31 January 2024

Quarterly Activities Report

For the quarter ending 31 December 2023

ActivePort Group Ltd ("**ActivePort**" or "**the Company**" or "**Group**"), (**ASX:ATV**) continued to make outstanding progress on multiple fronts, winning new contracts, launching new product features and completing projects.

Revenue from operations was up 7% to $3.73M from Q1 and operating cash flow was positive $1.30M following receipt of our R&D refund for FY23, taking net cash and equivalents up in the quarter from $1.66M at the end of Q1 to $2.58M at the end of Q2.

Software sales for the quarter were exceptional with contracts totalling $6.8M[1] closed of which $4.5M is due for payment in calendar year 2024.

Business Highlights:

- Won new software contracts worth a total $6.79M in the quarter of which $4.53M is due for payment in calendar year 2024.
- Added scope to the Radian Arc Pty Ltd (**Radian Arc**) software license agreement for pending high volume, low-ARPU contracts and increased the minimum annual services payment to $1M.
- Successfully completed a Cloud Gaming trial in North America for a major Korean smart TV manufacturer as a precursor to a global roll-out.
- Completed managed services contracts with a number of enterprise customers in Western Australia, NSW and Victoria totalling more than $500K.
- Continued to progress a number of major software licensing deals in our extensive and growing sales pipeline.

Software

The software sales team exceeded all previous sales records in Q2, closing contracts worth a total of $6.79M in the quarter[2]. These included:

- A 3-year country license in the Middle East to a Dubai-based telco operator valued at $3.41M payable over 12 months.
- A contract for AUD $650K with a major Australian ISP for that company to offer self-service functionality for on-net and off-net fibre services.
- Our first contract with a sub-sea fibre owner valued at an initial $2.73M over 3 years for that company to offer self-service network management to their hyperscale customers (Facebook , Google, Cloudflare etc and others) delivering data from Singapore into Southeast Asia.

Our contract to provide orchestration software to underpin the Radian Arc cloud gaming platform continues to produce outstanding results, especially in high volume, low ARPU countries such as India. To cater for upcoming contracts in this and other similar regions, we adjusted the license agreement to align with the number of GPU servers deployed (rather than virtual GPU's consumed) and to scale effectively into deployments where server volume may exceed tens of thousands of units.

Radian Arc along with their content partner, Blacknut successfully completed a cloud gaming trial in North America for a major Korean smart TV manufacturer using ActivePort's GPU orchestration software. The solution is now planned for global roll-out. Based on the take-up experiences in North America, this project promises to substantially increase the servers deployed by Radian Arc which in-turn will drive additional license revenue for ActivePort.

Network as a Service

Our Global Edge product continues to evolve with the new Megaport Virtual Edge (**MVE**) integration ready for roll-out in Q3. The MVE integration is a first of its kind SD-WAN extension that enables our network-as-a-service customers to deploy and self-manage SD-WAN aggregation points anywhere in the world where Megaport offers its MVE solution. Our Global Edge customers can use this feature to connect remote offices

1. Contracts in USD are converted to AUD at an exchange rate of $1.00 AUD per $0.66 USD.
2. The contracts are collectively substantial but not considered individually material in the context of ActivePort's previous performance.

together using Megaport's network and our telco customers can extend and augment their networks to broaden their reach into new regions.

Managed Services

Our managed services teams in Sydney and Perth continued to sign new customers across a number of enterprise sectors including energy, finance and government, adding new business in excess of $500k in the quarter. Rationalisation has seen our managed services businesses improve their profitability and the teams are now fully focussed on growth in the second half.

Engineering

Our engineering group delivered a raft of new features in the quarter that create opportunities for new revenue streams. These features included:

- the preview release of the Configuration Builder that allows SD-LAN orchestration of virtually any LAN attached device. Along with a new installable Agent customers can now install a single Agent on their sites and be able to manage all the SD-LAN and SD-WAN devices;
- the preview release of AppFlow deep packet inspection tools for application traffic management and reporting in the core ActivePort orchestration product.
- the Cloud Router module that enables customers to utilise their network equipment from Nokia, Juniper, Huawei, Cisco and others to orchestrate a router in the cloud that can be used to interconnect cloud providers or be part of a larger network as a service (**NaaS**) implementation.

Cash Management

Receivables remain high but we had a number of successes in the Quarter that alleviated pressure in the short term, including collection of $303,000 from a major customer with the remaining $265,000 expected in Q3 and receipt of our R&D refund in November.

We anticipate receiving the balance owed by our debtors in Q3 and combined with payments for the raft of new business signed in Q2 plus anticipated contracts to be completed in Q3, will deliver adequate cash reserves heading into Q4.

