

28 October 2022

Quarterly Activities Report

For the quarter ending 30 September 2022

ActivePort Group Ltd (“**ActivePort**” or “**the Company**” or “**Group**”), (**ASX:ATV**) is pleased to report a strong start to FY23 with software revenue exceeding expectations for the quarter and strong group revenue growth.

Highlights:

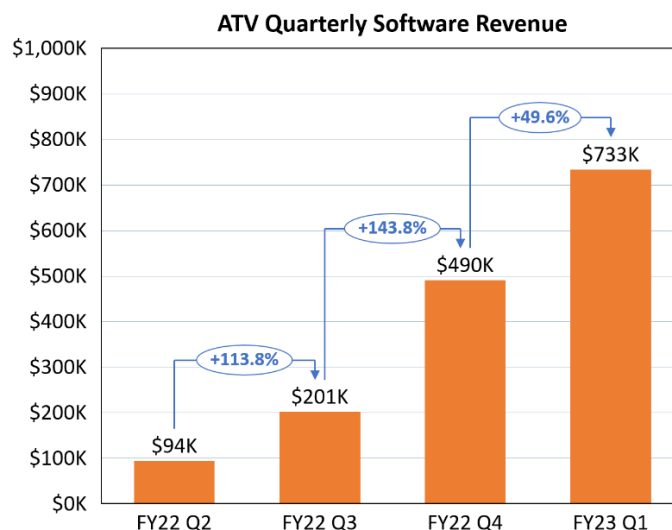
- **Software revenue grew 49.6% from \$490k in Q4FY22 to \$733K in Q1FY23.**
- **The percentage of Group revenue comprised of software revenue grew from 14.2% in Q4FY22 to 18.7% in Q1FY23.**
- **Latest release of ActivePort’s software brought to market.**
- **Group revenue grew 13.9% from \$3.441M in Q4FY22 to \$3.920M.**
- **ActivePort continued to develop its telecommunications customer business foundation with 6 new international telco deployments in Q1FY23.**

The Company is delivering on its strategy to increase high margin software revenue; increase the percentage of Group revenue comprising software revenue; and grow globally. The success of this strategy is demonstrated with a 49.6% quarter on quarter software revenue growth and 18.7% increase in software revenue as a percentage of Group revenue.

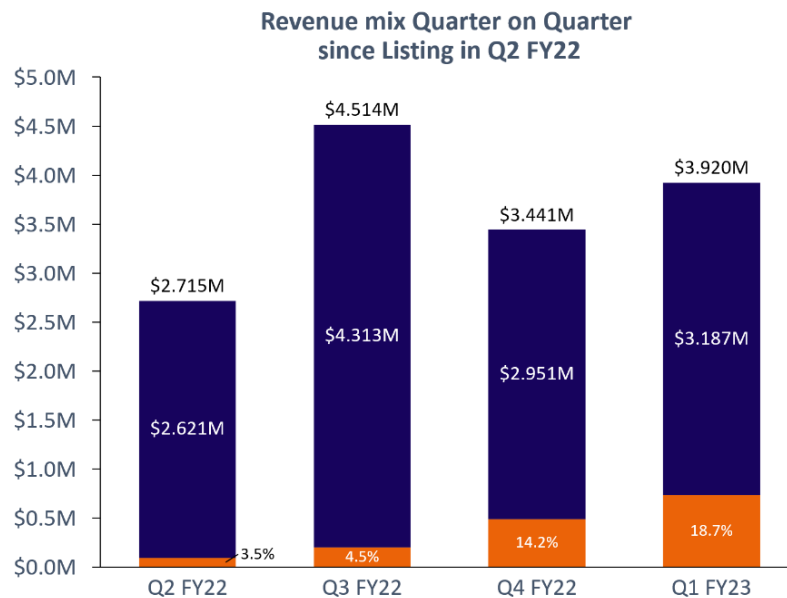
At this stage of the Company’s lifecycle, a key pillar in successfully delivering the Company’s strategy is to continue investing in research and development, as we expand our customer base into more than 20 countries across Asia, Americas, Africa the Middle East & India.

Software Revenue

Pleasingly, software revenue is up 49.6% on the previous quarter. There has been a clear growth trajectory over the last 12 months as the Company continues to deliver to its growing customer base.



Additionally, the percentage of Group revenue that is made up of software revenue continued to grow at a significant rate increasing from 14.2% in Q4 FY22 to 18.7% this quarter.



This chart sets out the quarterly revenue for the Group with the increasing contribution of ActivePort software in orange and other revenue in blue.

Our software offering continues to be validated by the market with new orders from the cloud gaming, utility, and retail sectors, proving the value and appeal of ActivePort's innovative multi-vendor Orchestration platform.

After significant work by the development and engineering teams, the Company brought its latest release of ActivePort's software to market. This development continues to place ActivePort ahead of our competition and includes a set of features requested by our biggest customers increasing our capabilities around Cloud Orchestration, support of new hardware platforms, security and application orchestration and the release of the Global Edge product to the market.

Group Revenue

Group revenue grew from \$3.441M in Q4FY22 to \$3.920M representing a 13.9% increase. Since listing, in Q2 FY22, the Company has grown Group revenue by, on average, 11.1% per quarter. The Q3 FY22 revenue figure was higher due to a one-off hardware sale for approximately \$1.5M.

While software revenue growth remains strong, Group revenue remains underpinned by the managed services business. Pleasingly, the managed services side of the business has also continued to grow with an 8% increase on to the previous quarter, exceeding management's expectations.

Global Growth

ActivePort experienced its highest global growth this quarter with new system deployments into 6 countries and support for our international customers in a further 16 countries.

