



APPENDIX 4D – HALF YEAR REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

28 February 2022

DETAILS OF THE REPORTING PERIOD

This report details the consolidated results of Nexion Group Ltd, ABN: 48 628 415 887 (“NNG” or “Company”) and its controlled entities (“Group”) for the half-year ended 31 December 2021. Comparatives are for the half-year ended 31 December 2020.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				2021	2020
				\$'000	\$'000
2.1	Revenue from ordinary activities	Up	189%	2,945	1,018
2.2	Profit/(Loss) from ordinary activities after tax attributable to members	Down	77%	(2,285)	(1,287)
2.3	Net profit/(loss) for the year attributable to members	Down	77%	(2,285)	(1,287)
				Cents	Cents
2.4	Net Tangible assets per security – at the end of the period			1.744	(0.845)

OPERATING RESULTS

For commentary on the financial results please refer to the information provided in the Directors Report in the attached interim financial report. The half-year report should be read in conjunction with the most recent annual report.

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.

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

The Group gained control over BlueSky Telecom Pty Ltd on 23 August 2021. Details of the acquisition are contained in the consolidated half-year financial report. BlueSky Telecom Pty Ltd directly contributed \$168,161 towards the loss from ordinary activities for the half-year ended 31 December 2021. In addition to that, the Group recognised a material amount of indirect expenses related to the acquisition of BlueSky Tel Pty Ltd.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Group did not have any associates or participate in any joint ventures during the half-year ended 31 December 2021.

AUDIT OF FINANCIAL STATEMENTS

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

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NEXION Group

NEXION GROUP LTD

ACN 628 415 887

Consolidated Half-Year Financial Report to 31 December 2021

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NEXION GROUP LTD
ACN 628 415 887
DIRECTORS' REPORT

Directors' report

Your Directors present their report, together with the financial statements, on NEXION Group Ltd ("Company" or "NEXION") and the entities it controlled ("Consolidated Entity" or "Group") at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were Directors of the Group during the whole of the financial half-year and up to the date of this report:

- Mr Peter Christie – Non-Executive Chairman
- Mr Paul Glass – Managing Director and Chief Executive Officer
- Mr Chris Daly – Non-Executive Director
- Mr Kevin Read – Alternate Director for Paul Glass

Principal activities

NEXION provides advanced technology solutions incorporating Cloud, Networks, Security and Satellite. Our Hybrid Cloud infrastructure is used by corporations to host their core business systems. Hybrid Cloud describes the combined use of dedicated private compute infrastructure with publicly available Cloud services to optimise the price and performance of corporate IT systems. NEXION also delivers local and global network services using fibre, SD-WAN and satellite communications technology to connect customers to the Cloud.

Review of operations

NEXION Group Ltd (ASX:NNG), the fast emerging, global Cloud service provider is pleased to announce a solid half year report with revenue up from \$1,018,317 for the half year ended 31 December 2020 to \$2,944,909 for the half year ended 31 December 2021, a 189.19% increase in total revenue compared to same period last year. NEXION continues to diversify its customer base and build a strong sales pipeline heading into the second half of the financial year.

The addition of experienced senior sales and technical personnel has seen the team focused on developing enterprise opportunities in new sectors such as Health, Mining, Oil and Gas as well as Education. Strong growth and higher utilisation of its core Hybrid Cloud infrastructure as more customers come on board has driven gross margins up to 42.5%, a 14.5% increase on the 37.1% gross margin for the previous corresponding period.

The first half of this financial year saw NEXION complete the acquisition and integration of BlueSky Telecom Pty Ltd, adding strategically valuable technical capability in the satellite communications sector and high margin recurring revenue. The Group's net loss for the half-year ended 31 December 2021 was \$2,285,399 (31 December 2020: \$1,287,756 loss).

The Group monitors debt recovery and does not expect an increase in the probability that customers will not pay or will delay payments and has therefore not increased the allowance for expected credit losses as at 31 December 2021.

NEXION's team continued to focus on building hybrid cloud solutions and is continuing to explore opportunities to expand both in Australia and overseas. With travel restrictions easing, the executive team hopes to build on the east coast Australian revenue and accelerate international expansion throughout the 2022 financial year and beyond.

