NEXION GROUP LTD

ACN 628 415 887

ASX APPENDIX 4D AND INTERIM FINANCIAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2023

Results for announcement to the market

Reporting Periods

▪ Current period:	Six-month period ended 31 December 2023
▪ Previous corresponding period:	Six-month period ended 31 December 2022

Revenue and net profit	Percentage Change		31 December 2023 $	31 December 2022 $
▪ Revenue from ordinary activities	11%	to	4,220,645	3,801,955
▪ Profit/(Loss) from ordinary activities	120%	to	365,826	(1,801,309)
▪ Profit/(Loss) after tax attributable to members	120%	to	365,163	(1,802,688)

Dividends
No dividends have been paid or declared since the start of the financial half-year by the Company. The directors do not propose to pay either a final or an interim dividend. The Company does not have a dividend reinvestment plan.

Net Tangible Assets (NTA) per Security Dividends	Percentage Change		31 December 2023 (cents)	31 December 2022 (cents)
NTA backing per ordinary share *	17%	to	(0.540)	(0.648)

* Right of use assets and lease liabilities are included in the calculation.

Operating results

Commentary of the half year financial results for the six months ended 31 December 2023 is contained on page 4 of the Interim Report included with this announcement. The half-year report should be read in conjunction with the most recent annual report.

Gain or Loss of Control over other Entities

The Company did not gain or lose control over any other entities during the half year ended 31 December 2023.

Details of associates

The Company did not have any associates or participate in any joint ventures during the half year ended 31 December 2023.

Compliance Statement

This report is based on the attached half-year financial report which has been reviewed by our auditors.

NEXION GROUP LTD

ACN 628 415 887

INTERIM CONSOLIDATED FINANCIAL REPORT

31 December 2023

Contents

Corporate Directory

Current Directors

Peter Christie	*Executive Chairman*
John Bell	*Executive Director*
Christopher Daly	*Non-executive Director*

Company Secretary

Jack Toby

Registered Office

Street:	Ground Floor
	12 Newcastle St
	Perth WA, 6000
Telephone:	+61 8 9441 4835
Website:	www.nexiongroup.io

Principal Place of Business

Street:	Ground Floor
	12 Newcastle St
	Perth WA, 6000

Share Registry

Computershare Investor Services Pty Limited

Street:	Level 17
	221 St Georges Terrace
	Perth WA, 6000

Securities Exchange

Australian Securities Exchange

Street:	20 Bridge St
	Sydney NSW 2000
NSX Code:	NNG

Auditor

Stantons

Street:	Level 2
	40 Kings Park Road
	Perth WA 6005
Telephone:	+61 (0)8 9481 3188

Directors' report

Your directors present their report on the Consolidated entity, consisting of Nexion Group Ltd (**Nexion** or **the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2023. The half-year report should be read in conjunction with the most recent annual report.

Nexion is listed on the Australian Securities Exchange (**ASX**).

1. Directors

The names of Directors in office at any time during or since the end of the period are:

Peter Christie	Executive Chairman
Chris Daly	Non-executive Director
John Bell	Executive Director

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

2. Company Secretary

The following person held the position of Company Secretary at the end of the financial period:

- Jack Toby

3. Dividends paid or recommended

There were no dividends paid or recommended during the period ended 31 December 2023 (31 December 2022: Nil).

4. Significant events and transactions during the year

A new subsidiary FuseForward Pty Ltd was incorporated on 13 July 2023 for the purpose of reselling the Fuse Forward (Canada) Cloud management and enterprise analytics products in Australasia.

On 20 November 2023, the Company issued to directors and senior executives, 4,500,000 Class C Zero Exercise Price Options, 4,500,000 Class D Zero Exercise Price Options, 2,250,000 Class E Zero Exercise Price Options, 1,500,000 Class F Zero Exercise Price Options and 2,250,000 Class G Zero Exercise Price Options (together "ZEPOs"). Each ZEPO entitles the holder to subscribe for one Share upon exercise of the ZEPO. No consideration is payable upon the exercise of each ZEPO. Each ZEPO will expire at 5:00 pm (WST) on the date that is five (5) years from the date of issue ("Expiry Date"). Any ZEPO not exercised on or before the Expiry Date will automatically lapse on the Expiry Date. Recipients of the ZEPO's must achieve goals aligned to shareholder value including revenue and earnings targets in order to receive any financial benefit from the ZEPO's.

