

31 January 2023

Quarterly Activities Report

For the quarter ending 31 December 2022

ActivePort Group Ltd (“**ActivePort**” or “**the Company**” or “**Group**”), (ASX:ATV) is pleased to announce 160% growth in software revenue on the previous quarter as momentum continues to build behind our unique cloud and network orchestration product.

Highlights:

- **Q2FY23 Software revenue was \$1.89M, an increase of 160% on Q1FY23;**
- **Q2FY23 Group revenue grew from \$3.71M in Q1FY23 to \$5.62M in Q2FY23, an increase of 51.4%;**
- **Software revenue as a percentage of Group revenue increased from 20% of total Group revenue in Q1FY23 to 34% of total Group revenue in Q2FY23;**
- **ActivePort continued to develop its telecommunications customer business foundation with 6 new international telco deployments in Q2FY23.**

The Company is executing on its strategy to increase software revenue, delivering an outstanding 160% quarter-on-quarter growth rate. The company continues to focus on driving high margin software revenue as a percentage of Group revenue and has seen the quarterly software contribution grow from 7% to 34% over twelve months.

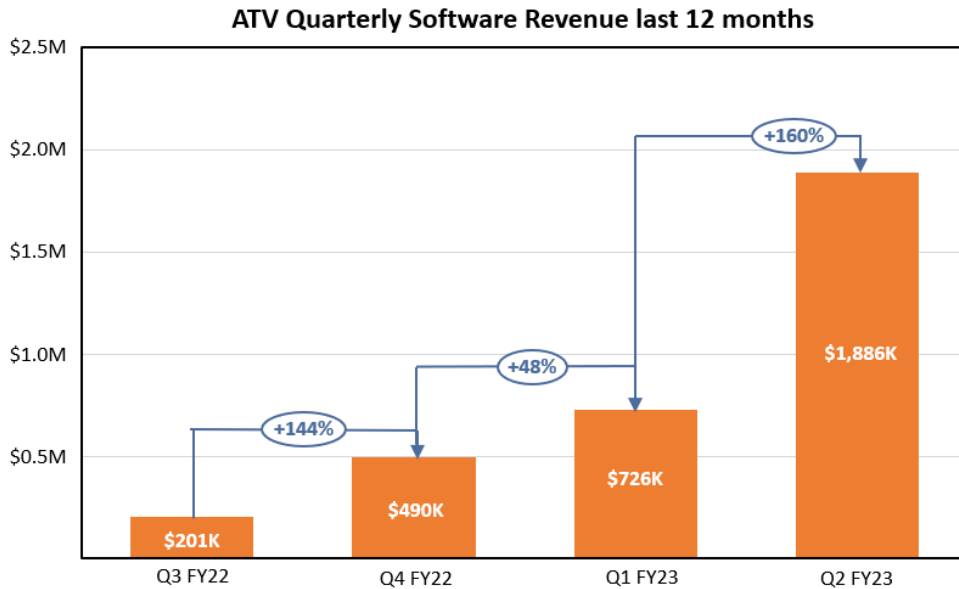
Having experienced un-precedented global demand for its software, ActivePort is rapidly transforming from start-up to scale-up. This includes adding more development resources, delivery capability and support capacity to keep up with customer demand and cement our place in the market as a leader in Cloud orchestration.

ActivePort CEO and MD, Karim Nejaim said:

“The second quarter results exceeded expectations and it is an understatement to say that the ActivePort team is excited with the latest contracts signed. We are out of our “start-up” phase and well-and-truly into a “scale-up” phase as we continue to work with some of the largest carriers and telecoms players in the world. We are seeing an increasing number of customers wishing to engage us in their business transformation plans and we are securing multi-year contracts as a result. We look forward to a significant number of long-term, mutually fruitful relationships with some large partners.”