**NEXION GROUP LTD
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DIRECTORS' REPORT**

Significant events and transactions during the half year

During the half-year ended 31 December 2021, the Group has acquired 100% of the issued share capital of BlueSky Telecom Pty Ltd for a cash consideration of \$2,000,000. The Group issued an additional 16,562,500 shares during the reporting period to raise \$2,650,000 (before costs).

Events occurring after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a material impact on the Group up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date, particularly as the pandemic evolves within Australia.

On 4 February 2022, the Group issued an additional 625,000 shares raising \$100,000 and 8,593,749 free options exercisable at \$0.30 each and expiring on 4 February 2025.

There are no other significant events that have arisen since the end of the half-year which may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after the Directors' report.

Signed in accordance with a resolution of the Board of Directors.



Director

28 February 2022



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28 February 2022

Board of Directors
Nexion Group Limited
Level 2, Building C/355 Scarborough Beach Rd
Osborne Park, WA 6017

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 2021, 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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NEXION GROUP LTD
ACN 628 415 887
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	31 Dec 2021 \$	31 Dec 2020 \$
Revenue from contracts with customers	5	2,944,909	1,018,317
Cost of goods sold		(1,693,535)	(640,278)
Gross Profit		1,251,374	378,039
Other income	6	11,246	125,748
Expenses			
Consulting and accounting expenses		(621,693)	(461,881)
Employee benefits expenses		(1,600,681)	(511,534)
Occupancy expenses		(104,275)	(49,523)
Share based payments	8	(266,306)	(39,514)
Finance costs		(80,917)	(67,200)
Depreciation and amortisation		(252,529)	(143,629)
Other expenses		(621,618)	(518,262)
Loss before income tax		(2,285,399)	(1,287,756)
Income tax expense		-	-
Loss for the half-year		(2,285,399)	(1,287,756)
Other comprehensive Income		-	-
Total comprehensive loss for the half-year attributable to members		(2,285,399)	(1,287,756)
The total comprehensive loss attributable to: Owners of Nexion Group Ltd		(2,285,399)	(1,287,756)
Loss per share			
- Basic loss per share	7	(0.020)	(0.022)
- Diluted loss per share	7	(0.020)	(0.022)

NEXION GROUP LTD
ACN 628 415 887
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31 Dec 2021 \$	30 Jun 2021 \$
Current assets			
Cash and cash equivalents		3,934,135	4,850,088
Trade and other receivables		1,025,612	324,140
Inventory		25,131	-
Financial assets at amortised cost		-	360,000
Total current assets		4,984,878	5,534,228
Non-current assets			
Property, plant and equipment		992,080	781,241
Right-of-use assets	9	1,652,105	1,286,363
Intangible assets	11	3,128,742	-
Other non-current assets		184,341	114,342
Total non-current assets		5,957,268	2,181,946
Total assets		10,942,146	7,716,174
Current liabilities			
Trade and other payables		2,574,275	895,665
Lease liability	9	263,476	200,209
Provision for employee entitlements		184,711	70,486
Loans payable	10	646,480	175,331
Total current liabilities		3,668,942	1,341,691
Non-current liabilities			
Lease liability	9	1,496,896	1,152,551
Loans payable	10	417,954	466,667
Total non-current liabilities		1,914,850	1,619,218
Total liabilities		5,583,792	2,960,909
Net assets		5,358,354	4,755,265
Equity			
Contributed equity	12	13,302,783	10,680,601
Share based payment reserve	8	1,068,394	802,088
Accumulated losses		(9,012,823)	(6,727,424)
Capital and reserves attributable to members		5,358,354	4,755,265
Total Equity		5,358,354	4,755,265

