



NEXION GROUP LTD
APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

31 August 2022

1. 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 year ended 30 June 2022. Comparatives are for the year ended 30 June 2021.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | 2022 | 2021 |
|------|--|------|------|---------------|---------------|
| | | | | \$'000 | \$'000 |
| 2.1 | Revenue from ordinary activities | Up | 209% | 6,747 | 2,180 |
| 2.2 | Profit/(Loss) from ordinary activities after tax attributable to members | Down | 59% | (6,569) | (4,139) |
| 2.3 | Net profit/(loss) for the year attributable to members | Down | 59% | (6,569) | (4,139) |
| | | | | Cents | Cents |
| 9. | Net Tangible assets per share – at the end of the period | | | 0.00147 | 0.0312 |
| 14.1 | Loss per share | | | (0.054) | (0.051) |
| | Diluted loss per share | | | (0.054) | (0.051) |
| | No dividend was declared during the period | | | | |

The loss includes an impairment loss on intangible assets of \$1,524,443.

3. DIVIDENDS

No dividends have been paid or declared since the start of the financial 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.

4. EXPLANATION OF RESULTS

2022 was the first full financial year since NEXION was listed on the ASX.

The Group incurred a net loss for the financial year ended 30 June 2022 of \$6,569,165 (2021 \$4,138,951). The net cash outflows for the financial year was \$3,608,416 (2021 net inflows \$4,754,051). At 30 June 2022 the Group had a cash balance of \$1,284,211 (2021 \$4,892,627).



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

On 23 August 2021, the Group acquired a 100% interest in BlueSky Telecom Pty Ltd.

During the financial year, the Group has acquired 100% of the issued share capital of BlueSky Telecom Pty Ltd for a cash consideration of \$2,000,000.

6. OTHER CORPORATE TRANSACTIONS

On 24 November 2021, Nexion Group Ltd issued an additional 16,562,500 shares to raise \$2,650,000 (before costs) and on 4 February 2022, the Group issued an additional 625,000 shares raising \$100,000 and 8,593,749 free attaching options exercisable at \$0.30 each and expiring on 4 February 2025.

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

NEXION announced, on 25 July 2022, it had entered into binding term sheets to acquire New Zealand information technology companies AISCorp Limited and Silicon Systems Limited. The terms of the acquisitions are to pay a minimum number of shares calculated at 1.1 times the FY22 revenue of the companies being acquired, divided by 20 cents per NNG share, with the vendors able to take up to 42% of the valuation in cash. On completion, should the NNG share price be less than 20 cents, then an adjusting amount of shares will be issued to account for the valuation shortfall. Performance rights up to an additional 100% of the FY22 revenue divided by 20 cents will be issued to the vendors. The purchase is subject to conditions, including completion of due diligence, NEXION obtaining its board, shareholder, regulator and third-party approvals and NEXION raising at least \$7.425M cash via debt and/or equity.

Except for the above acquisition, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group in future financial years.



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8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Nexion Group Limited has interests in the following entities:

| Associated Entities | Country of Incorporation | Date of Incorporation or Acquisition | Interest |
|----------------------------|---------------------------------|---|-----------------|
| Nexion Networks Pty Ltd | Australia | 07/03/2017 | 100% |
| Blue Sky Telecom Pty Ltd | Australia | 23/08/2021 | 100% |
| Nexion W1 DC Pty Ltd | Australia | 14/02/2018 | 100% |
| Nexion Pacific Ltd | New Zealand | 31/05/2021 | 100% |

9. AUDIT OF FINANCIAL STATEMENTS

The financial statements are in the process of being audited by the auditors and their audit report will be attached as part of the Annual Report once finalised.