5. Operating and financial review

5.1. Nature of Operations Principal Activities

Nexion operates in the multi-trillion-dollar global market of information technology services. The company delivers core technology and support to enterprise customers that rely on Nexion to keep their information systems operating, their networks working and their data available 24 hours a day, 7 days a week. Nexion owns a 2MW data centre in Belmont, Western Australia from where it provides compute, storage, network, and cyber-security services.

5.2. Operations Review

Nexion set about optimising its business for profit in the last half of FY23. The first half of FY24 demonstrates the results of that effort with the company now profitable and the balance sheet strengthening.

Nexion's aggregate reported revenue stated in H1FY24 is $4,220,645, up 11% on the previous corresponding period.

Net profit/(loss) after tax has improved by 120% on the previous corresponding period to a profit of $365,826 that is in stark contrast to the ($1,801,309) loss in previous corresponding period.

The combination of positive earnings for the first half of FY24 and the $515,642 R&D tax credit received in Q2 has delivered a significant improvement in the balance sheet with the net liabilities position improved by 25% from 30 June 2023. New opportunities in Satellite services, particularly Starlink and general telecommunications continue to grow recurring revenue and improve overall margins.

Revenue has stabilised at a conservative, but consistent growth rate and profitability is sustainable at this level. The company is still absorbing some costs of the restructuring effort but once the few remaining issues are resolved in H2, profit should improve even further.

Directors' report

The Directors remain optimistic that the company will be able to execute strategic acquisitions that are value accretive for shareholders. The Nexion team continues to assess new M&A opportunities and will be able to execute quickly when capital markets turn favourable toward micro-cap technology investments.

5.3. **Financial Review**

a. **Operating results**

	31 December 2023 $	31 December 2022 $
Profit/(loss) before income tax	365,826	(2,405,787)

b. **Financial position**

	31 December 2023 $	30 June 2023 $
Net liabilities	(1,091,890)	(1,462,959)

	31 December 2023 $	30 June 2023 $
Cash and cash equivalents	325,285	321,190

6. Events Subsequent to Reporting Date

A new wholly owned subsidiary Nexion Infrastructure Pty Ltd was incorporated on 16 January 2024 for the purpose of holding additional data centre property assets.

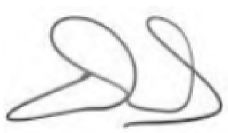
Except for the above, there are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements at Note 18 Events subsequent to reporting date.

7. Environmental Regulations

The consolidated entity's operations are not subject to significant environmental regulations in the jurisdictions it operates in, namely Australia.

8. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 (Cth) for the half-year ended 31 December 2023 has been received and can be found on page 5 of the interim financial report.



CHRIS DALY
Director
Dated this Thursday, 29 February 2024

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West Perth WA 6872
Australia

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West Perth WA 6005
Australia

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ABN: 84 144 581 519
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29 February 2024

Board of Directors
Nexion Group Limited
Ground Floor
12 Newcastle Street
Perth WA 6000

Dear Sirs

RE: NEXION GROUP LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Nexion Group Limited.

As Audit Director for the review of the financial statements of Nexion Group Limited for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Martin Michalik
Director

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Consolidated Statement of profit or loss and other comprehensive income

for the half year ended 31 December 2023

	Note	31 December 2023 $	31 December 2022 $
Revenue from contracts with customers	5	4,220,645	3,801,955
Cost of goods sold	6	(1,771,444)	(2,039,331)
Gross Profit		2,449,201	1,762,624
Other income	7	552,962	4,444
Expenses			
Consulting and accounting expenses		(526,274)	(1,005,170)
Employee benefits expenses		(859,625)	(2,009,825)
Occupancy expenses		(86,035)	(68,533)
Share based payments	9	(5,906)	99,132
Finance costs		(41,758)	(89,107)
Foreign currency (loss)/profit		-	(229)
Depreciation and amortisation		(190,445)	(517,994)
Other expenses		(274,725)	(581,129)
Expected credit loss	10i)	(651,569)	-
Profit/(Loss) before income tax		365,826	(2,405,787)
Income tax benefit		-	604,478
Net profit/(loss) after tax for the period		365,826	(1,801,309)
Other comprehensive income for the period, net of tax		-	-
Foreign exchange differences	*	(663)	(1,379)
Total comprehensive income/(loss) attributable to owners of Nexion Group Ltd		365,163	(1,802,688)
Earnings per share:			
Basic loss per share (cents)	8	0.002	(0.014)
Diluted loss per share (cents)	8	0.002	(0.014)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

* Refers to translation of Nexion Pacific whose functional currency is NZD.