NEXION GROUP LTD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Contributed Equity	Convertible Note reserve	Share based payment reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2020	1,354,746	-	-	(2,588,473)	(1,233,727)
Loss for the half-year	-	-	-	(1,287,756)	(1,287,756)
Total comprehensive loss for the half-year	-	-	-	(1,287,756)	(1,287,756)
Share based payment	-	-	39,514	-	39,514
Convertible notes	-	1,175,768	-	-	1,175,768
Issue of shares (net of costs)	767,700	-	-	-	767,700
Balance as at 31 December 2020	2,122,446	1,175,768	39,514	(3,876,229)	(538,501)
Balance as at 1 July 2021	10,680,601	-	802,088	(6,727,424)	4,755,265
Loss for the half-year	-	-	-	(2,285,399)	(2,285,399)
Total comprehensive loss for the half-year	-	-	-	(2,285,399)	(2,285,399)
Share based payment	-	-	266,306	-	266,306
Convertible notes	-	-	-	-	-
Issue of shares (net of costs)	2,622,182	-	-	-	2,622,182
Balance as at 31 December 2021	13,302,783	-	1,068,394	(9,012,823)	5,358,354

NEXION GROUP LTD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	31 Dec 2021 \$	31 Dec 2020 \$
Cash flow from operating activities			
Receipts from customers		3,197,949	1,464,293
Payments to suppliers and employees		(4,419,776)	(2,814,206)
R&D rebate & government subsidies received		-	355,368
Interest received		-	2
Interest paid		(104,600)	(66,490)
Net cash (outflow) from operating activities		(1,326,427)	(1,061,033)
Cash flow from investing activities			
Payment for acquisition of subsidiary (net of cash acquired)	14	(1,963,687)	-
Proceeds from sale of property, plant and equipment		92,000	500
Payment for property, plant and equipment		(40,498)	-
Proceeds from Loan to third parties		137,500	-
Net cash (outflow) / inflow from investing activities		(1,774,685)	500
Cash flow from financing activities			
Issue of shares (net of issue costs)		2,622,182	-
Payments for loans to third parties (equipment loan)		(195,761)	(69,633)
Proceeds from issue of convertible notes		-	1,215,500
Payment of lease liabilities		(283,801)	-
Net cash inflow from financing activities		2,142,620	1,145,867
Net (decrease) / increase in cash and cash equivalents		(958,492)	85,334
Cash and cash equivalents at beginning of half-year		4,892,627	138,576
Cash and cash equivalents at end of the half-year		3,934,135	223,910

NEXION GROUP LTD
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Note 1: Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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 2021, the Group had net assets of \$5,385,354 and net current assets of \$1,315,936, and in the half-year then ended incurred a loss of \$2,285,399 and net operating cash outflows of \$1,326,427.

During the half-year to 31 December 2021, management has mitigated the going concern risk by:

- securing additional funding through the issuance of shares, raising \$2,650,000 before costs of \$27,818
- growing the customer base and diversifying revenue streams organically and through acquiring BlueSky Telecom Pty Ltd, and
- ongoing product innovation

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.

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.

(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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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 an accruals basis.

(c) Leases

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

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

- 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 reasonable 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.

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

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liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is 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 not allocate any amount of the contractual payments to, and account separately for, any services 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.

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

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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

During the interim reporting period, the Group acquired 100% of the issued share capital of BlueSky Telecom Pty Ltd for a cash consideration of \$2,000,000. The Group issued an additional 16,562,500 shares during the reporting period to raise \$2,650,000 (before costs).

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 2021, 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. The acquisition of BlueSky Telecom Pty Ltd by the Group added a further two product categories to the Group's offering, being voice and data & managed solutions (including satellite).

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	31 December 2021 \$	31 December 2020 \$
Product Categories:		
Networking	523,046	176,667
Security	29,418	45,780
Data Centre	235,869	419,805
Consulting	415,213	43,572
Cloud	494,267	332,493
Voice	743,997	-
Data and managed solutions	503,099	-
	2,944,909	1,018,317

(b) Operating segments

The Group operates in one geographic segment, being Australia.

Note 6: Other income

	31 December 2021 \$	31 December 2020 \$
Other Income		
Interest received	1	2
Gain on sale of non-current assets	5,461	
Government cashflow incentives	-	118,500
Other	5,784	7,246
	11,246	125,748

Note 7: Loss per share

	31 December 2021 \$	31 December 2020 \$
(a) Reconciliation of loss used in calculating loss per share		
Loss attributable to the ordinary equity holders used in calculating basic loss per share	(2,285,399)	(1,287,756)
(b) Weighted average number of shares		
Ordinary shares used as the denominator in calculating basic loss per share	114,642,158	59,569,781
	\$	\$
(c) Loss per share		
Basic loss per share	(0.020)	(0.022)
Diluted loss per share	(0.020)	(0.022)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

There are no potential ordinary shares that are dilutive, therefore not included in the calculation of diluted loss per share.