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



NEXION GROUP LTD
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | 30 June 2022 | 30 June 2021 |
|---|-------|---------------------|--------------|
| | | \$ | \$ |
| Revenue from contracts with customers | 4 | 6,747,064 | 2,179,507 |
| Cost of goods sold | | (3,764,085) | (1,734,129) |
| Gross Profit | | 2,982,979 | 445,378 |
| Other income | | 8,767 | 208,452 |
| Expenses | | | |
| Consulting and accounting expenses | | (1,340,966) | (1,140,883) |
| Other expenses | | (1,317,615) | (1,066,946) |
| Employee benefits expenses | | (3,203,398) | (1,251,442) |
| Occupancy expenses | | (307,418) | (113,780) |
| Share based payments | 5 | (568,948) | (802,088) |
| Finance costs | | (270,110) | (80,300) |
| Depreciation and amortisation | | (1,028,022) | (337,340) |
| Impairment Loss | 10 | (1,524,433) | - |
| Loss before income tax | | (6,569,165) | (4,138,951) |
| Income tax expense | | - | - |
| Loss for the year | | (6,569,165) | (4,138,951) |
| Other comprehensive Income | | - | - |
| Total comprehensive loss for the year attributable to members | | (6,569,165) | (4,138,951) |
| The total comprehensive loss attributable to: Owners of Nexion Group Ltd | | (6,569,165) | (4,138,951) |
| Loss per share | | | |
| - Basic loss per share | | (0.054) | (0.051) |
| - Diluted loss per share | | (0.054) | (0.051) |

The accompanying notes form part of these consolidated financial statements.



NEXION GROUP LTD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

| | Notes | 30 June 2022 | 30 June 2021 |
|--|-------|---------------------|--------------|
| | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 6 | 1,284,211 | 4,850,088 |
| Trade and other receivables | 7 | 1,440,626 | 324,140 |
| Inventory | | 24,243 | - |
| Financial assets at amortised cost | | - | 360,000 |
| Total current assets | | 2,749,080 | 5,534,228 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 906,178 | 781,241 |
| Right-of-use assets | 9 | 1,504,840 | 1,286,363 |
| Intangible Assets | 10 | 1,120,726 | - |
| Other non-current assets | | 70,163 | 114,342 |
| Total non-current assets | | 3,601,907 | 2,181,946 |
| Total assets | | 6,350,987 | 7,716,174 |
| Current liabilities | | | |
| Trade and other payables | 12 | 2,206,928 | 895,665 |
| Lease liabilities | 13 | 214,788 | 200,209 |
| Provision for employee benefits | | 144,955 | 70,486 |
| Loans payable | 14 | 270,241 | 175,331 |
| Total current liabilities | | 2,690,912 | 1,341,691 |
| Non-current liabilities | | | |
| Lease liabilities | 13 | 1,420,492 | 1,152,551 |
| Loans payable | 14 | 340,203 | 466,667 |
| Other payables | | 599,076 | - |
| Total non-current liabilities | | 2,359,771 | 1,619,218 |
| Total liabilities | | 5,050,683 | 2,960,909 |
| Net assets / (liabilities) | | 1,300,304 | 4,755,265 |
| Equity | | | |
| Contributed equity | 15 | 13,225,858 | 10,680,601 |
| Share based payment reserve | 16 | 1,371,035 | 802,088 |
| Accumulated losses | 17 | (13,296,589) | (6,727,424) |
| Capital and reserves attributable to members | | 1,300,304 | 4,755,265 |
| Total Equity | | 1,300,304 | 4,755,265 |

The accompanying notes form part of these consolidated financial statements.



NEXION GROUP LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

| | Contributed Equity | 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 year | - | - | (4,138,951) | (4,138,951) |
| Total comprehensive loss for the year | - | - | (4,138,951) | (4,138,951) |
| Share based payment | - | 802,088 | - | 802,088 |
| Issue of shares (net of costs) | 9,325,855 | - | - | 9,325,855 |
| Balance as at 30 June 2021 | 10,680,601 | 802,088 | (6,727,424) | 4,755,265 |
| Balance as at 1 July 2021 | 10,680,601 | 802,088 | (6,727,424) | 4,755,265 |
| Loss for the year | | | (6,569,165) | (6,569,165) |
| Total comprehensive loss for the year | | | (6,569,165) | (6,569,165) |
| Share based payment | | 568,948 | | |
| Issue of shares (net of costs) | 2,545,257 | | | 2,545,257 |
| Balance as at 30 June 2022 | 13,225,858 | 1,371,036 | (13,296,589) | 1,300,304 |

The accompanying notes form part of these consolidated financial statements.