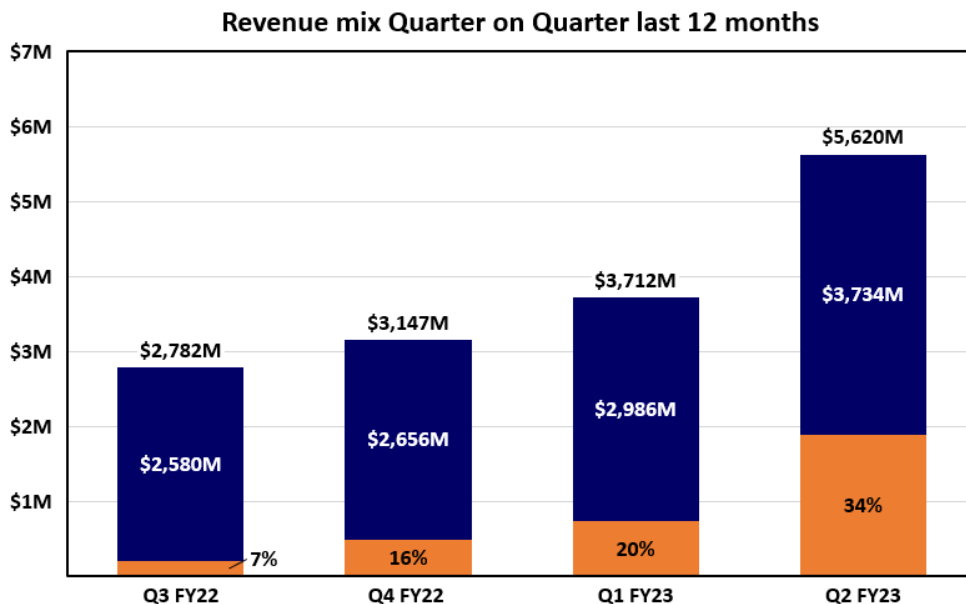
Software Revenue

Software revenue is up by 160% in comparison with the preceding quarter. This positive upward trajectory has been sustained throughout the course of this financial year, indicating increasing demand from our growing global customer base.



One of the primary goals for the company is growing revenue in Software and ensuring that software as a percentage of total revenue continues to grow rapidly.

Group revenue derived from software sales saw a marked increase this quarter, increasing to 34% of total revenue at the end of Q2FY23.



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

The success of ActivePort's innovative multi-vendor Orchestration platform has been demonstrated by a surge in orders from a variety of industries including telco, cloud gaming, banking, utility, and retail sectors. The results this quarter continue to validate our software offering, boosting confidence in our innovative technology.

Group Revenue

Group revenue saw impressive gains this quarter, increasing by 51.4%, from \$3.712M in Q1FY23 to \$5.620M. Software revenue has been an important factor in driving these results whilst our Managed Service businesses continue to provide steady quarterly revenue growth.

The Services business in ActivePort continues to deliver a solid revenue foundation for the company and surpassed expectations growing 25% from \$2.986M in Q1FY23, to \$3.734M in Q2FY23.

Global Development

For Radian Arc Limited, 6 telcos were implemented in countries including Iraq, Macau, Malaysia, Vietnam and 2 into India. At the end of Q2FY23, there is an active implementation in Spain and at least 4 additional deployments planned for Q3FY23.

To support global growth, ActivePort expanded the Operations team who worked throughout the Christmas period to complete deployments for telco customers in India and the Middle East..

Research & Development Funding

During Q2FY22, the Company submitted its research & development tax incentive claims for the years ending 30 June 2021 and 2022. The Company anticipates receiving the funds from its research & development tax incentive claims for FY21 and FY22 from the Australian Taxation Office in Q3FY23. The Company also expects to fund its FY23 research & development claims early via a specialised lender as it did for the FY21 and FY22 claim.