Note 8: Classes A and B 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 will vest on the Company achieving a Total Pro-forma Revenue of \$15,000,000 for a financial year ending on or before 30 June 2022 ("Class A Deadline"). Class B Performance Rights will vest on the Company achieving a Total Pro-forma Revenue of \$30,000,000 for a financial year ending on or before 30 June 2023 ("Class B Deadline"). Where the Total Pro-forma Revenue achieved by the Class A and B Deadlines as a percentage of the respective Total Pro-forma Revenue targets is less than 50% then no Performance Rights will vest; or 50% or more then the relevant Performance Rights will vest pro-rata equal to the percentage of Total Pro-forma Revenue achieved by the respective Class A and B Deadlines.

Total Pro-forma Revenue for a financial year means the total consolidated revenue for that financial year of 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 Performance Rights have remained on issue since their date of issue. No Performance Rights have been vested, converted or cancelled since their date of issue. None of the Performance Rights vesting conditions have been met since their date of issue.

Share based payments expense recognised for the half year ended 31 December 2021 amounted to \$266,306 (31 December 2020: \$39,514).

Note 9: Right-of-use asset & lease liabilities

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.

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

	31 December 2021	30 June 2021
	\$	\$
Right-of-use asset		
Land & buildings - right-of-use	1,599,452	1,599,452
Additions to right-of-use assets	514,485	-
Less: Accumulated depreciation	(461,832)	(313,089)
Carrying value	1,652,105	1,286,363
	31 December 2021	30 June 2021
	\$	\$
Lease liability		
Current	263,475	200,209
Non-current	1,496,896	1,152,551
Lease liability	1,760,371	1,352,760

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

31 December 2021	< 1 year	1 – 5 years	>5 years	Total undiscounted lease liabilities	Lease liabilities included in the Consolidated Statement of Financial Position
	\$	\$	\$	\$	\$
Lease liabilities	317,383	1,000,104	672,859	1,990,346	1,760,371
30 June 2021					
Lease liabilities	241,308	720,235	597,960	1,559,503	1,352,760

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- ii) **AASB 16 related amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the half-year were:**

	31 December 2021	31 December 2020
	\$	\$
Depreciation charge	148,743	59,378
Interest	22,532	21,312
	171,275	80,690

- 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 10: Loans payable

	31 December 2021	30 June 2021
	\$	\$
<i>Current</i>		
Loans payable to third parties (i)	596,946	150,441
Hire purchase - vehicles	49,534	24,890
	646,480	175,331
<i>Non Current</i>		
Loans payable to third parties (i)	417,954	428,472
Hire purchase - vehicles	-	38,195
	417,954	466,667
	1,064,434	641,998

- 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 arrangement are as follows:

Loan terms:	Loan #1	Loan #2	Loan #3	Loan #4	Loan #5
Amount financed	\$246,209	\$55,745	\$403,177	\$80,555	\$105,018
Commencement date	5-Jun-19	27-Jun-19	28-Feb-20	2-Jun-21	30-Nov-21
Monthly repayments	\$5,040	\$1,160	\$8,001	\$1,591	\$3,217
Finance term	5 years	5 years	5 years	5 years	3 years
Interest rate	8.41%	9.10%	7.09%	7.16%	6.86%

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Note 11: Intangible assets

The intangible assets held by the Group increases as a result of the acquisition of BlueSky Telecom Pty Ltd. See note 14 for further information.

	31 December 2021 \$	30 June 2021 \$
Customer list and contracts – at fair value	2,901,499	-
Less: Accumulated amortisation and impairment (i)	-	-
	2,901,499	-
Goodwill	227,243	-
Less: Impairment	-	-
	227,243	-
	3,128,742	-

(i) Management has only provisionally determined the fair value of intangible assets, and hence has not amortised the customer list and contracts for the 4 months from date of acquisition.

