

25 January 2024

# Quarterly Activities Report

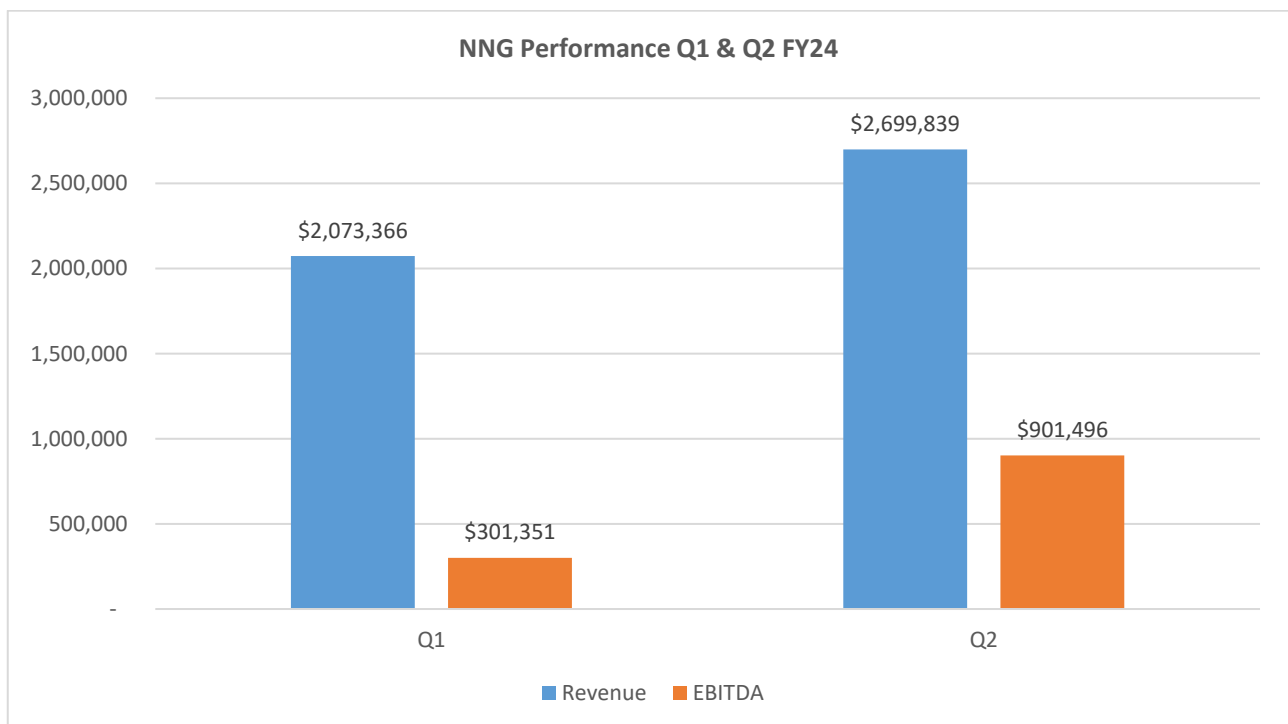
For the quarter ending 31 December 2023

NEXION Group Ltd (**NEXION** or **Company**) (ASX: NNG) has consolidated its performance in Q2, posting two consecutive quarters of positive EBITDA with Q2 earnings from operations (including the R&D tax credit \$515,642) and having increased on Q1 by \$600k. The combination of positive earnings for the first half of FY2024 and the R&D tax credit received in Q2 has delivered a dramatic improvement in the balance sheet with the net asset position improved by almost \$1m from 30 June 2023.

EBITDA including one-off items for the first half is \$1.2m on revenue of \$4.8m. This is an outstanding turn-around that demonstrates the structural changes implemented early in 2023 have delivered permanent improvement.

## Highlights

- **NEXION delivered its second consecutive quarter of positive EBITDA at \$901k.**
- **Total EBITDA for the first half is \$1.2m, being 25% of revenue.**
- **Net asset position has improved by almost \$1m since July.**
- **Revenue from operations continues to grow, up 5.4% on the previous quarter.**



With restructuring complete, revenue growth is continuing to increase quarter-on-quarter and EBITDA is consistently positive. New opportunities in Satellite services, particularly Starlink and general telecommunications continue to grow recurring revenue and improve overall margins.

## **Activities Update**

With rationalisation behind us, the team has re-focused on growth.

Q2 saw NEXION expand its sales team and add new products to its line-up including Cyber security solutions from Arctic Wolf ([www.arcticwolf.com](http://www.arcticwolf.com)) to further enhance our Security Operation Centre (SOC) as a Service.

NEXION's pursuit of opportunities in the enterprise software and advanced analytics sector is proving successful with some promising new projects on the horizon for the second half of FY24.

M&A activity continues on several fronts and should deliver exciting results in the coming months. In addition to our New Zealand strategy, NEXION has broadened its search for opportunities into Singapore and Southeast Asia, specifically around optic fibre and data centre infrastructure to service the growing demand for data storage and transmission across the region.

## **Artificial Intelligence**

The recent surge in demand for data centre capacity suited to AI applications has prompted NEXION to reconsider the future of its Belmont data centre. The company is assessing options to reconfigure part of the facility to accommodate the higher power-density required by the latest ASIC cards from NVIDIA and AMD, used to train and operate AI models.

## **Payments to Related Parties in Appendix 4C**

The ASX Appendix 4C for the quarter ended 31 December 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 integrates software, compute, storage, network and cyber security to deliver reliable and robust hybrid-cloud systems. NEXION is an emerging provider of vertically integrated Enterprise Asset Management solutions using the latest Artificial Intelligence, Machine Learning and Digital Twin technologies.