Consolidated Statement of financial position
as at 31 December 2023

	Note	31 December 2023 $	30 June 2023 $
Current assets			
Cash and cash equivalents		325,285	321,190
Trade and other receivables	10	769,839	1,107,445
Prepayments		88,602	91,302
Inventories		8,889	8,156
Total current assets		1,192,615	1,528,093
Non-current assets			
Property Plant, Plant and equipment	11	578,294	643,903
ROU Assets	12	1,147,297	1,260,359
Other non-current assets		77,341	77,177
Total non-current assets		1,802,932	1,981,439
Total assets		2,995,547	3,509,532
Current liabilities			
Trade and other payables	13	2,141,144	2,839,811
Lease Liabilities	12	218,066	210,513
Provision for employee benefits		101,721	135,821
Loans Payable	14	281,668	219,527
Total current liabilities		2,742,599	3,405,672
Non-current liabilities			
Provision for make good		24,041	23,625
Lease liabilities	12	1,075,609	1,187,163
Loans payable	14	245,188	120,676
Other payables	13	-	235,355
Total non-current liabilities		1,344,838	1,566,819
Total liabilities		4,087,437	4,972,491
Net (liabilities)/assets		(1,091,890)	(1,462,959)
Equity			
Contributed equity	15	14,979,604	14,979,604
Share based payment reserve		951,285	945,379
Forex reserves		(4,896)	(4,233)
Accumulated losses	16	(17,017,883)	(17,383,709)
Total equity		(1,091,890)	(1,462,959)

The consolidated statement of financial position is to be read in conjunction with the accompanying notes

Consolidated Statement of changes in equity
for the half-year ended 31 December 2023

	Contributed Equity $	Share Based Payment Reserve $	Foreign Exchange Reserve	Accumulated Losses $	Total $
Balance at 1 July 2022	13,225,858	1,371,035	-	(13,901,067)	695,826
Loss after income tax expense / benefit	-	-	-	(1,801,309)	(1,801,309)
Other comprehensive income / (loss) net of tax	-	-	(1,379)	-	(1,379)
Total comprehensive loss for the half-year attributable to the owners of the parent	-	-	(1,379)	(1,801,309)	(1,802,688)
Share based payment	-	(99,132)	-	-	(99,132)
Issue of shares (net of costs)	1,049,230	-	-	-	1,049,230
Balance at 31 December 2022	14,275,088	1,271,903	(1,379)	(15,702,376)	(156,764)
Balance at 1 July 2023	14,979,604	945,379	(4,233)	(17,383,709)	(1,462,959)
Profit after income tax expense / benefit	-	-	-	365,826	365,826
Other comprehensive income / (loss) net of tax	-	-	(663)	-	(663)
Total comprehensive loss for the half-year attributable to the owners of the parent	-	-	(663)	365,826	365,163
Share based payment	-	5,906	-	-	5,906
Balance at 31 December 2023	14,979,604	951,285	(4,896)	(17,017,883)	(1,091,890)

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated Statement of cash flows

for the half year ended 31 December 2023

	Note	31 December 2023 $	31 December 2022 $
Cash flows from operating activities			
Receipts from customers		3,943,592	3,938,587
Payments to suppliers and employees		(4,484,406)	(4,381,000)
R&D rebate & government subsidies received	7	515,642	-
Interest income received		320	4,444
Finance costs		(19,639)	(63,393)
Net cash used in operating activities		(44,491)	(501,362)
Cash flows from investing activities			
Payment for property, plant, and equipment		(11,785)	(20,075)
Deposits refunded/(paid)		(162)	114,342
Net cash (used in)/provided by investing activities		(11,947)	94,267
Cash flows from financing activities			
Issue of shares (net of issue costs)		-	1,049,230
Loan advances (equipment loan)		340,953	(133,224)
Payments for loans (equipment loans)		(154,300)	-
Payment of lease liabilities		(126,120)	(140,882)
Net cash provided by financing activities		60,533	775,124
Net increase in cash and cash equivalents		4,095	368,029
Cash and cash equivalents at the beginning of the period		321,190	1,241,672
Cash and cash equivalents at the end of the period		325,285	1,609,701

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 1. Basis of preparation

These are the consolidated financial statements and notes of Nexion Group Ltd (**Nexion** or **the Company**) and its controlled entities (collectively **the Group**). Nexion is a company limited by shares, domiciled and incorporated in Australia.

The registered office and the principal office of the Company is Ground Floor 12 Newcastle St. Perth WA, 6000. The financial statements were authorised for issue on 29 February 2024 by the directors of the Company.

a. Basis of preparation

This consolidated interim financial report is intended to provide users with an update on the latest annual financial statements of Nexion Group Ltd and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Nexion for the year ended 30 June 2023, together with any public announcements made during the half-year.

