



31 January 2023

Quarterly Activities Report

For the quarter ending 31 December 2022

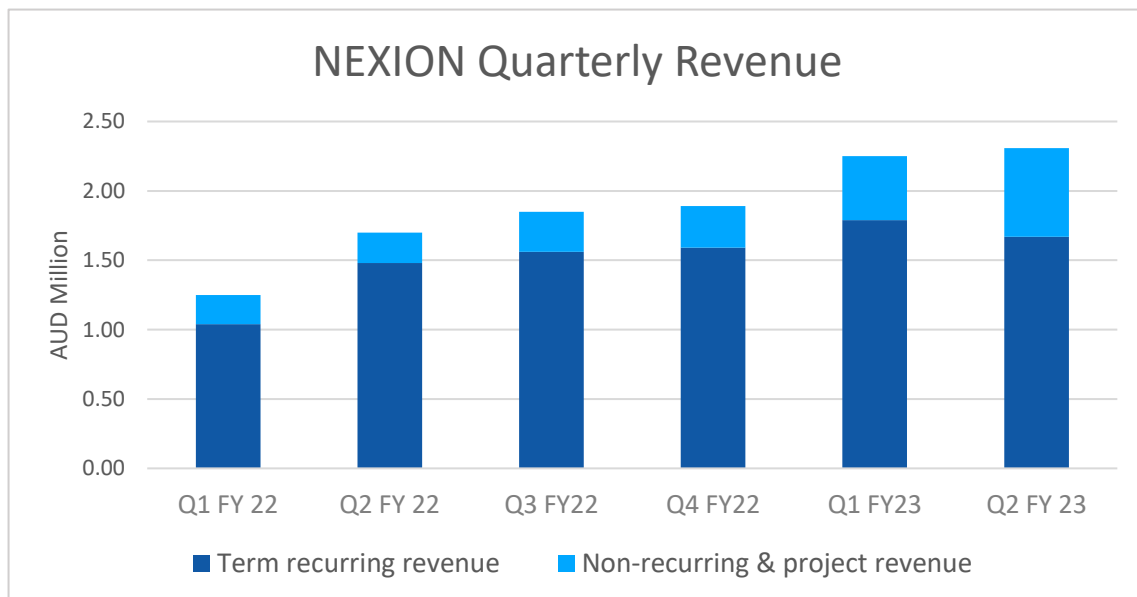
NEXION delivers another strong result, posting its 7th consecutive quarter of revenue growth.

NEXION Group Ltd (**Nexion** or **Company**) (ASX: NNG), the fast emerging, global Cloud service provider is pleased to announce another strong quarter of revenue, posting \$2.3M for Q2.

Highlights

- Total Q2 revenue of \$2.3m up 35.9% vs the prior corresponding period and 2.6% on Q1.
- Cash consumption from operating activities was stable at an average of \$283K per quarter for the first half with some CoGs from deals booked in Q1 being paid in Q2.
- A Rights issue was closed in the quarter, raising \$1.079M and debt funding negotiations progressed to take on \$3M to support planned acquisitions in New Zealand.
- Cost management continued in business operations, offset against the additional fees and administrative overhead of M&A activity.

NEXION posted another record revenue quarter, its 7th consecutive growth quarter since IPO, delivering \$2.3M up 2.6% on the previous quarter and 35.9% on the previous corresponding period (Q2, FY22). Cash receipts of \$2.664m was up 15% on prior quarter and quarterly cash burn continues to decrease as the company moves closer to profitability.



Some significant new customer wins and continued contract renewals and extensions demonstrate the strength of Nexion's capability and product.

Recurring revenue was slightly down as legacy voice-over-IP (VOIP) customers migrated to lower cost Microsoft Teams calling and similar platforms. VOIP customers are a small subset of NEXION's recurring revenue base that are expected to swap across to new platforms quickly.

M&A work continued with a Rights issue to raise funds for the New Zealand acquisitions underway and debt sought to support rapid growth through additional acquisitions throughout 2023.

Conclusion

NEXION continues to demonstrate organic revenue growth, delivery of operational cost management initiatives and capability in execution of our global acquisition strategy. The company is focused on adopting best practices in operations and completed its ISO27001 and SOC II certifications in the quarter.

