidated financial statements**  
**31 December 2023**

**Note 1. Basis of Preparation**

The interim financial report covers XPON Technologies Group Limited ('the Company') and its controlled entities ('the Group'). XPON Technologies Group Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The principal activities of the Company for the half-year ended 31 December 2023 was the provision of:

- software enabled managed services to help companies manage business-critical marketing platforms, Adtech, ML / AI and cloud technologies;
- agile cloud-native software solutions with our unique IP that helps corporate & enterprise clients build and modernise customer-facing applications and products; and
- a next-generation data platform for marketers that centralizes customer & marketing data, supercharging it with AI for automated activation.

Each of the entities within the Group prepares its financial statements based on the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 27 February 2024.

Comparatives are consistent with prior years unless otherwise stated.

This condensed consolidated interim financial report for the reporting period ending 31 December 2023 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2023, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The financial statements have been prepared on an accrual basis and are based on historical costs.

Significant accounting policies adopted in the preparation of these financial statements are consistent with prior reporting periods unless otherwise stated.

**XPON Technologies Group Limited and Controlled Entities**  
**Notes to the consolidated financial statements**  
**31 December 2023**

**Note 1. Basis of Preparation (continued)**

**Going Concern**

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

For the period ended 31 December 2023, the Group generated a net loss after tax of \$5,409,737 and a net loss after tax from continuing operations of \$2,465,818. Further, the Group generated operating cash outflows of \$1,793,871 for the period ended 31 December 2023, and at this date reported a net current asset deficiency of \$3,274,498.

The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- The ability of the Group to raise additional capital;
- The ability of the Group to undertake other financing activities;
- The ability to further reduce expenditure in future periods to maintain cost control and cash reserves; and/or
- The ability of the Group to continue growing its revenues from new customer contracts, generating sufficient cash flows to meet obligations as they fall due.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The Directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- As disclosed in the subsequent events (note 14), post 31 December 2023 the Group secured commitments from professional and sophisticated investors to raise \$1.125 million via the issue of 45,000,000 secured convertible notes;
- The Group has previously completed a restructure exercise (announced in May 2023) with further cost reductions in Oct 2023 which collectively are expected to generate c\$4.5 million in annualised people and operating expenditure cost savings;
- The Group has divested its App Mod business (note 3) on 22 December 2023 which is expected to save \$1.3 million in net cash burn annually;
- The continuing business is demonstrating resilience with Q2 FY2024 revenue and gross margin growth (approaching the levels achieved in Q2 FY2023) and financial performance progressing in line with management expectations;
- The Directors are confident additional funds and/or capital can be raised as is necessary to meet obligations as they fall due; and
- The Directors are pursuing strategic opportunities to further improve the business' future prospects.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish 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 and classification of recorded asset amounts, or classification of liabilities and appropriate disclosures that may be necessary should the Company be unable to continue as a going concern.

**XPON Technologies Group Limited and Controlled Entities**  
**Notes to the consolidated financial statements**  
**31 December 2023**

**Note 2. Significant changes in the current reporting period**

Although global market conditions have affected market confidence and consumer spending patterns, the group is clearly focused on growing the business through ongoing product innovation and sales and marketing effort. It has sufficient working capital to service its operating activities with the target of achieving cashflow break-even by 2025.

The financial position and performance of the Group were particularly affected by the following events and transactions during the six months to 31 December 2023:

- Cost reduction measures that were announced in May 2023 and October 2023 which collectively amounted to c\$4.5 million in annualised cost savings;
- A significant decrease in total revenue driven by the decline in revenue attributable to the App Mod business;
- Completion of the sale of the App Mod business on 22 December 2023 to Peppermint Innovation Ltd (PIL). The App Mod business included two subsidiary companies, XPON Digital Limited (UK Company) and Holoscribe Australia Pty Ltd (Australian Company). 100% of the issued shares of both companies were acquired by PIL with a payment of £1 GBP and on terms usual for a transaction of this type;
- Trade and other payables reduced by 2% consistent with the managing of costs in relation to the continuing operations.

For a further discussion about the Group's performance and financial position please refer to our review of operations in the Directors' Report.

**XPON Technologies Group Limited and Controlled Entities**  
**Notes to the consolidated financial statements**  
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**Note 3. Discontinued operations**

(a) Description

On 22 December 2023, the Group entered into a share purchase agreement to sell the non-core App Mod business to Peppermint Innovation Ltd (PIL). The App Mod business includes two subsidiary companies, XPON Digital Limited (UK Company) and Holoscribe Australia Pty Ltd (Australian Company). 100% of the issued shares of both companies have been acquired by PIL with a payment of £1 GBP and on terms usual for a transaction of this type.