All amounts are presented in Australian Dollars, unless otherwise noted. For the purposes of preparing the report, the half year has been treated as a discrete reporting period.

i. Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

ii. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

b. Going Concern assessment

The financial report has been prepared on a going concern basis, which assumes the Group will be able to realise its assets and discharge its liabilities in the normal course of business. As at 31 December 2023, the Group had net liabilities of ($1,091,890) and net current liabilities of ($1,549,984), and in the half-year then ended recorded a profit of $365,826 and net operating cash outflows of ($44,491).

During the half year to 31 December 2023, management has mitigated the going concern risk by:

- ongoing product innovation
- receiving research and development (R&D) tax incentive
- historically demonstrated an ability to raise capital if required
- reduced expenses significantly by $1.5m (31 December 2023: 2,636,337, 31 December 2022: 4,172,855).

The Directors have a reasonable expectation that the Group will continue as a going concern, and therefore have adopted the going concern basis in preparing this financial report.

In the event that the Group is unable to obtain sufficient funding for on-going operational and capital requirements, there is material uncertainty that may cast significant doubt as to whether the Group will continue as a going concern and therefore proceed with realizing its assets and discharging its liabilities in the normal course of business at the amounts stated in the financial report.

The consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should the Group not be able to continue as a going concern.

Note 2. Significant accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

a. Use of estimates and judgements

Judgement is required in assessing whether the carrying value of goodwill arising from business combinations is impaired. There have been no other material revisions to the nature and amount of estimates reported in prior periods.

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 2. Significant accounting policies (cont.)

b. Revenue Recognition

AASB 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers and requires application of a five-step process to identify the contract with the customer, identify performance obligations in the contract, determine transaction price, allocate the transaction price to the performance obligations and recognise revenue when performance obligations are satisfied.

Revenue is recognised for the major business activities as follows:

(i) Software, subscriptions and virtual products

For software, subscription and virtual products, the performance obligation is satisfied when access is facilitated.

(ii) Data centre services

Data centre services revenue primarily consist of recurring monthly service fees and upfront project fees. Revenue from the provision of recurring monthly service fees is recognised in the accounting period in which the services are rendered. Project fees primarily comprise installation services relating to a customer's initial deployment. As this is not considered to be a distinct service, revenue is deferred and recognised over the term of the contract with the customer, taking into account renewal options that are held by the customer.

The Group applies the practical expedient in the revenue standard and does not disclose information about the transaction price allocated to remaining performance obligations on contracts that are unsatisfied, as the Group has the right to consideration from its customers in an amount that corresponds directly with the value to the customer of the Group's services to date. This is applied to all its data centre services revenue, on the basis that the upfront project fees are not a significant portion of each contract.

The Group enters into contracts with customers that guarantee certain performance measures such as uptime and on time delivery of services. If these guarantees of service performance are not achieved, the Group reduces revenue for any credits or cash payments that may be due to customers under contract. Key areas of estimation include the amount of the service credits, the likelihood that the service credits will be claimed, and the time period over which they impact revenue.

(iii) Voice and satellite services

Revenue from hardware sales provided as part of the voice and satellite services is recognised when the hardware is delivered to the customer. For voice and satellite services, the performance obligation is satisfied when the services have been provided at a point in time, usually on a monthly basis.

All revenue is stated net of the amount of goods and services tax (GST).

(iv) Interest income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(v) Research and development rebates, and other government incentives

Research and development rebates and other government incentives are recognised on a accruals basis.

c. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Note 2. Significant accounting policies (cont.)

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any service provided by the supplier as part of the contract.

d. Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 2. Significant accounting policies (cont.)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Significant events and transactions

A new subsidiary FuseForward Pty Ltd was incorporated on 13 July 2023.

On 20 November 2023, the Company issued 4,500,000 Class C Zero Exercise Price Options, 4,500,000 Class D Zero Exercise Price Options, 2,250,000 Class E Zero Exercise Price Options, 1,500,000 Class F Zero Exercise Price Options and 2,250,000 Class G Zero Exercise Price Options (together “ZEPOs”). Each ZEPO entitles the holder to subscribe for one Share upon exercise of the ZEPO. No consideration is payable upon the exercise of each ZEPO. Each ZEPO will expire at 5:00 pm (WST) on the date that is five (5) years from the date of issue (“Expiry Date”). Any ZEPO not exercised on or before the Expiry Date will automatically lapse on the Expiry Date.