Payments to Related Parties in Appendix 4C:

The ASX Appendix 4C for the quarter ended 31 December 2022 included payments to related parties in item 6.1. These payments relate to directors' fees for that quarter.

Comparison with prospectus use of funds statement:

A summary of expenditure since listing, and a comparison with the use of funds statement in the Company's prospectus dated 30 November 2020, is set out below:

Use of Proceeds under the prospectus	Funds allocated under prospectus (A\$000'S)	Funds expended between admission and 31 December 2022 (A\$000's)
Deployment of new Onecloud Nodes	(3,300)	(604)
Expenses of the offer	(360)	(360)
Administration Costs	(708)	(668)
Working Capital	(3,882)	(3,974)
Add: receipts from customers between admission and 31 December 2022		12,801
Less: Product manufacturing and operating costs between admission and 31 December 2022		(8,167)
Less: other costs between admission and 31 December 2022		(7,296)
Less: Funds expended in acquiring another entity		(2,000)
Add: receipts from issue of shares		3,536
Net funds expended between admission and 31 December 2022		(6,731)

Explanation of variances in comparison with prospectus use of funds statement:

An explanation of variances in the comparison with the use of funds statement in the Company's prospectus dated 30 November 2020, is set out below:

One Cloud Nodes: At the time of the prospectus the business model for the bulk of customer contracts was to buy hardware nodes and rent them to customers. Over the course of time, this has shifted so that the

nature of most of the customer contracts that are being won are on a consumption as a service basis. This means that instead of purchasing bulk hardware with excess capacity (ie One Cloud Nodes), Nexion has been buying and reselling cloud-based services on an as required basis for clients.

In addition to the above, subsequent to listing Nexion acquired BlueSky Telecom Ltd, while BlueSky Telecom Ltd operates a similar business the use of funds have varied as a result of operating a additional business unit.

About NEXION Group Ltd

NEXION is an information technology service provider that offers global network, compute, security and data storage solutions, as-a-service that it integrates with Public Cloud services to form NEXION's hybrid cloud solution called NEXION OneCloud. NEXION sells its OneCloud capacity and technology management services to enterprise customers on term contracts up to 60-months. The company's enterprise ICT managed services division offers Technology as a Service across the globe.

www.nexiongroup.io

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

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Should you wish to contact the company in relation to this announcement please contact:
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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 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,664	4,972
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,481)	(2,451)
(c) advertising and marketing	1	(9)
(d) leased assets	-	-
(e) staff costs	(969)	(1,556)
(f) administration and corporate costs	(816)	(1,527)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(599)	(566)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses		
	(i) property, plant and equipment	(59)	(134)
	(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	Net cash from / (used in) investing activities	(59)	(134)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,079	1,079
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	-	-
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(4)	(8)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (cash balance of acquired entity at date of acquisition)	-	-
3.10	Net cash from / (used in) financing activities	1,075	1,071

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,237	1,284
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(599)	(566)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(59)	(134)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,075	1,071
4.5	Effect of movement in exchange rates on cash held	1	-
4.6	Cash and cash equivalents at end of period	1,655	1,655

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
		31 December 2022	30 September 2022
5.1	Bank balances	1,655	1,237
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,655	1,237

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(209)
6.2	Aggregate amount of payments to related parties and their 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>		

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7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(599)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,655
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,655
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.76
	<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>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer: N/A	
	8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer: N/A	
	8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	Answer: N/A	
	<i>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.</i>	

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9. Additional Disclosure

Classes A and B Performance Rights

Nexion Group Ltd (“NNG” or “Company”) had 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 NNG plus the pre-acquisition revenue for that financial year of any subsidiaries acquired during that financial year.

Any Performance Rights not vested before their expiry date, will lapse. The Class A Performance Rights remained on issue from their date of issue until they vested on 6 December 2022. The Class B Performance Rights have remained on issue since their date of issue.

On 6 December 2022, 4,383,664 Class A Performance Rights partially met their vesting conditions, and 2,245,555 ordinary shares were issued on 6 December 2022 pursuant to the vesting of all 4,383,664 Class A Performance Rights.

No Class B Performance Rights have been vested, converted or cancelled since their date of issue. None of the Class B Performance Rights vesting conditions have been met since their date of issue.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

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”.

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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.

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