NEXION GROUP LTD
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | 30 June 2022 | 30 June 2021 |
|---|-------|---------------------------|--------------------|
| | | \$ | \$ |
| Cash flow from operating activities | | | |
| Receipts from customers | | 6,888,749 | 2,708,097 |
| Payments to suppliers and employees | | (9,983,662) | (6,092,365) |
| R&D rebate & government subsidies received | | - | 308,456 |
| Interest received | | 717 | 428 |
| Interest paid | | (191,085) | (107,676) |
| Net cash (outflow)/inflow from operating activities | 18 | <u>(3,285,282)</u> | <u>(3,183,060)</u> |
| Cash flow from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 92,000 | |
| Proceeds from / (Advance of) loan to third party | | 137,500 | (360,000) |
| Acquisition of subsidiary (net of cash acquired) | | (1,986,041) | |
| Payment for property, plant and equipment | | (39,668) | (5,791) |
| Net cash (outflow) from investing activities | | <u>(1,796,210)</u> | <u>(365,791)</u> |
| Cash flow from financing activities | | | |
| Repayment of borrowings | | (579,979) | - |
| Payments for loans to third parties | | - | (144,680) |
| Issue of shares (net of issue costs) | | 2,545,257 | 7,382,387 |
| Proceeds from issue of convertible notes | | - | 1,215,500 |
| Payment of lease liabilities | | (492,203) | (150,305) |
| Net cash inflow from financing activities | | <u>1,473,075</u> | <u>8,302,902</u> |
| Net increase in cash and cash equivalents | | (3,608,416) | 4,754,051 |
| Cash and cash equivalents at beginning of year | | 4,892,627 | 138,576 |
| Cash and cash equivalents at end of the year | 6 | <u>1,284,211</u> | <u>4,892,627</u> |

The accompanying notes form part of these consolidated financial statements.



NEXION GROUP LTD
NOTES TO THE PRELIMINARY FINANCIAL REPORTS
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Notes to the Preliminary Financial Report

Note 1: Basis of Preparation

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report. The Preliminary Final Report is unaudited and contains disclosures which are extracted or derived from the Annual Financial Report for which an audit has yet to be completed.

Note 2: Operating segments

Identification of reportable operating segments

The Group has identified its operating segments based on the internal management reports that are reviewed and used by the Executive Directors and Officers (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group has one segment, namely the provision of Hybrid Cloud infrastructure used by corporations to host their core business systems. All the Group's activities are interconnected, and all significant operating decisions are based on analysis of the Group as one segment.

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of comprehensive income.

For the year ended 30 June 2022, all revenues and material assets are considered to be derived and held in one geographical area being Australia. Whilst Nexion Pacific is based in New Zealand, minimal transactions occurred within Nexion Pacific during the year ended 30 June 2022.

Note 3: Significant events and transactions

Other than those events and transactions disclosed in the Operating and Financial Review, there are no significant events which may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.



NEXION GROUP LTD
NOTES TO THE PRELIMINARY FINANCIAL REPORTS
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Note 4: Revenue from contracts with customers

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.

| | 30 June 2022 | 30 June 2021 |
|----------------------------|-------------------------|------------------|
| | \$ | \$ |
| Product Categories: | | |
| Networking | 1,237,632 | 464,248 |
| Security | 97,379 | 235,564 |
| Data and Managed Solution | 1,018,993 | - |
| Data Centre | 546,534 | 631,194 |
| Consulting | 909,015 | 154,091 |
| Voice | 1,817,904 | - |
| Cloud | 1,119,606 | 694,410 |
| | <u>6,747,064</u> | <u>2,179,507</u> |

Operating segments

The Group largely operates in one geographic segment, being Australia.

Note 5: Share based payments

Class A and Class 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 upon the Company achieving a Total Pro-forma Revenue of \$15,000,000 for the financial year ended 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").