Note 4. Operating segments

Identification of reportable operating segments

For management purposes, the Group is organised into one main operating segment, being the provision of Hybrid Cloud infrastructure and telecommunication services used by corporations to host and operate their core business systems. The chief operating decision makers of the Group are the Executive Directors and Officers.

All the Group’s activities are interconnected and all significant operating decisions are based on analysis of the Group as one segment. The financial results of the segment are the equivalent of the financial statements as a whole. At 31 December 2023, all revenues and material assets are considered to be derived and held in one geographical area being Australia.

Note 5. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

The Group has disaggregated revenue into various categories in the following table which is intended to depict how the nature, amount, timing and uncertainty of revenue and cashflows are affected by economic data. All of the revenue for the Group is derived at a point in time.

	31 December 2023 $	31 December 2022 $
Product Categories		
Networking	3,347,804	1,608,557
Consulting	138,339	608,999
Cloud	159,155	681,500
Product	(2,446)	46,476
Services	551,170	833,230
General	26,623	23,193
	4,220,645	3,801,955

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 6. Cost of goods sold

	31 December 2023 $	31 December 2022 $
Product Categories		
Networking	1,268,974	929,099
Consulting	409	19,208
Cloud	164,898	434,510
Product	-	42,572
Services	335,357	584,531
General	1,806	29,411
	1,771,444	2,039,331

Note 7. Other income

	31 December 2023 $	31 December 2022 $
Interest received	320	4,444
Other income	37,000	-
R&D Tax credit	515,642	-
	552,962	4,444

Note 8. Earnings per share (EPS)

	31 December 2023 $	31 December 2022 $
a. Reconciliation of earnings to profit or loss		
Profit/(Loss) for the period	365,826	(1,801,309)
Profit/(Loss) used in the calculation of basic and diluted EPS	365,826	(1,801,309)

	31 December 2023 No.	31 December 2022 No.
b. Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	202,307,854	129,137,933

	31 December 2023 $	31 December 2022 $
c. Earnings (Loss) per share		
Basic EPS (cents)	0.002	(0.014)
Diluted EPS (cents)	0.002	(0.014)

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 9. Share-based compensation

a. **Class A to Class G performance rights**

On 20 November 2020, the Company 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 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.

Performance rights issued to key management personnel and related parties are as follows:

	Class A	Class B
Paul Glass	1,534,282	1,783,918
Kevin Read	1,534,282	1,783,918
Peter Christie	657,550	764,536
Chris Daly	438,366	509,691
Dom Papaluca	175,347	203,876
Jack Toby	43,837	50,969
Total	4,383,664	5,096,908

Total Pro-forma Revenue for a financial year means the total consolidated revenue for that financial year of the Group 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 vesting period ended on 30 June 2022. While the full hurdle was not met, a pro-rata vesting of Class A Performance Rights occurred as the Group achieved greater than 50% of the Proforma revenue target. 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 remain on issue. No other Class B Performance Rights have been vested, converted or cancelled since their date of issue. None of the Class B Performance Rights vesting conditions have been met since their date of issue.

	No. Class A vested	$ Value
Paul Glass	785,944	157,189
Kevin Read	785,944	157,189
Peter Christie	336,834	67,367
Chris Daly	224,555	44,911
Dom Papaluca	89,822	17,964
Jack Toby	22,456	4,491
Total	2,245,555	449,111

The fair value of the Class A performance rights for the financial year ended 30 June 2022 was determined using the following assumptions:

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 9. Share-based compensation (continued)

	2022	
	FY 2022	FY 2023
(i) Value per performance right	$0.20	$0.20
Hurdle revenue	$15,000,000	$30,000,000
Pro-forma revenue expected	-	-
Pro-forma revenue achieved	$7,683,832	$25,000,000
Number of rights vested as at 30 June 2022	2,245,555	n/a
Value of rights vested	$449,111	$849,485
Percentage of revenue achieved /expected to be achieved against hurdle revenue	51.22%	83.33%

The Pro-forma revenue for the year ended 30 June 2022 was subject to independent audit after which the Board determined the vesting proportion and then followed by the issue of ordinary shares.

The fair value of Class B performance rights for the financial year ended 30 June 2023 was determined using the following assumptions:

	FY 2023
Hurdle Revenue	$30,000,000
Pro-forma revenue achieved	7,935,784
Percentage of revenue achieved/against hurdle revenue	26.45%

As the pro-forma revenue achieved is less than 50%, then no Class B Performance rights will vest.

