

28 April 2022

Quarterly Activities Report

For the quarter ending 31 March 2022

ActivePort Group Ltd (“ActivePort” or “the Company”), (ASX:ATV) is pleased to report strong software revenue growth for the quarter, demonstrating the success of the Company’s strategy to deliver cash flow from high margin software sales.

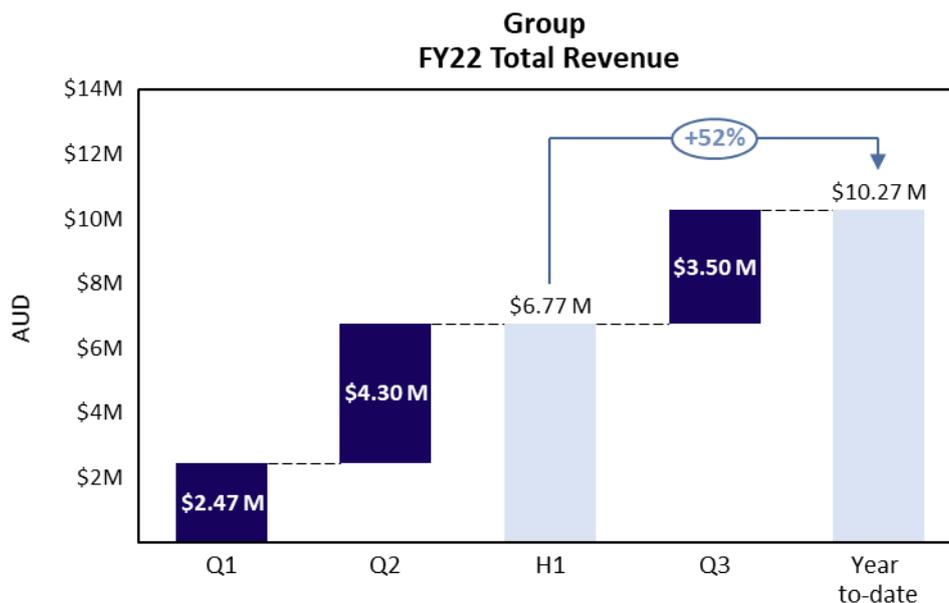
Highlights:

- Year-to-date revenue stands at \$10.27M, a 52% increase from H1 FY22 into Q3 FY22.
- Software revenue is now 29.7% of total revenue up from 7.9% in the previous quarter.
- Contracted software revenue will contribute significantly to quarterly cash inflows.
- Gross profit has risen from 32% in Q2 to 62% in Q3, demonstrating the positive impact software sales have on the profitability of the business.

Overall, the business is executing on its strategy and seeing strong take-up of the core software products. Software revenue is highly profitable and will make a significant cash contribution to the Company’s bottom line in coming quarters.

Group Revenue

Total group revenue is showing strong growth and steadily increasing quarter-on-quarter. A large one-off hardware contract in December increased the Q2 revenue above the average but the increase from Q1 to Q3 shows the underlying average revenue growth is accelerating.

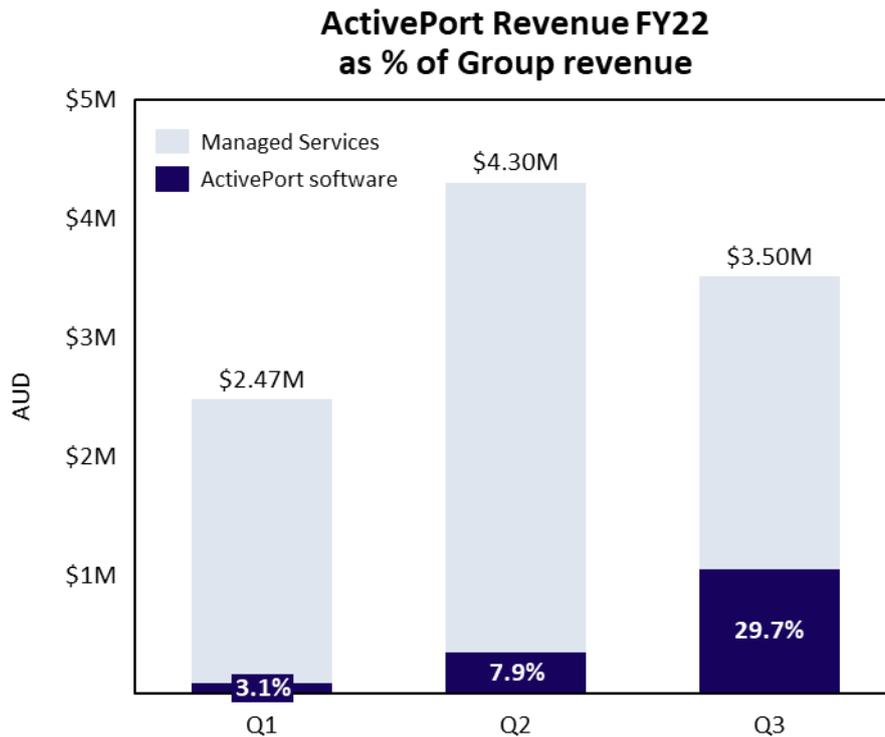


The revenues shown in the chart above are proforma and assume the consolidated group was in place during those periods. The effective date of consolidation was 27 September 2021.