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Note 5: Share based payments (continued)

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 Company 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 fair value of the performance rights was determined using the following assumptions:

| | FY 2022 | FY 2023 |
|--|------------------|------------------|
| Value per performance right | \$0.20 | \$0.20 |
| Hurdle revenue | \$15,000,000 | \$30,000,000 |
| Pro-forma revenue achieved | \$7,683,832 | n/a |
| Number of rights expected to vest as at 30 June 2022 | 2,245,566 | 4,247,423 |
| Value of rights expected to vest | \$449,111 | \$849,485 |

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

Share based payments expense recognised for the year ended 30 June 2022 in relation to these performance rights amounted to \$568,948 (30 June 2021: \$305,819).



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Note 5: Share based payments (continued)

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:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 2/02/2021 | 2/02/2024 | \$0.20 | \$0.40 | 90.00% | 0.00% | 0.11% | \$0.0822 |

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



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Note 6: Current assets - cash and cash equivalents

| | 30 June 2022 | 30 June 2021 |
|-----------------|-------------------------|------------------|
| | \$ | \$ |
| Cash at bank | 1,241,675 | 4,892,627 |
| Cash on deposit | 42,539 | - |
| | <u>1,284,211</u> | <u>4,892,627</u> |

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows as follows:

| | | |
|--|-------------------------|------------------|
| Balances as above | <u>1,284,211</u> | <u>4,850,088</u> |
| Balance as per statement of cash flows | <u>1,284,211</u> | <u>4,850,088</u> |

Note 7: Current assets - trade and other receivables

| | 30 June 2022 | 30 June 2021 |
|--|-------------------------|-----------------|
| | \$ | \$ |
| Trade receivables | 1,370,119 | 276,630 |
| Less: Allowance for expected credit losses | (56,696) | - |
| | <u>1,313,423</u> | <u>276,630</u> |
| Other receivables: | | |
| Research and Development receivables | - | - |
| Term deposit | - | 42,539 |
| Net GST receivables | 127,203 | 4,971 |
| Total trade and other receivables | <u>1,440,626</u> | <u>324,140</u> |



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Note 8: Non-current assets – property, plant and equipment

| | 30 June 2022 | 30 June 2021 |
|---|-------------------------|-----------------|
| | \$ | \$ |
| Vehicles – at cost | 108,899 | 108,899 |
| Vehicles – accumulated depreciation | (51,033) | (33,318) |
| Vehicles – carrying value at the end of the year | 57,867 | 75,581 |
| Plant & equipment – at cost | 1,491,168 | 1,145,613 |
| Plant & equipment – accumulated depreciation | (642,856) | (267,257) |
| Plant & equipment – carrying value at the end of the year | 848,312 | 788,833 |
| Total property, plant & equipment | 906,178 | 864,414 |

Note 9: Non-current assets – right-of-use assets

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

| | 30 June 2022 | 30 June 2021 |
|---------------------------------|-------------------------|-----------------|
| | \$ | \$ |
| Land & buildings – right-of-use | 2,136,290 | 1,599,452 |
| Less: Accumulated depreciation | (631,451) | (313,089) |
| Carrying value | 1,504,840 | 1,286,363 |



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Note 10: Intangible Assets

| | 30 June 2022 | 30 June 2021 |
|---|-------------------------|-----------------|
| | \$ | \$ |
| Customer list and contracts – at fair value | 2,901,499 | - |
| Less: Accumulated amortisation | (483,583) | - |
| Less: Impairment | (1,297,190) | - |
| | 1,120,726 | - |
| Goodwill | 227,243 | - |
| Less: Impairment | (227,243) | - |
| | - | - |
| | 1,120,726 | - |

The intangible assets held by the Group increases as a result of the acquisition of BlueSky Telecom Pty Ltd. See note 18 for further information.

Note 11: 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 Satellite Services, Networking, 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.



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Note 11: Acquisition of subsidiary (continued)

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 on 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 revenue of \$2,821,477 and a net loss of \$147,033 to the Group for the period from 1 September 2021 to 30 June 2022. If the acquisition had occurred on 1 July 2021, consolidated revenue and consolidated loss for the full-year ended 30 June 2022 would have been \$7,683,832 and \$5,632,397 respectively. In determining 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.

