

31 October 2023

# Quarterly Activities Report

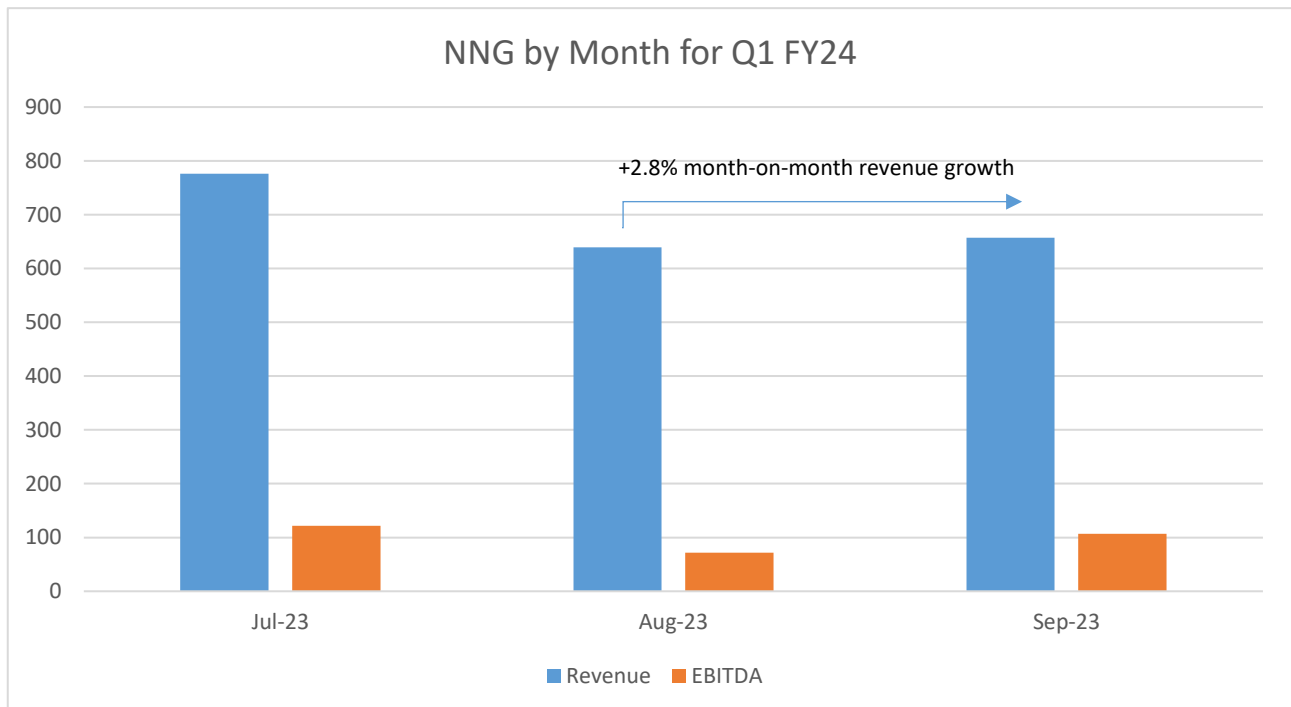
For the quarter ending 30 September 2023

NEXION Group Ltd (**NEXION** or **Company**) (ASX: NNG) have continued their positive trajectory by delivering an (unaudited) EBITDA of \$301k for the September 2023 quarter. In January, NEXION set-about restructuring the business to focus on achieving near term profitability. The achievement of a \$301k EBITDA this quarter is the result of the hard work of the entire team. Revenue has stabilised at an indicative annualised rate in excess of \$8M and the company is now trading profitably (unaudited).