Software Revenue

Software revenue as a percentage of total revenue is accelerating, reaching 29.7% of total sales for the quarter, up from 7.9% in the previous quarter. Software revenue has high gross profit and therefore the \$1.04M of software revenue in Q3 will make a significant contribution to the Company's cash reserves.

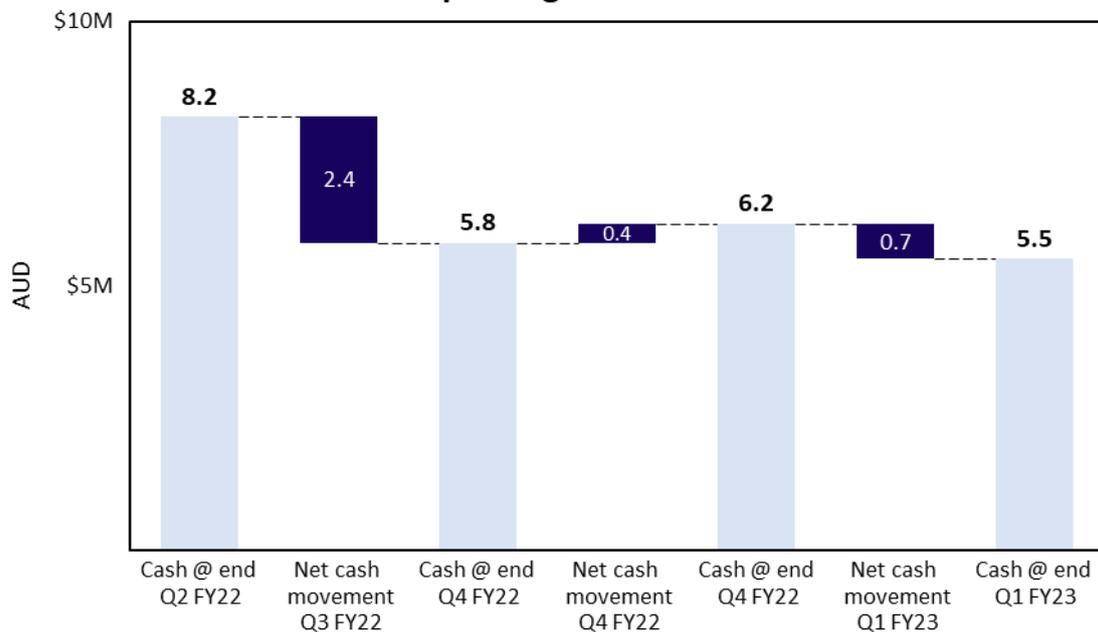


The revenues shown in the chart above are proforma and assume the consolidated group was in place during those periods. The effective date of consolidation was 27 September 2021.

Capital Consumption

ActivePort executive continues to focus on cost management to maintain a consistent operating cost base. This is complemented by a positive cash contribution from software sales that should see total cash burn reduce to circa \$0.7M by the end of Q4 and trend toward positive early in FY23.

Substantial contracted revenues underpinning near-term cashflows



Note: this table is provided for illustrative purposes and is based on the information available to the company at the time of release. It should not be used as a guarantee of future performance or forecast.

Q4 Objectives

Q4 will see the company launch the Global Edge platform and deliver a self-service, edge-to-cloud, SD-WAN orchestration portal. This will add another channel to market for ActivePort’s software that has a shorter cycle from order to cash than the Company’s enterprise software sales.

The sales team will continue to drive enterprise software sales to the global telecommunications sector, building on the successes experienced in Q3 and continue to work with our MSP and ISP partners globally, to grow the SD-WAN licence revenue base with their customers.

CEO and MD Karim Nejaim said:

“Quarter 2 and Quarter 3 have been foundational for ActivePort, and we are very proud that the revenue from our software products is now being realised as planned. We have a strong pipeline of customers both local and international and an increasing number of strategic deals that will make a strong positive cash contribution to the Company heading into FY23.”