C. Net cash outflow arising on acquisition

| | |
|--|-------------------------|
| | \$ |
| Consideration paid in cash | 2,000,000 |
| Less: cash and cash equivalents acquired | (36,313) |
| | <u>1,963,687</u> |



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NOTES TO THE PRELIMINARY FINANCIAL REPORTS
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Note 11: Acquisition of subsidiary (continued)

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 12: Trade and other payables

| | 30 June 2022 | 30 June 2021 |
|--------------------------------|-------------------------|-----------------|
| | \$ | \$ |
| <i>Current</i> | | |
| Trade payables | 779,162 | 603,595 |
| Other payables | 1,281,766 | 292,070 |
| Total trade and other payables | <u>2,060,928</u> | <u>895,665</u> |
| <i>Non-Current</i> | | |
| Other payables | 599,076 | - |
| | <u>599,076</u> | <u>-</u> |
| | <u>2,660,005</u> | <u>895,665</u> |

Note 13: Non-current liabilities - lease liabilities

| | 30 June 2022 | 30 June 2021 |
|-------------------|-------------------------|------------------|
| | \$ | \$ |
| Lease liabilities | <u>1,420,492</u> | <u>1,152,551</u> |



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Note 13: Non-current liabilities – lease liabilities (continued)

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

| 30 June 2022 | < 1 year | 1 – 5 years | >5 years | Total undiscounted lease liabilities | Lease liabilities included in the Consolidated Statement of Financial Position |
|---------------------|--------------------|--------------------|--------------------|---|---|
| | \$ | \$ | \$ | \$ | \$ |
| Lease liabilities | 264,460 | 951,425 | 597,960 | 1,813,845 | 1,612,467 |
| 30 June 2021 | | | | | |
| Lease liabilities | 241,308 | 720,235 | 597,960 | 1,559,503 | 1,352,760 |

Note 14: Loans payable

| | 30 June 2022 | 30 June 2021 |
|------------------------------------|---------------------|--------------|
| | \$ | \$ |
| <i>Current</i> | | |
| Loans payable to related parties | - | - |
| Loans payable to third parties (i) | 232,046 | 150,441 |
| Hire purchase - vehicles | 38,195 | 24,890 |
| Total trade and other payables | 270,241 | 175,331 |
| <i>Non-Current</i> | | |
| Loans payable to third parties (i) | 340,203 | 428,472 |
| Hire purchase - vehicles | - | 38,195 |
| | 340,203 | 466,667 |

(i) Loans payable to third parties is for equipment finance for IT property, plant and equipment used in the Data Centre and for some client contracts. The terms of the 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% |



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NOTES TO THE PRELIMINARY FINANCIAL REPORTS
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Note 14: Loans payable (continued)

| Loan terms | Loan #5 | Loan #6 | Loan #7 | Loan #8 |
|--------------------|-----------|----------|----------|-----------|
| Amount financed | 105,018 | 16,722 | 20,488 | 81,470 |
| Commencement date | 30-Nov-21 | 1-Feb-22 | 1-Feb-22 | 14-Dec-20 |
| Monthly repayments | 3,217 | 498 | 618 | 4,000 |
| Finance term | 3 years | 3 years | 3 years | 2 years |
| Interest rate | 6.86% | 4.38% | 5.60% | 9.60% |

Note 15: Equity - issued capital

| | 30 June 2022 Shares | 30 June 2021 Shares | 30 June 2022 \$ | 30 June 2021 \$ |
|------------------------------|---------------------------|---------------------------|-----------------------|-----------------------|
| Ordinary shares - fully paid | <u>128,480,956</u> | <u>111,293,456</u> | <u>13,225,858</u> | <u>10,680,601</u> |

Movements in ordinary share capital

| Details | Shares | \$ |
|---|---------------------------|--------------------------|
| Balance as at 1 July 2020 | 49,137 | 1,354,746 |
| Issue of shares | 310 | - |
| Share split (1,168.75 for 1) | 57,741,734 | - |
| Issue of shares @ \$0.20 per share | 40,000,000 | 8,000,000 |
| Convertible notes issued @\$0.16 per share (i) | 7,596,888 | 1,175,768 |
| Loans payable converted into shares (note 22(ii)) | 5,905,387 | 767,700 |
| Share issue costs | - | (617,613) |
| Balance as at 30 June 2021 | <u>111,293,456</u> | <u>10,680,601</u> |
| Issue of shares | 17,187,500 | 2,750,000 |
| Share issue costs | - | (204,743) |
| Balance as at 30 June 2022 | <u>128,480,956</u> | <u>13,225,858</u> |

- (i) During August 2020, the Company issued 6,500 convertible notes at an issue price of \$187 raising \$1,215,500 before costs of \$175. Interest at 8% per annum was payable quarterly in arrears. The convertible notes were unsecured. The equity component of \$1,175,768 has been recognised in equity at the date of issue.