Share based payments (reversals)/expense recognised for the year ended 30 June 2023 in relation to these performance rights amounted to ($425,656) (30 June 2022: expense of $568,947) as follows:

	Total Vesting Expense	
	2023 $	2022 $
Performance rights		
Class A	-	258,383
Class B	(425,656)	310,564
Total	(425,656)	568,947

The value of the rights is recognised as a share based payments (reversals)/expense over the period from grant date to vesting date.

Broker Options

On 2 February 2021, the Company issued 6,038,702 options to the Lead Manager's nominees following the IPO capital raising. The options do not have any vesting conditions, and therefore vested immediately. Details of the options issued are as set out below:

Number of options	6,038,702
Exercise price	$0.40
Expiry date	2 February 2024
Value of options issued	$496,269

The fair value of the broker options was determined using a Black-Scholes model, and the following assumptions:

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 9. Share-based compensation (continued)

Grant date	Expiry date	Share price At grant date	Exercise price	Expected Volatility	Dividend yield	Risk-free Interest rate	Fair value At grant date
02/02/2021	02/02/2024	$0.20	$0.40	90.00%	0.00%	0.11%	$0.0822

The share-based payment (reversals)/expense recognised for the year ended 30 June 2021 in respect of the broker options was $496,269.

On 20 November 2023, Nexion Group Ltd ("NNG" or "Company") issued 4,500,000 Class C Zero Exercise Price Options, 4,500,000 Class D Exercise Price Options, 2,250,000 Class E Exercise Price Options, 1,500,000 Class F Exercise Price Options and 2,250,000 Class G Exercise Price Options (together "ZEPOs"). Each ZEPO entitles the holder to subscribe for one Share upon exercise of the ZEPO. No consideration is payable upon the exercise of each ZEPO. Each ZEPO will expire at 5:00 pm (WST) on the date that is five (5) years from the date of issue ("Expiry Date"). Any ZEPO not exercised on or before the Expiry Date will automatically lapse on the Expiry Date.

Class C ZEPOs will vest upon the Company achieving a 30 Day VWAP which is equal to or greater than $0.05 per Share.

Class D ZEPOs will vest upon the Company achieving a 30 Day VWAP which is equal to or greater than $0.10 per Share.

Class E ZEPOs will vest upon the Company achieving a 30 Day VWAP which is equal to or greater than $0.15 per Share.

Class F ZEPOs will vest upon the Company achieving a 30 Day VWAP which is equal to or greater than $0.20 per Share.

Class G ZEPOs will vest, subject to the Vesting Calculation, if Adjusted EBITDA is greater or equal to or greater than 2.5% of Total Revenue during the financial year ending 30 June 2024 (FY24 Adjusted EBITDA Ratio). Where the FY24 Adjusted EBITDA Ratio is less than 2.5% then no Class G ZEPOs will vest; or greater or equal to 2.5% but less than 7.5% then such proportion (limited to a maximum of 100%) of the Class G ZEPOs will vest as calculated by the amount that the FY23 Adjusted EBITDA Ratio minus 2.5% is proportionate to 5% (for example, if the FY23 Adjusted EBITDA Ratio is 5%, then 50% of the Class G ZEPOs will vest); or greater or equal to 7.5% then all the Class G ZEPOs will vest.

Performance rights issued to key management personnel and related parties are as follows:

	Class C No.	Class D No.	Class E No.	Class F No.	Class G No.
Peter Christie	1,350,000	1,350,000	675,000	450,000	675,000
Christopher Daly	1,350,000	1,350,000	675,000	450,000	675,000
John Bell	675,000	675,000	337,500	225,000	337,500
Nasser Abdelghani	675,000	675,000	337,500	225,000	337,500
Jack Toby	450,000	450,000	225,000	150,000	225,000
Total	4,500,000	4,500,000	2,250,000	1,500,000	2,250,000

	Class C $	Class D $	Class E $	Class F $	Class G $
Peter Christie	6,481	3,484	1,047	512	4,725
Christopher Daly	6,481	3,484	1,047	512	4,725
John Bell	3,240	1,742	523	256	2,362
Nasser Abdelghani	3,240	1,742	523	256	2,362
Jack Toby	2,161	1,161	349	172	1,576
Total	21,603	11,613	3,489	1,708	15,750

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 9. Share-based compensation (continued)

Valuation Summary

The Class C - F ZEPOs have market based vesting conditions and Class G ZEPOs has a non-market based vesting condition. The methodology used to determine the ZEPO prices is a Monte Carlo simulation such that Class C - F ZEPOs uses the Hoadleys 'Hybrid ESO model – Single Share Price Target Consec Days' Model and Class G uses the Hoadley's Hybrid ESO1 Model.