IPO Use of funds reconciliation

Pursuant to Listing Rule 4.7C2, the Company confirms that during the period since listing on the ASX on 18 October 2021, its expenditure incurred is in line with the Use of Funds as set out in its Prospectus, with a summary as shown in the table below:



Use of Funds under Prospectus ¹	Funds allocated under the Prospectus	Funds expended to 31 March 2022
Business growth and acquisitions	1,700,000	1,067,000
Global sales development	4,200,000	2,298,000
Product engineering and tech support	2,400,000	1,936,000
Capital raising and listing costs	870,000	837,000
Administration and other corporate costs	375,000	329,000
Working capital	2,595,000	874,000
	12,140,000	7,341,000

Note 1 – refer to the ActivePort Prospectus dated 13 August 2021 for full details.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C include Director fees, salary and superannuation for the CEO, non-executive Chairman and non-executive Directors, consistent with disclosures in the Prospectus.

About ActivePort Group Ltd

ActivePort Group Ltd is an Australian software company that engineers, delivers and supports a network and cloud orchestration product. ActivePort software lets customers manage all their cloud hosting and networking technology end-to-end, from one single screen. Using ActivePort’s unique software, customers can create network connections, deliver cloud services, and manage their data at a local, national, or global scale. The result is simplicity, agility, speed, and lower costs. ActivePort also delivers information technology managed services to enterprise customers.

For more information, please visit www.activeport.com.au

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ActivePort Group Ltd

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This announcement has been authorised for release by the Board of ActivePort Group Ltd.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ACTIVEPORT GROUP LTD

ABN

24 636 569 634

Quarter ended ("current quarter")

31 MARCH 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,514	7,589
1.2 Payments for		
(a) research and development	(557)	(1,591)
(b) product manufacturing and operating costs	(3,268)	(5,771)
(c) advertising and marketing	(46)	(124)
(d) leased assets	-	(15)
(e) staff costs	(1,711)	(4,392)
(f) administration and corporate costs	(1,060)	(2,636)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,128)	(6,940)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	-	(4)
(j) investments	-	-
(k) intellectual property	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

	(l) other non-current assets	(27)	(31)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1)	221
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	10	19
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) ¹	-	759
2.6	Net cash from / (used in) investing activities	(18)	964

¹ – Cash acquired on acquisition of Vizstone Pty Ltd and Starboard Pty Ltd subsidiaries

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	12,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(798)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(256)	(406)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) ¹	-	-
3.10	Net cash from / (used in) financing activities	(256)	10,796

Quarterly cash flow report for entities subject to Listing Rule 4.7B

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,208	986
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,128)	(6,940)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18)	964
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(256)	10,796
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,806	5,806

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,806	8,208
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,806	8,208

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	238
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: The amount at 6.1 includes Director fees, salary and superannuation for the CEO, non-executive Chairman and non-executive Directors, consistent with disclosures in the Prospectus.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,128)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,806
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,806
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.7
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	

Quarterly cash flow report for entities subject to Listing Rule 4.7B

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

9. Additional Disclosure

Classes A to F Performance Rights

On 13 August 2021, ActivePort Group Ltd (“ATV” or “Company”) issued 7,118,220 Class A Performance Rights, 2,372,740 Class B Performance Rights, 2,372,740 Class C Performance Rights, 7,118,220 Class D Performance Rights, 2,372,740 Class E Performance Rights and 2,372,740 Class F Performance Rights (together “Performance Rights”). All Class A, B and C Performance Rights expire on 31 October 2022 and all Class D, E and F Performance Rights expire on 31 October 2023. On vesting, each Performance Right converts into one ordinary share in the Company.

The Performance Rights shall vest, subject to the Vesting Calculation, when the following vesting conditions have been achieved:

- **Class A Performance Rights:** the Company achieving a Total Pro-forma Revenue during the financial year ending on 30 June 2022 of at least 135% of the total ActivePort consolidated revenue for the previous financial year (**FY22 Deadline**);
- **Class B Performance Rights:** the vesting condition for some or all of the Class A Performance Rights is achieved and the value of the ActivePort contracted recurring consolidated revenue is at least 30% of the value of the Total Pro-forma Revenue counted towards the Class A Performance Rights Vesting Condition;
- **Class C Performance Rights:** the vesting condition for some or all of the Class A Performance Rights is achieved and at least 25% of the Class B contracted recurring revenue is derived directly from use of ActivePort software;
- **Class D Performance Rights:** the Company achieving a Total Pro-forma Revenue during the financial year ending on 30 June 2023 of at least 135% of the total ActivePort consolidated revenue for the financial year ending on 30 June 2022 (**FY23 Deadline**);
- **Class E Performance Rights:** the vesting condition for some or all of the Class D Performance Rights is achieved and the value of the ActivePort contracted recurring consolidated revenue is at least 50% of the value of the Total Pro-forma Revenue counted towards the Class D Performance Rights Vesting Condition; and
- **Class F Performance Rights:** the vesting condition for some or all of the Class D Performance Rights is achieved and at least 30% of the Class E contracted recurring revenue is derived directly from use of ActivePort software,

(each a **Vesting Condition**).