Business Operations

We continue to refine and optimise our operations to maximise growth and enable us to monetise our extensive pipeline of sales opportunities, especially in the global telco sector. Restructuring in Q2 has improved our focus on sales and delivery while reducing costs in areas that don't contribute directly to revenue generation.

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 31 December 2023
Business growth and acquisitions		1,700,000	2,017,569
Global sales development		4,200,000	2,869,088
Product engineering and tech support		2,400,000	8,719,414
Capital raising and listing costs		870,000	951,000
Administration and other corporate costs		375,000	524,000
Working capital		2,595,000	2,361,000
Add: Receipts from Customers			8,931,221
Less: Other costs between admission and 30 September 2023			11,378,563
Add: Receipts from borrowings			1,736,000

Add: R&D Tax Incentive	2,348,000
Add: Capital raising net costs	2,325,205
Net funds expended between admission and 31 December 2023	**13,480,207**

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, cash receipts from customers, as well as a capital raising in Q1.

In accordance with Listing Rule 4.7C, payments made to related parties of $169,000 and their associates reflected in item 6.1 and $71,000 reflected in item 6.2 of the Appendix 4C for this quarter comprises fees, salary superannuation and loan repayments for Directors.

About ActivePort Group Ltd

ActivePort is an Australian company delivering network orchestration software solutions, tailored to the global telecommunications and information technology sectors. The company derives revenue from three business units; the ActivePort orchestration software, the Global Edge network-as-a-service portal www.globaledge.network and general IT managed services.

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

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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	**Quarter ended ("current quarter")**
24 636 569 634	31 December 2023

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	3,726	7,215
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(2,054)	(4,611)
	(c) advertising and marketing	(5)	(23)
	(d) leased assets	(45)	(52)
	(e) staff costs	(1,628)	(3,536)
	(f) administration and corporate costs	(978)	(1,503)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	8
1.5	Interest and other costs of finance paid	(59)	(72)
1.6	Income taxes paid	(18)	(24)
1.7	Government grants and tax incentives	2,348	2,348
1.8	Other	-	-
1.9	**Net cash from / (used in) operating activities**	**1,297**	**(250)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(13)	(13)
	(d) investments	-	-
	(e) intellectual property	(455)	(859)

	(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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(468)**	**(872)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	150	2,500
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	-	(175)
3.5	Proceeds from borrowings	-	5
3.6	Repayment of borrowings	(57)	(64)
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**	**93**	**2,266**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,659	1,473
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,297	(250)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(468)	(872)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	93	2,266
4.5	Effect of movement in exchange rates on cash held	(5)	(41)
4.6	**Cash and cash equivalents at end of period**	**2,576**	**2,576**

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	2,298	1,381
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Bank Guarantee)	278	278
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,576**	**1,659**

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	(169)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	(71)

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.

The amount at 6.1 relates to fees (including superannuation, where applicable) paid to the Directors (including for their executive roles, where applicable).

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	1,980	1,896
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	100	63
7.4	**Total financing facilities**	2,080	1,959

7.5	**Unused financing facilities available at quarter end**	122

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.

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 of $1.896M provided by Mitchell Asset Management based on 80% of expected FY2023 R&D tax refund with interest rate at 14% per annum.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	1,297
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,576
8.3	Unused finance facilities available at quarter end (item 7.5)	122
8.4	Total available funding (item 8.2 + item 8.3)	2,698
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

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.

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

ActivePort Group Ltd ("ATV" or "Company") had 6,658,980 Class D Performance Rights, 2,219,660 Class E Performance Rights and 2,219,660 Class F Performance Rights (together "Performance Rights") on issue which expired on 31 October 2023. On vesting, each Performance Right converted into one ordinary share in the Company.

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

- **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.

Class D, E and F Performance Rights converted or lapsed during the current quarter: 80,267 shares were issued on 13-Oct-23 pursuant to the partial vesting of the Class D performance rights and all remaining Class D, E and F performance rights lapsed on 13-Oct-23.

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 toa 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**)

During the current quarter, 624,800 shares were issued on 13-Oct-23 pursuant to the partial vesting of the Class G performance rights. All remaining Class G performance rights lapsed on 13 -Oct-23.

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**

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

- 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 during the current quarter. All entitlements to Deferred Consideration Shares for the Starboard acquisition have now lapsed.

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**:

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

- 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 Tranche1 and/or 2, Vizstone Consideration in cash.

No Deferred Consideration Shares for the Vizstone acquisition have been issued during the current quarter. All entitlements to Deferred Consideration Shares for the Vizstone acquisition have now lapsed.

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 2024

Authorised by: The Board.

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.