	Class C $	Class D $	Class E $	Class F $	Class G $
Share price (as at 20 November 2023)	$0.0140	$0.0140	$0.0140	$0.0140	$0.0140
Exercise price	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000
Valuation date	20-Nov-23	20-Nov-23	20-Nov-23	20-Nov-23	20-Nov-23
Start of measurement/vesting period	20-Nov-23	20-Nov-23	20-Nov-23	20-Nov-23	20-Nov-23
Measurement/vesting date	30-Nov-24	30-Nov-24	30-Nov-24	30-Nov-24	30-Nov-24
Measurement/vesting period (years)	1.03	1.03	1.03	1.03	1.03
Remaining measurement/vesting period (years)	1.03	1.03	1.03	1.03	1.03
Expiry date	30-Nov-24	30-Nov-24	30-Nov-24	30-Nov-24	30-Nov-24
Life of the Performance Rights (years)	1.03	1.03	1.03	1.03	1.03
Volatility	138.50%	138.50%	138.50%	138.50%	138.50%
Risk-free rate	4.19%	4.19%	4.19%	4.19%	4.19%
Vesting probability	N/A	N/A	N/A	N/A	50.00%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

Tranche	Number of Performance Rights	Value per Right	Vesting Probability	Total Value $
Class C	4,500,000	$0.0048	N/A	21,603
Class D	4,500,000	$0.0026	N/A	11,613
Class E	2,250,000	$0.0016	N/A	3,489
Class F	1,500,000	$0.0011	N/A	1,708
Class G	2,250,000	$0.0140	50%	15,750
	15,000,000			54,163

Share based payments (reversal)/expense recognised for the half year ended 31 December 2023 amounted to $5,906 (31 December 2022: ($99,132).

Note 10. Trade and other receivables

	Note	31 December 2023 $	30 June 2023 $
Trade receivables		1,545,693	1,205,303
Less: Allowance for expected credit losses	i)	(811,966)	(160,397)
		733,727	1,044,906
Other receivables		36,112	62,539
		769,839	1,107,445

i) Allowance for expected credit losses - *Included in the allowance for expected credit losses is $593,210 relating to Aryaka and $58,359 relating to IBM, for services under dispute.*

Note 11. Property, plant and equipment

	31 December 2023 $	30 June 2023 $
Plant & equipment – at cost	1,562,508	1,550,734
Plant & equipment - accumulated depreciation	(906,006)	(828,623)
Impairment	(78,208)	(78,208)
Total Property, plant and equipment	578,294	643,903

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 12. ROU assets and liabilities

i) AASB 16 related amounts recognised in the consolidated statement of financial position.

	31 December 2023 $	30 June 2023 $
Right-of-use asset		
Land and Building – right-of-use	1,961,914	1,961,914
Less: Accumulated depreciation	(814,617)	(701,555)
Carrying value	1,147,297	1,260,359

	31 December 2023 $	30 June 2023 $
Lease liabilities		
Current	218,066	210,513
Non-current	1,075,609	1,187,163
Total lease liabilities	1,293,675	1,397,676

A lease agreement was entered into on 29 March 2018 for a building at 37-39 Robinson Avenue, Belmont, Western Australia. The lease has a 3 year term with an option to extend for 10 years. Where the option to extend is reasonably certain, this has been included in the calculations.

A lease agreement was entered into by BlueSky Telecom Pty Ltd on 7 April 2021, prior to its acquisition by the Group, for a building at 12 Newcastle Street, Perth. The lease has a 3 year term commencing 1 September 2021 with no option to extend. The Group has recognised the net present value of the lease liability for the new lease as at acquisition date in accordance with accounting standards.

ii) AASB 16 related amounts recognised in the consolidated statement of profit or loss and other comprehensive income.

	31 December 2023 $	31 December 2022 $
Depreciation charge	113,062	131,418
Interest	22,118	25,713
	135,180	157,131

iii) Option to extend or terminate

The Group uses hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Note 13. Trade and other payables	**Note**	31 December 2023 $	30 June 2023 $
Current			
Trade payables		989,220	1,293,512
Deferred Revenue		70,232	289,378
ATO Payment Plan		571,961	638,400
Accrued Expenses		257,924	366,770
Other Payables		251,807	251,751
		2,141,144	2,839,811
Non-Current			
ATO Payment Plan		-	235,355
		-	235,355
		2,141,144	3,075,166

i) Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 30 days.