An analysis of the fair value of the App Mod business' net assets to the net proceeds resulted in a loss on disposal of \$2,876,874.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented is for the period from 1 July 2023 to 22 December 2023 and the period ended 31 December 2022.

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$</b>	<b>\$</b>
Revenue	528,485	4,240,730
Expenses	(1,024,031)	(3,947,637)
Write off of related party loans receivable	428,501	-
(Loss)/profit before tax	<u>(67,045)</u>	<u>293,093</u>
Income tax expense	-	(33,755)
(Loss)/profit after income tax of discontinued operation	(67,045)	259,338
Loss on disposal of subsidiaries after income tax (see (c) below)	(2,876,874)	-
(Loss)/profit from discontinued operation	<u>(2,943,919)</u>	<u>259,338</u>
Exchange differences on translation of discontinued operations	(48,742)	-
Other comprehensive income from discontinued operations	<u>(48,742)</u>	<u>259,338</u>
<b>Cash flows from discontinued operations</b>		
Net cash inflows from operating activities	9,845	683,018
Net cash outflows from investing activities	(258,321)	(73,444)
Net cash outflows from financing activities	<u>(56,927)</u>	<u>(10,984)</u>
<b>Net increase/(decrease) in cash generated by the disposed subsidiaries</b>	<u>(305,403)</u>	<u>598,590</u>

**XPON Technologies Group Limited and Controlled Entities**  
**Notes to the consolidated financial statements**  
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**Note 3. Discontinued operations (continued)**

(c) Details of the sale of the subsidiary

	\$
Cash consideration received	<u>2</u>
Total disposal consideration	<u>2</u>
Carrying value of net assets disposed	(301,426)
Carrying value of goodwill, intangible assets & deferred tax liability allocated to disposed subsidiaries on consolidation	<u>(2,624,192)</u>
Loss on sale before income tax and reclassification of foreign currency translation reserve	<u>(2,925,616)</u>
Reclassification of foreign currency transaction reserve	48,742
Income tax on disposal of foreign currency	-
Loss on disposal after income tax	<u>(2,876,874)</u>

The carrying amounts of assets and liabilities as at the date of sale (22 December 2023) were:

	\$
Cash and cash equivalents	261,522
Trade and other receivables	72,177
Prepayments	18,602
Other assets	86,147
Property, plant and equipment	<u>17,503</u>
Total assets	<u>455,951</u>
Trade and other payables	(132,808)
Employee benefits	(1,351)
Contract liabilities	<u>(20,366)</u>
Total liabilities	<u>(154,525)</u>
Net assets	<u>301,426</u>

**Note 4. New and amended standards adopted by the Group**

The Group has adopted all standards which became effective for the first time at 1 July 2023, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group

**XPON Technologies Group Limited and Controlled Entities**  
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**Note 5. Revenue from contracts with customers and Other Income**

**Revenue from contracts with customers**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Licenses	3,002,814	2,660,057
Managed Services	320,837	1,184,627
Project Management Services	361,157	17,400
Usage fees	780,318	771,711
	<u>4,465,126</u>	<u>4,633,795</u>
<b>Total Revenue from contracts with customers</b>		

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Other Income		
- R&D refund	54,428	76,685
- Other income	5,659	29,983
	<u>60,087</u>	<u>106,668</u>
<b>Total Other Income</b>		

**Note 6. Other expenses**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Consulting and Accounting expenses	225,311	319,549
Insurance and Travel expenses	13,539	237,836
Compliance expenses	239,583	345,799
Other expenses	528,405	319,547
	<u>1,006,838</u>	<u>1,222,731</u>

**Note 7. Operating Segments**

*Identification of reportable operating segments*

The Group has determined that it only has one operating segment. The operating segment identified is based on the internal reports that are received and used by the chief operating decision-makers in assessing performance and determining the allocation of resources. All significant operating decisions are based upon the analysis of the Group as one segment.

The financial results from the segment are equivalent to the financial statements of the group as a whole.

**XPON Technologies Group Limited and Controlled Entities**  
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**Note 8. Trade and Other Receivables**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2023</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	3,593,339	4,371,668
Other receivables	30,229	51,802
Less: Allowance for expected credit losses	<u>(125,208)</u>	<u>(127,515)</u>
<b>Total current trade and other receivables</b>	<b><u>3,498,360</u></b>	<b><u>4,295,955</u></b>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

**Impairment of trade receivables**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2023</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Opening balance</b>	127,515	150,000
Additional impairment loss recognised	-	332,607
Amounts written off as uncollectible	<u>(2,307)</u>	<u>(355,092)</u>
<b>Closing balance</b>	<b><u>125,208</u></b>	<b><u>127,515</u></b>

The Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates are based on the payment profiles (using a provision matrix) of sales over a period of 3 years before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information including macroeconomic factors that affect the ability of the customers to settle the receivables.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are over 1 year past due, whichever occurs first.