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

This announcement has been authorized by the Board of 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")**

31 December 2023

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(6 months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                    |  |
| 1.1 Receipts from customers                               | 2,392                              | 4,061  |
| 1.2 Payments for  |                                    |  |
| (a) research and development                              | -                                  | -  |
| (b) product manufacturing and operating costs             | (1,138)                            | (1,843)  |
| (c) advertising and marketing                             | (25)                               | (57)   |
| (d) leased assets   | -                                  | -  |
| (e) staff costs   | (306)                              | (647)  |
| (f) administration and corporate costs                    | (1,032)                            | (1,619)  |
| 1.3 Dividends received (see note 3)                       | -                                  | -  |
| 1.4 Interest received                                     | -                                  | -  |
| 1.5 Interest and other costs of finance paid              | (1)                                | (1)  |
| 1.6 Income taxes paid                                     | -                                  | -  |
| 1.7 Government grants and tax incentives                  | 516                                | 516  |
| 1.8 Other   |                                    |  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>406</b>                         | <b>410</b>                                     |

**Note:**

|  |      |      |
|--|------|------|
| <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) | (58) |
| (d) investments                                | -    | -    |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$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>(58)</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)          |
| 3.5       | Proceeds from borrowings  | -            | -            |
| 3.6       | Repayment of borrowings   | (80)         | (130)        |
| 3.7       | Transaction costs related to loans and borrowings                                       | (97)         | (197)        |
| 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>(177)</b> | <b>(334)</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                             | 139 | 321 |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | 406 | 410 |

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(6 months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| 4.3   | Net cash from / (used in) investing activities<br>(item 2.6 above)  | (29)                               | (58)   |
| 4.4   | Net cash from / (used in) financing activities<br>(item 3.10 above) | (177)                              | (334)  |
| 4.5   | Effect of movement in exchange rates on<br>cash held                | -                                  | -  |
| 4.6   | <b>Cash and cash equivalents at end of<br/>period</b>               | <b>339</b>                         | <b>339</b>                                     |

**Note:**

| <b>5. Reconciliation of cash and cash<br/>equivalents</b><br>at the end of the quarter (as shown in the<br>consolidated statement of cash flows) to the<br>related items in the accounts |  | <b>Current quarter<br/>\$A'000</b><br><br><b>31 December<br/>2023</b> | <b>Previous quarter<br/>\$A'000</b><br><br><b>30 September<br/>2023</b> |
|--|--|---|---|
| 5.1  | Bank balances  | 339   | 139   |
| 5.2  | Call deposits  | -   | -   |
| 5.3  | Bank overdrafts  | -   | -   |
| 5.4  | Other (provide details)  | -   | -   |
| 5.5  | <b>Cash and cash equivalents at end of<br/>quarter (should equal item 4.6 above)</b> | <b>339</b>  | <b>139</b>  |

| <b>6. Payments to related parties of the entity and their<br/>associates</b>  |  | <b>Current quarter<br/>\$A'000</b> |
|---|--|------------------------------------|
| 6.1   | Aggregate amount of payments to related parties and their<br>associates included in item 1 | (290)                              |
| 6.2   | Aggregate amount of payments to related parties and their<br>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><br><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i><br><i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>   | <b>Total facility<br/>amount at quarter<br/>end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$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>  | 4,000   | -  |
| 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)   | 406            |
| 8.2   | Cash and cash equivalents at quarter end (item 4.6)   | 339            |
| 8.3   | Unused finance facilities available at quarter end (item 7.5)   | -              |
| 8.4   | Total available funding (item 8.2 + item 8.3)   | 339            |
| 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**

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.

Key terms for the ZEPOs are: 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 total Adjusted Revenue of Nexion Group Ltd (Company) for that financial year. 30 Day VWAP means the volume weighted average price per Share calculated over the 30 days on which sales in the Company's ordinary shares are recorded before the day on which the calculation is made. Adjusted EBITDA for a financial year means the Company's consolidated net profit before income tax for that year, plus the Company's consolidated depreciation expense for that year, plus the Company's consolidated amortisation expense for that year, plus the Company's consolidated interest expense for that year, plus the Company's consolidated expensed direct costs of activities relating to mergers or acquisitions of business entities or subsidiaries for that year, plus the Company's consolidated expensed direct costs for capital raising for that year, plus the Company's consolidated share based payments expense for that year. An Adjusted EBITDA of less than zero will be deemed to be zero.

Vesting of the ZEPOs will terminate on 30 November 2024. Vesting conditions that have not been met by 30 November 2024 will no longer be capable of being satisfied.

The ZEPOs will vest upon satisfaction of the following vesting conditions:

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; and

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.

Where there is a Change of Control, all Vesting Conditions are deemed to be automatically waived and advised by written notice to the holder.

Each ZEPO that has vested by 30 November 2024 pursuant to its vesting condition being met or vested pursuant to a proportion of its vesting condition being met, will lapse on the Expiry Date. Each ZEPO that has not vested by 30 November 2024 pursuant to its vesting condition not being met or vested pursuant to a proportion of its vesting condition not being

met will automatically lapse upon the earlier to occur of 30 November 2024; and the holder ceasing to be an officer (and employee, if applicable) of the Company, unless otherwise determined by the Board at its absolute discretion. Once vested, the ZEPOs are exercisable at any time on or prior to the Expiry Date.

The ZEPOs have remained on issue since their date of issue.

No ZEPOs have been vested, exercised or cancelled since their date of issue. None of the ZEPOs 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: 25 January 2024

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.