For Radian Arc Limited, 6 telcos were implemented including Brazil, Singapore, Indonesia, Cambodia, Bahrain, and Thailand. With the Netherlands, Macau, Malaysia, and Vietnam scheduled for implementation before the end of 2022.

To support new ActivePort customers and in concert with existing partners and customers, we have expanded our reach into Africa, UAE, KSA, Bahrain, Qatar, Oman, Kuwait, Indonesia, Malaysia, Thailand, Japan, Bangladesh, Vietnam, Nepal, Laos, and Cambodia.

Research & Development Funding

As disclosed in the Company's FY22 Annual Report, the Company signed a funding arrangement with third-party global growth funding specialist FundSquire Pty Ltd. This allows the Company to access funds in advance relating to the research & development tax incentive claims that the Company is entitled to, but are yet to be submitted, for the years ending 30 June 2021 and 2022. During Q1FY23, the Company received \$1.691M from FundSquire against a total R&D submission of \$2.4M due in Q2.

Cash and Financials

Cash at bank at the end of Q1 FY23 was \$2.78M down by \$0.88M from the end of Q4FY2022.

The rapid global take-up of our software is set to deliver progressively larger quarterly cash receipts from customers at high gross margins. The Company's revenues, cash receipts and purchase orders from new and existing customer continue to increase, which when combined with the net additional R&D return and some larger cash receipts in Q2FY23, should deliver a strong cash position at the end of the next quarter.

The Company remains focussed on continuing to diligently manage its working capital and expects to maintain a positive cash position for the remainder of 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 20th 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	Funds allocated under the Prospectus	Funds expended to 30 September 2022
Business growth and acquisitions	1,700,000	1,513,000
Global sales development	4,200,000	2,463,000
Product engineering and tech support	2,400,000	4,391,000
Capital raising and listing costs	870,000	899,000
Administration and other corporate costs	375,000	524,000
Working capital	2,595,000	1,990,000
Add: Receipts from Customers		1,661,000
Less: Other costs between admission and 30 June 2022		1,638,000
Add: Receipts from borrowings		1,647,000
Net funds expended between admission and 30 September 2022		10,110,000

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")

30 SEPTEMBER 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,920	3,920
1.2 Payments for		
(a) research and development	(447)	(447)
(b) product manufacturing and operating costs	(2,988)	(2,988)
(c) advertising and marketing	(15)	(15)
(d) leased assets	(4)	(4)
(e) staff costs	(2,108)	(2,108)
(f) administration and corporate costs	(695)	(695)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	(71)	(71)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,411)	(2,411)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(14)	(14)
(d) investments	-	-
(e) intellectual property	-	-

	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	31	31
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) ¹	-	-
2.6	Net cash from / (used in) investing activities	17	17

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)	-	-
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	-	-
3.5	Proceeds from borrowings	1,691	1,691
3.6	Repayment of borrowings	(179)	(179)
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	1,512	1,512

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,662	3,662
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,411)	(2,411)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	17	17
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,512	1,512
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,780	2,780

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	2,780	2,780
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)	2,780	3,662

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	332
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	1,932	1,932
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	100	98
7.4	Total financing facilities	2,032	2,030
7.5	Unused financing facilities available at quarter end		2
7.6	<p>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.</p> <ol style="list-style-type: none"> 1. A \$100,000 unsecured principal and interest line of credit facility with Prosopa Advance Pty Ltd. The interest rate is 0.077% daily rate at the Disclosure Date. 2. Total short-term R&D tax credit loan facility of \$1.932M provided by Fundsquire Pty Ltd based on 80% of expected FY2021 and FY2022 R&D tax refund with interest rate at 1.25% per month. 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,411)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,780
8.3	Unused finance facilities available at quarter end (item 7.5)	2
8.4	Total available funding (item 8.2 + item 8.3)	2,782
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.2
	<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?	
	<p>Answer:</p> <p>No. The Company expects continued growth in revenue in subsequent quarters, additional funds received pursuant to its R&D Rebate claim and a reduction in cash used in operating activities.</p>	
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?	
	<p>Answer:</p> <p>No. The Company continues to monitor its cash in bank, which was \$2.78M at the end of Q1FY23, which the Company believes will be sufficient for its future cash requirements.</p>	

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:

Yes.

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**).

On 24 June 2022, 459,240 Class A Performance Rights, 153,080 Class B Performance Rights, 153,080 Class C Performance Rights, 459,240 Class D Performance Rights, 153,080 Class E Performance Rights and 153,080 Class F Performance Rights, lapsed in accordance with their terms and conditions due to the holder ceasing to be an officer (and employee, if applicable) of the Company.

On 28 October 2022, 6,658,980 Class A Performance Rights and 2,219,660 Class B Performance Rights vested as they had met their vesting conditions and consequently 8,878,640 ordinary shares were issued on 28 October 2022, pursuant to the vesting of those Performance Rights. Also on 28

October 2022, 2,219,660 Class C Performance Rights lapsed as they were no longer capable of meeting their vesting conditions.

No other Performance Rights have been cancelled since their date of issue.

The remaining 6,658,980 Class D Performance Rights, 2,219,660 Class E Performance Rights and 2,219,660 Class F Performance Rights, remain on issue. No Class D, E or F Performance Rights have been converted or cancelled 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**:

$$\frac{(\text{Vizstone's FY22 revenue} - (\text{Vizstone's FY21 revenue} \times 1.1)) \times 1}{\$5,000,000}$$

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 October 2022.....

Authorised by: The Board.....

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

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.