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 14. Loans payable	Note	31 December 2023 $	30 June 2023 $
Current			
Loans payable to third parties	(i)	281,668	219,527
		281,668	219,527
Non-Current			
Loans payable to third parties	(i)	245,188	120,676
		245,188	120,676

i) Loans payable to third parties includes equipment finance for IT property, plant and equipment used in the Data Centre and for some client contracts. The terms of these finance arrangements are as follows:

Loan terms	**Loan #1**	**Loan #2**	**Loan #3**	**Loan #4**
Amount financed	$246,209	$55,745	$403,177	$80,555
Commencement date	5-Jun-19	27-Jun-19	28-Feb-20	2-Jun-21
Monthly repayments	$5,040	$1,160	$8,001	$1,591
Finance term	5 years	5 years	5 years	5 years
Interest rate	8.41%	9.10%	7.09%	7.16%
Loan terms	**Loan #5**	**Loan #6**	**Loan #7**	**Loan #8**
Amount financed	$105,018	$16,772	$20,448	$32,729
Commencement date	30-Nov-21	1-Feb-22	1-Feb-22	1-Sep-23
Monthly repayments	$3,217	$498	$618	$1,083
Finance term	3 years	3 years	3 years	3 years
Interest rate	6.86%	4.38%	5.60%	11.74%
Loan terms	**Loan #9**	**Loan #10**		
Amount financed	$162,629	$118,375		
Commencement date	1-Oct-23	1-Dec-23		
Monthly repayments	$5,305	$3,850		
Finance term	3 years	3 years		
Interest rate	10.75%	10.55%		

Condensed notes to the consolidated financial statements

for the half-year ended 31 December 2023

Note 15. Equity - issued capital

	31 December 2023 No.	30 June 2023 No.	31 December 2023 $	30 June 2023 $
Fully paid ordinary shares	202,307,854	202,307,854	14,979,604	14,979,604

	No.	$
Movements in ordinary share capital		
Balance as at 1 July 2023	202,307,854	14,979,604
Balance as at 31 December 2023	202,307,854	14,979,604

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholder's meetings, each ordinary share is entitled to one vote when a poll is called.

Note 16. Equity – Accumulated losses

	31 December 2023 $	31 December 2022 $
Accumulated losses at the beginning of the period	17,383,709	13,901,067
(Profit)/Losses for the year	(365,826)	1,801,309
Accumulated losses at the end of the financial year	17,017,883	15,702,376

Note 17. Key management personnel disclosures

The aggregate compensation paid or payable to Directors and Key Management Personnel of the consolidated entity is set out below:

	31 December 2023 $	31 December 2022 $
Short-term employee benefits	99,000	417,000
Share based payments	4,430	(99,132)
	103,430	317,868

Note 18. Events subsequent to reporting date

A new wholly owned subsidiary Nexion Infrastructure Pty Ltd was incorporated on 16 January 2024.

Other than the above, there are no other significant events that have arisen since the end of the reporting period which may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

Note 19. Commitments and contingencies

The Group has 10 equipment finance loans as at 31 December 2023. The capital commitments in relation to these finance loans are as follows:

	31 December 2023 $	30 June 2023 $
Not longer than 1 year	303,650	236,660
Longer than 1 year and not longer than 5 years	254,580	125,298
Longer than 5 years	-	-
Total minimum lease payments	558,230	361,958
Less: amounts representing finance charges	(31,374)	(21,755)
Present value of minimum lease payments	526,856	340,203

Directors' declaration

The Directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 6 to 21, are in accordance with the *Corporations Act 2001* (Cth) and:

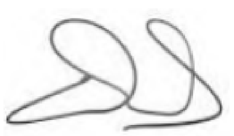
   (a) comply with Accounting Standard AASB 134: Interim Financial Reporting;

   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements;

   (c) give a true and fair view of the financial position as at 31 December 2023 and of the performance for the half-year ended on that date of the consolidated entity.

2. in the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



CHRIS DALY
Director
Dated this Thursday, 29 February 2024

Stantons

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
NEXION GROUP LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Nexion Group Limited, which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that causes us to believe that the accompanying half-year financial report of Nexion Group Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of Nexion Group Limited's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 29 February 2024.

Material Uncertainty in Relation to Going Concern

As referred to in Note 1(b) of the financial reports, the consolidated financial statements have been prepared on a going concern basis. As at 31 December 2023, the Group had cash and cash equivalents totalling $325,285, net liabilities of ($1,091,890) and net current liabilities of ($1,549,984). The Group recorded a profit for the financial period of $365,826 and net had operating cash outflows of $44,491. These factors indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Stantons

Responsibility of the Directors for the Financial Report

The directors of Nexion Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
29 February 2024