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	1,591,000
Global sales development	4,200,000	2,544,000
Product engineering and tech support	2,400,000	6,047,000
Capital raising and listing costs	870,000	899,000
Administration and other corporate costs	375,000	524,000
Working capital	2,595,000	1,950,000

Add: Receipts from Customers	1,661,000
Less: Other costs between admission and 30 June 2022	3,523,000
Add: Receipts from borrowings	1,647,000
Net funds expended between admission and 31December_2022	10,976,000

Since listing the Company has invested more heavily in product and feature development to enhance its service offering to customers. As shown in the above table, the additional investment in product and feature development has mainly been funded by using funds previously allocated to global sales development, as well as with cash receipts from customers.

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 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,951	9,871
1.2 Payments for		
(a) research and development	(434)	(882)
(b) product manufacturing and operating costs	(2,819)	(5,807)
(c) advertising and marketing	(32)	(47)
(d) leased assets	(6)	(10)
(e) staff costs	(2,531)	(4,638)
(f) administration and corporate costs	(975)	(1,670)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(3)	(5)
1.6 Income taxes paid	-	(71)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(846)	(3,258)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(23)	(23)
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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	9	40
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) ¹	-	-
2.6	Net cash from / (used in) investing activities	(15)	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
3.6	Repayment of borrowings	(81)	(260)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) ¹	(0)	(0)
3.10	Net cash from / (used in) financing activities	(81)	1,430

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,780	3,648
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(845)	(3,258)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15)	17
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(81)	1,430
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,838	1,838

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	1,838	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)	1,838	2,780

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	(244)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>The amount at 6.1 relates to fees (including superannuation, where applicable) paid to the Directors (including for their executive roles, where applicable).</p>		

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.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	1,932	1,932
7.2	-	-
7.3	100	86
7.4	Total financing facilities	2,018
7.5	Unused financing facilities available at quarter end	
		14
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.	
	<ol style="list-style-type: none"> 1. A \$100,000 unsecured principal and interest line of credit facility with Prospa 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 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	(846)
8.2	1,838
8.3	14
8.4	1,852
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)
	2.2
<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?
	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:

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

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**).

Total Pro-forma Revenue for a financial year for Class A to F Performance Rights means the total consolidated revenue for that financial year of ActivePort Group Ltd plus the pre-acquisition revenue for that financial year of any subsidiaries acquired during that financial year.

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.

On 20 May 2022, ATV issued 2,000,000 Class G Performance Rights. All Class G Performance Rights expire on 31 May 2024. On vesting, each Performance Right converts into one ordinary share in the Company.

For Class G Performance Rights, **Adjusted Revenue** means total consolidated revenue excluding one-off or extraordinary revenue items; revenue received in the form of government grants, allowances, rebates or other hand-outs and revenue that has been “manufactured” to achieve the Vesting Condition. **Total Revenue** for a financial year means the Adjusted Revenue for that financial year of Digital Immortality Pty Ltd (ACN 615 117 998) (Digital Immortality) for that financial year, excluding subsidiaries of Digital Immortality that were acquired for consideration provided by ActivePort Group Ltd (ACN 636 569 634) (ActivePort) or subsidiaries of ActivePort other than Digital Immortality.

The Class G Performance Rights shall vest, subject to the Class G Vesting Calculation, where Total Revenue during the financial year ending 30 June 2023 (**FY23 Revenue**) is at least AUD\$3.2 million.

Where Future Broadband’s FY23 Revenue is:

- Less than AUS \$1 million, no Class G Performance Rights will vest; or
- AUD\$1 million or greater, then such proportion (limited to a maximum of 100%) of the Class G Performance Rights will vest as calculated by the amount that the FY23 Revenue exceeds the total revenue during the financial year ending 30 June 2022 (**FY22 Revenue**) divided by the amount that FY23 Revenue exceeds FY22 Revenue to a maximum of 100%. (**Vesting Calculation**)

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.

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.

During Q2FY23, the following Deferred Consideration Shares have been issued.

Entity	Tranche of Deferred Consideration Shares	Issued
Starboard	Tranche 2	8,996,327
Vizstone	Tranche 1	22,591,784

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: 31 January 2023.....

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.