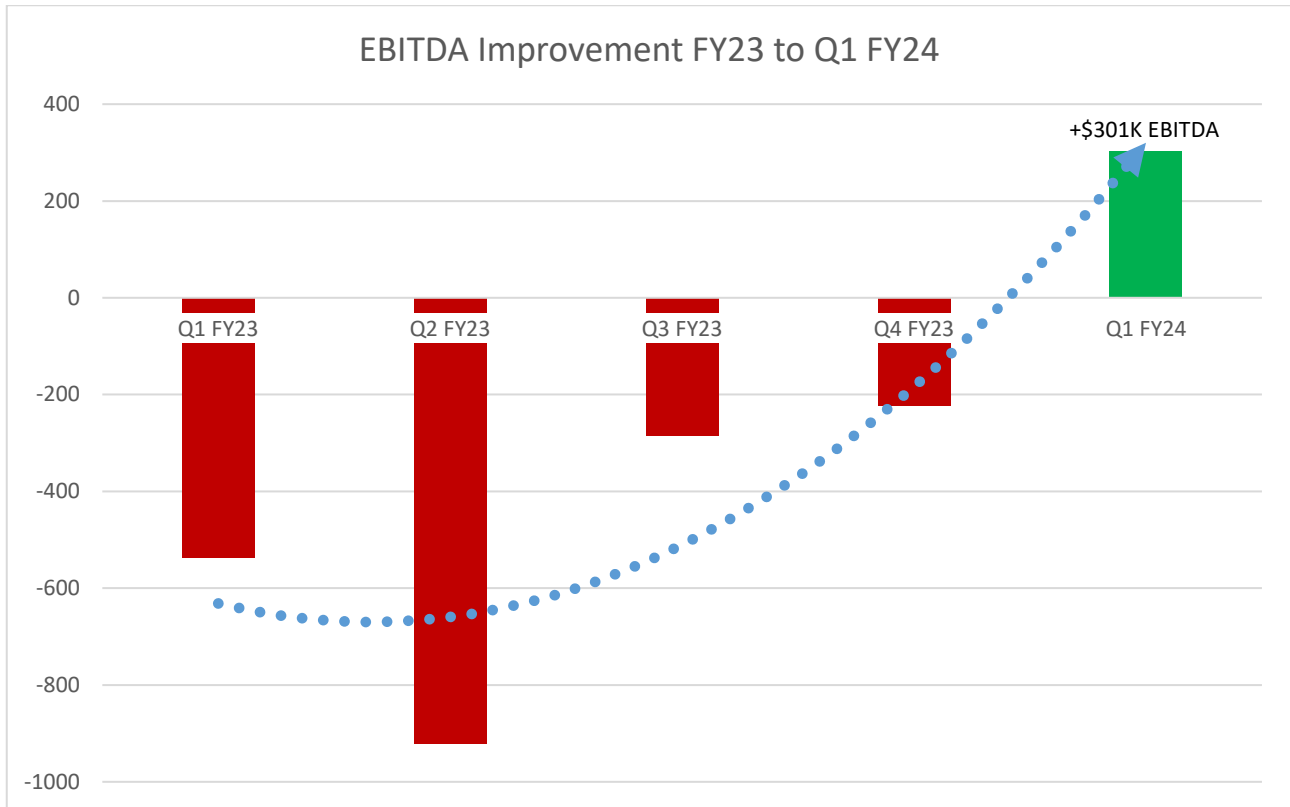
## Highlights

- **NEXION delivered positive EBITDA in each month of the quarter for a total of \$301K.**
- **Revenue has stabilised at \$2.1M for the quarter, an annualised revenue in excess of \$8M.**
- **The improved trading performance has allowed the Company to invest in new sales initiatives and traditional run-rate business to accelerate revenue growth.**
- **Initiatives and funding options remain in place to grow organically and via strategic acquisitions.**

The team at NEXION delivered \$2.1M revenue and 15% EBITDA of \$301K for the quarter. Most telling is that the business delivered unaudited positive EBITDA in every month of the first quarter of FY2024.



The restructuring effort that began in January has produced the desired result with the first quarter of positive EBITDA for the business. The business has transformed from consuming almost \$1M per quarter in Q2 of FY23 to delivering \$301K in positive earnings in Q1 of FY24.



### Accelerated Growth

Improved operating performance has enabled NEXION to continue its investment in accelerated growth in the enterprise software market. Organic growth in NEXION's traditional network services market continues with new additions to the sales team to accelerate revenue growth.

### Mergers and Acquisitions

NEXION continues to investigate and has made significant progress on several M&A initiatives but has yet to conclude any material transactions.

### Payments to Related Parties in Appendix 4C

The ASX Appendix 4C for the quarter ended 30 September 2023 includes payments to related parties in item 6.1. These payments relate to directors remuneration and accounting services paid during the quarter.

### About NEXION Group Ltd

NEXION provides a vertically integrated capability to design, build and operate Enterprise Asset Management solutions using the latest Artificial Intelligence, Machine Learning and Digital Twin technologies. NEXION integrates software, compute, storage, network and cyber security to deliver reliable and robust hybrid-cloud systems.

[www.nexiongroup.io](http://www.nexiongroup.io)

This announcement has been authorized by the Board of NEXION Group Ltd.