On 2 February 2021 the notes were converted to 7,596,888 ordinary shares at \$0.16 each. On conversion, the equity component of \$1,175,768 was transferred to share capital. No gain or loss was recorded on conversion.



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Note 15: Equity - issued capital (continued)

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options and performance rights

For information relating to the Company's options and performance rights, refer to note 10.

For information relating to performance rights issued to key management personnel during the year, refer to note 10.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

Capital is regarded as total equity, as recognised in the statement of financial position, plus cash and cash equivalents.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

Note 16: Equity – reserves

| | 30 June 2022 | 30 June 2021 |
|-----------------------------|-------------------------|-----------------|
| | \$ | \$ |
| Share based payment reserve | <u>1,371,035</u> | <u>802,088</u> |

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:



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Note 16: Equity – reserves (continued)

| | Share based payment reserve |
|--|------------------------------------|
| | \$ |
| Balance as at 1 July 2020 | - |
| Share based payment expense recognised during the year | 802,088 |
| Balance as at 30 June 2021 | 802,088 |
| Share based payment expense recognised during the year (note 10) | 568,948 |
| Balance as at 30 June 2022 | 1,371,036 |

Share based payment reserves relate to share options and performance rights granted by the Company to its employees, consultants and Directors under the terms and conditions issued by the Company.

Movements in performance rights are set out below:

| | 30 June 2022 | | 30 June 2021 | |
|---------------------------------------|------------------|------------------------------|--------------|------------------------------|
| | Number | Value at reporting date (\$) | Number | Value at reporting date (\$) |
| Class A Performance rights | | | | |
| Balance at the start of the year | 4,383,664 | 526,040 | - | - |
| Granted during the year | - | - | 4,383,664 | 526,040 |
| Vested during the year | - | - | - | - |
| Balance at the end of the year | 4,383,664 | 526,040 | 4,383,664 | 526,040 |
| Class B Performance rights | | | | |
| Balance at the start of the year | 5,096,908 | 509,691 | - | - |
| Granted during the year | - | - | 5,096,908 | 509,691 |
| Vested during the year | - | - | - | - |
| Balance at the end of the year | 5,096,908 | 509,691 | 5,096,908 | 509,691 |



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Note 17: Equity – accumulated losses

| | 30 June 2022 | 30 June 2021 |
|---|-------------------------|-----------------|
| | \$ | \$ |
| Accumulated losses at the beginning of the financial year | 6,727,424 | 2,588,473 |
| Losses for the year | 6,569,165 | 4,138,951 |
| Accumulated losses at the end of the financial year | 13,296,589 | 6,727,424 |

Note 18: Reconciliation of profit after income tax to net cash from operating activities

| | 30 June 2022 | 30 June 2021 |
|--|-------------------------|-----------------|
| | \$ | \$ |
| Loss after income tax expense for the year | (6,569,165) | (4,138,951) |
| <i>Adjustments for non-cash expenses:</i> | | |
| Depreciation and amortisation | 1,028,022 | 337,340 |
| Impairment loss | 1,524,433 | |
| Non-cash interest expense | 79,025 | 13,118 |
| Accrual of R&D incentives | - | - |
| Share-based payments | 568,948 | 802,088 |
| Loss on sale of non-current asset | (5,461) | 28,500 |
| Non-cash share capital adjustment | - | 20,000 |
| <i>Movement in operating assets and liabilities:</i> | | |
| Decrease/(increase) in trade and other receivables | (546,751) | 565,177 |
| Increase in prepayments | (333) | - |
| (Decrease)/increase in trade and other payables | 636,000 | (839,056) |
| Increase in other provisions | | 28,724 |
| Net cash from operating activities | (3,285,281) | (3,183,060) |