**XPON Technologies Group Limited and Controlled Entities**  
**Notes to the consolidated financial statements**  
**31 December 2022**

**Note 9. Trade and Other Payables**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2023</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Trade payables	6,972,504	7,168,467
GST payable	120,421	236,013
Accruals and other payables	712,467	1,530,750
	<u>7,805,392</u>	<u>8,935,230</u>
<b>Total Trade and Other Payables</b>		

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

**Note 10. Contract Liabilities**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2023</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Licenses	998,082	877,613
Managed services	17,500	42,850
Project services	168,742	26,004
	<u>1,184,324</u>	<u>946,467</u>
<b>Total contract liabilities</b>		

The balance of contract liability is for clients that pay us in advance of services being delivered. The movement of contractor liability relates to the timing of contract renewals as well as new clients paying in advance as per payment terms.



**XPON Technologies Group Limited and Controlled Entities**  
**Notes to the consolidated financial statements**  
**31 December 2023**

**Note 11. Issued Capital**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2023</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
303,608,169 Ordinary shares	22,536,110	22,536,110
Share issue costs net of deferred tax	<u>(739,680)</u>	<u>(739,680)</u>
<b>Total</b>	<u>21,796,430</u>	<u>21,796,430</u>

No additional shares were issued during the period. The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

**Note 12. Reserves**

**(a) Foreign currency translation reserve**

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2023</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Foreign currency translation reserve	(536)	48,206

**(b) Employee option reserve**

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2023</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Employee option reserve</b>		
Opening balance	1,736,778	1,021,152
Share based payment and Share Appreciation Rights expenses	73,610	821,534
Transfer Share Appreciation Rights expenses for Non-Executive Directors to retained earnings	-	(105,908)
<b>Total Employee option reserve</b>	<u>1,810,388</u>	<u>1,736,778</u>

**XPON Technologies Group Limited and Controlled Entities**  
**Notes to the consolidated financial statements**  
**31 December 2023**

**Note 13. Share based payments and Share Appreciation Rights**

(a) Employee Option Plan

The share based payment expense recognise during the half year is included within the 'employee benefits expense' category in the consolidated statement of profit or loss and other comprehensive income. No additional options were awarded or forfeited during the half year.

(b) Share appreciation rights

During the 2022 annual general meeting, shareholders approved the grant of 2,569,196 share appreciation rights to the managing director and non-executive directors under XPON's Omnibus Incentive Plan.

Share appreciation rights for Non-Executive Directors were foregone in FY23, therefore the accounting standards required the recognition of the remaining value of the rights in the FY23 financial statements. No additional share appreciation rights were awarded or forfeited during the half year.

**Note 14. Events after the reporting period**

On 26 February 2024, the Group announced it had secured commitments from professional and sophisticated investors to raise \$1.125 million via the issue of 45,000,000 secured convertible notes with attached Warrants. The funds raised from the issue of the convertible notes will strengthen the Group's balance sheet and support general working capital.

Aside from the item above, no 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.

**XPON Technologies Group Limited and Controlled Entities**  
**Notes to the consolidated financial statements**  
**31 December 2023**

**Note 15. Earnings per share**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	<u>(5,409,737)</u>	<u>(3,487,405)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>303,608,169</u>	<u>303,608,169</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>303,608,169</u>	<u>303,608,169</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(1.78)	(1.15)
Diluted earnings per share	(1.78)	(1.15)
Loss after income tax from continuing operations	<u>(2,465,818)</u>	<u>(3,746,743)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>303,608,169</u>	<u>303,608,169</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>303,608,169</u>	<u>303,608,169</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share from continuing operations	(0.81)	(1.23)
Diluted earnings per share from continuing operations	(0.81)	(1.23)

**XPON Technologies Group Limited and Controlled Entities**  
**Directors' declaration**  
**31 December 2023**

The directors of the Company declare that:

1. The interim financial statements and notes, as set out on pages 6 to 22 are in accordance with the *Corporations Act 2001*, including:

- (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
- (b) give a true and fair view of the consolidated group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



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Phil Aris



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Matt Forman

27 February 2024

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of XPON Technologies Group Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of XPON Technologies Group Limited (the Company) and its subsidiaries (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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Group does not comply with the *Corporations Act 2001* including:

- (i) 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 ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### 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 Company 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



### **Responsibility of the directors for the 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 is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility 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.

**BDO Audit Pty Ltd**

BDO

A handwritten signature in black ink, appearing to read 'R J Liddell'.

**R J Liddell**  
**Director**

Brisbane, 27 February 2024