NEXION Group Ltd  
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[investor.relations@nexiongroup.io](mailto:investor.relations@nexiongroup.io)

## Appendix 4C

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

**Name of entity**

Nexion Group Ltd

**ABN**

48 628 415 887

**Quarter ended ("current quarter")**

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,669	1,669
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(705)	(705)
(c) advertising and marketing	(32)	(32)
(d) leased assets	-	-
(e) staff costs	(341)	(341)
(f) administration and corporate costs	(587)	(587)
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	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>4</b>	<b>4</b>

**Note:** After the end of the quarter, on 26 October 2023, the Company has received an R&D rebate in cash of \$515,642.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(29)	(29)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(29)</b>	<b>(29)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(7)	(7)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(51)	(51)
3.7	Transaction costs related to loans and borrowings	(99)	(99)
3.8	Dividends paid	-	-
3.9	Other (cash balance of acquired entity at date of acquisition)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(157)</b>	<b>(157)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	321	321
4.2	Net cash from / (used in) operating activities (item 1.9 above)	4	4

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29)	(29)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(157)	(157)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>139</b>	<b>139</b>

**Note:** *After the end of the quarter, on 26 October 2023, the Company has received an R&D rebate in cash of \$515,642*

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000  30 September 2023</b>	<b>Previous quarter \$A'000  30 June 2023</b>
5.1 Bank balances	139	321
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>139</b>	<b>321</b>

<b>6. Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to related parties and their associates included in item 1	(30)
6.2 Aggregate amount of payments to related parties and their associates included in item 2	
<p>The amount in item 6.1 relates to directors' fees and other plant and equipment costs paid for the quarter.</p> <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>	

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	4,000	-
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		
7.5	<b>Unused financing facilities available at quarter end</b>		4,000
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> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p>The loan facility referred to at items 7.1 and 7.5 is a term loan agreement with PARC Capital Fund Services Pty Ltd (<b>PARC</b>) referred to in our announcement dated 10 May 2023. The purpose of the facilities is for the acquisition of complimentary technology service companies. The PARC agreement consists of a total facility of \$21M across two facilities. Facility A of \$4M is for a term of 36 months, with drawdown conditional upon an equity raise of at least \$3M. Then NEXION may seek a further commitment of up to \$17M from PARC. PARC has agreed to pause fees at NEXION's request while NEXION achieves the conditions precedent in the Facility Agreement. Should NEXION choose to resume the facility, any debt funding by Parc will be on a best-efforts basis.</p> </div>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	4
8.2	Cash and cash equivalents at quarter end (item 4.6)	139
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	139
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<p><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></p>		
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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> <div style="border: 1px solid black; padding: 2px; margin-top: 2px;"> <p>Answer: N/A</p> </div> <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> <div style="border: 1px solid black; padding: 2px; margin-top: 2px;"> <p>Answer: N/A</p> </div> <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?</p> <div style="border: 1px solid black; padding: 2px; margin-top: 2px;"> <p>Answer: N/A</p> </div> <p>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.</p>	

**9. Additional Disclosure**

**Classes A and B Performance Rights**

Nexion Group Ltd ("NNG" or "Company") had issued 4,383,664 Class A Performance Rights and 5,096,908 Class B Performance Rights (together "Performance Rights"). All Class A Performance Rights expire on 29 January 2025 and all Class B Performance Rights expire on 30 January 2025.

On vesting, each Performance Right converts into one ordinary share in the Company. Class A Performance Rights will vest on the Company achieving a Total Pro-forma Revenue of \$15,000,000 for a financial year ending on or before 30 June 2022 ("Class A Deadline"). Class B Performance Rights will vest on the Company achieving a Total Pro-forma Revenue of \$30,000,000 for a financial year ending on or before 30 June 2023 ("Class B Deadline").

Where the Total Pro-forma Revenue achieved by the Class A and B Deadlines as a percentage of the respective Total Pro-forma Revenue targets is less than 50% then no Performance Rights will vest; or 50% or more then the relevant Performance Rights will vest pro-rata equal to the percentage of Total Pro-forma Revenue achieved by the respective Class A and B Deadlines. Total Pro-forma Revenue for a financial year means the total consolidated revenue for that financial year of NNG plus the pre-acquisition revenue for that financial year of any subsidiaries acquired during that financial year.

Any Performance Rights not vested before their expiry date, will lapse. The Class A Performance Rights remained on issue from their date of issue until they vested on 6 December 2022.

On 6 December 2022, 4,383,664 Class A Performance Rights partially met their vesting conditions and 2,245,555 ordinary shares were issued on 6 December 2022 pursuant to the vesting of all 4,383,664 Class A Performance Rights.

On 19 February 2023, 3,567,836 Class B 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.

The remaining 1,529,072 Class B Performance Rights, lapsed on 5 September 2023 as they failed to achieve their vesting conditions. No Class B Performance Rights have been vested or converted since their date of issue.

None of the Class B Performance Rights vesting conditions have been met since their date of issue.

**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 October 2023

Authorised by: 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.