Where the Total Pro-forma Revenue achieved by the FY22 and FY23 Deadlines as a percentage of the respective comparison revenue target is:

- less than 135% of the previous financial year’s total reported revenue - no Performance Rights will vest; or
- 135% or more of the previous financial year’s total reported revenue, then such proportion (limited to a maximum of 100%) of the Class A and Class D Performance Rights will vest pro-rata to the amount by which the Total Pro-forma Revenue achieved exceeds 135% of the total ActivePort consolidated revenue for the previous financial year, as a percentage of 135% of the total ActivePort consolidated revenue for the previous financial year. For the purposes of the calculation pursuant to this paragraph; the Total Pro-forma Revenue applied to the Class A Performance Rights’ Vesting Condition and vesting conditions that are dependent of the Class A vesting condition, is limited to a maximum of \$30,000,000; the Total Pro-forma Revenue applied to the Class D Performance Rights Vesting Condition and vesting conditions that are dependent of the Class D vesting condition, is limited to a maximum of \$75,000,000 (**Vesting Calculation**).

No Performance Rights have been converted or cancelled during the period of this report. No milestones pertaining to the Performance Rights were met during the period of this report.

9. Additional Disclosure (continued)

Deferred Consideration Shares

The consideration for the acquisitions of Starboard IT Pty Ltd ("**Starboard**") and Vizstone Pty Ltd ("**Vizstone**") included various tranches of ordinary shares in ActivePort Group Ltd to be issued based on the financial performance in financial years ended 30 June 2021, 2022 and 2023 ("FY21, FY22 and FY23") of each company ("**Deferred Consideration Shares**"). No Deferred Consideration Shares were issued based on the financial performance of the Acquisitions for FY21.

Deferred Consideration Shares for the Starboard acquisition

The consideration payable by the Company for the Starboard Acquisition includes the following Deferred Consideration Shares comprising fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

- The number of ActivePort shares, with a deemed issue price of \$0.20, equivalent to 1x revenue valuation for any revenue invoiced in FY21 by Starboard which exceeds \$3,500,000 – **Starboard Tranche 1 Consideration**
- The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000 – **Starboard Tranche 2 Consideration**

$$\frac{(\text{Starboard's FY22 revenue} - (\text{Starboard's FY21 revenue} \times 1.1)) \times 1}{\text{The higher of 80\% of ActivePort's 3 month VWAP (April to June 2022) and } \$0.08}$$

- On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:
 - 80% of the Company's 3-month VWAP (April to June 2023); and
 - \$0.08 – **Starboard Tranche 3 Consideration**, (together "**the Starboard Consideration**")

The Company may, in its sole discretion, opt to satisfy a percentage, up to 100%, of the Tranche 1, 2, and/or 3 Consideration in cash.

No Deferred Consideration Shares for the Starboard acquisition have been issued, converted or cancelled during the period of this report. No milestones pertaining to Deferred Consideration Shares were met during the period of this report.

9. Additional Disclosure (continued)**Deferred Consideration Shares (continued)****Deferred Consideration Shares for the Vizstone acquisition**

The consideration payable by the Company for the Vizstone Acquisition includes the following Deferred Consideration Shares comprising fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

- The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000 – **Vizstone Tranche 1 Consideration**:

$$\frac{(\text{Vizstone's FY22 revenue} - (\text{Vizstone's FY21 revenue} \times 1.1)) \times 1}{\text{The higher of 80\% of ActivePort's 3 month VWAP (April to June 2022) and \$0.08}}$$

- On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:
 - 80% of the Company's 3-month VWAP (April to June 2023); and
 - \$0.08 – **Vizstone's Tranche 2 Consideration**, (together "the **Vizstone Consideration**")

The Company may, in its sole discretion, opt to satisfy a percentage, up to 100%, of the Tranche 1 and/or 2, Vizstone Consideration in cash.

No Deferred Consideration Shares for the Vizstone acquisition have been issued, converted or cancelled during the period of this report. No milestones pertaining to Deferred Consideration Shares were met during the period of this report.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 April 2022

Authorised by: The Board.....

(Name of body or officer authorising release – see note 4)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.