Note 12: Contributed equity

	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 \$	30 Jun 2021 \$
Fully paid Ordinary Shares	127,855,961	111,293,461	13,302,783	10,680,601

Movement in Share Capital

Details	Date	Shares	\$
Balance	1 July 2021	111,293,461	10,680,601
Shares issued (net of costs)	24 Nov 2021	16,562,500	2,622,182
Balance	31 Dec 2021	127,855,961	13,302,783

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 13: Related Party Transactions

Key Management Personnel Compensation

The aggregate compensation paid or payable to Directors and Key Management Personnel of the Group for the half-year is as follows:

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	31 Dec 2021 \$	31 Dec 2020 \$
Short-term employee benefits	362,000	356,083
Share-based payments	266,305	39,514
	628,305	395,597

Note 14: Acquisition of subsidiary

On 23 August 2021, the Group acquired a 100% interest in BlueSky Telecom Pty Ltd (“BlueSky Telecom”). BlueSky Telecom is engaged in the provision of state of the art Voice, Data and Managed solutions, offering tailored products for the SME metro-based market and remote mining operations and was acquired with the objective of increasing the range of products and services the Group can provide and add to the Group’s contracted recurring revenue streams. There are significant synergies expected from combining the operations of BlueSky Telecom within the Group.

Consideration of \$2,000,000 was transferred in cash.

A. The fair value of assets acquired and liabilities assumed as a result of the acquisition are as follows:

	\$
Cash and cash equivalents	36,313
Trade receivables (i)	464,334
Other receivables	96,330
Inventories	36,313
Plant and equipment	247,285
Right-of-use assets	514,485
Customer list and contracts	2,901,499
Trade and other liabilities	(1,073,026)
Borrowings and loans	(936,291)
Lease liabilities	(514,485)
Net identifiable assets acquired	<u>1,772,757</u>
Add: Goodwill	<u>227,243</u>
	<u>2,000,000</u>

- (i) The fair value of trade and other receivables is \$560,664 and includes trade receivables with a fair value of \$464,334. This is also the gross contractual amount for trade receivables, all of which is expected to be recoverable.

B. Revenue and loss contribution

The acquired business contributed revenues of \$1,271,010 and a net loss of \$168,161 to the Group for the period from 1 September 2021 to 31 December 2021. If the acquisition had occurred on 1 July 2021, consolidated revenue and consolidated loss for the half-year ended 31 December 2021 would have been \$3,709,881 and \$2,333,131 respectively. In determining

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these amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2021.

The initial accounting for the acquisition of BlueSky Telecom Pty Ltd has only been provisionally determined at the end of the half-year. At the date of finalisation of this half-year financial report, the necessary market valuations and other calculations had not been finalised and the fair value of the intangible assets, plant and equipment, and goodwill noted above have therefore only been provisionally determined based on the directors' best estimate of the likely fair value of the plant and equipment.

<i>C. Net cash outflow arising on acquisition</i>	\$
Consideration paid in cash	2,000,000
Less: cash and cash equivalents acquired	<u>(36,313)</u>
	<u>1,963,687</u>

D. Acquisition-related costs

The Group incurred acquisition-related costs of \$3,657 on legal fees for the half year ended 31 December 2021. These have been included in other expenses in profit or loss.

Note 15: Events occurring after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a material impact on the Group up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

On 4 February 2022, the Group issued an additional 625,000 shares raising \$100,000 and 8,593,749 free options exercisable at \$0.30 each and expiring on 4 February 2025.

There are no other significant events that have arisen since the end of the half-year which may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

DIRECTORS' DECLARATION

In the directors' opinion:

1. The condensed consolidated financial statements and notes, as set out on pages 4 to 19, are in accordance with the Corporations Act 2001 including:
 - a. giving a true and fair view of the Group's consolidated financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
 - b. complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001.
2. In the directors' opinion, there are reasonable grounds to believe that the Company 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.



Director

Dated this the 28 February 2022

**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 (the "Company") and its controlled entities (collectively, "Group"), which comprises the consolidated statement of financial position as at 31 December 2021, 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 makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 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 28 February 2022.

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.

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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 2021 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

A handwritten signature in blue ink that reads "Martin Michalik".

Martin Michalik
Director

West Perth, Western Australia
28 February 2022

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