NEXION Group

www.nexiongroup.io

18 December 2024

Clarification of Quarterly Activities Report

For the quarter ending 30 Sep 2024

NEXION Group Ltd (**Nexion** or **Company**) (ASX: NNG) provides the following clarification of the Quarterly Activities Report for the quarter ended on 30 September 2024, announced on 31 October 2024.

Summary of the expenditure incurred on the activities during the quarter:

Product manufacturing and operating costs: $688,000
Advertising and marketing: $1,000
Staff costs: $208,000
Administration and corporate costs: $458,000
Interest and other costs of finance paid: $1,000.

Issue of Convertible Notes

As clarification of the Quarterly Activities Report for the quarter ended on 30 September 2024 and item 7.6 in the Appendix 4C, both announced on 31 October 2024, during the quarter, Nexion issued two convertible notes:

- 500,000 convertible notes of $0.10 each to raise $50,000 issued to Lynette Ponniah (refer Appendix 3G - Notification regarding unquoted securities announced on 19 July 2024); and
- 3,500,000 convertible notes of $0.10 each to raise $350,000 issued to Wong Chi Wai Roy (refer Appendix 3G - Notification regarding unquoted securities announced on 15 August 2024).

Prior to 1 July 2024, Nexion issued the following convertible notes:

- 5,000,000 convertible notes of $0.10 each to raise $500,000 issued to Wong Chi Wai Roy (refer Appendix 3G - Notification regarding unquoted securities announced on 18 June 2024).
- 1,500,000 convertible notes of $0.10 each to raise $150,000 issued to Lynette Ponniah (refer Appendix 3G - Notification regarding unquoted securities announced on 18 June 2024); and
- 50,000 convertible notes of $0.10 each to raise $5,000 issued to Batikh Pty Ltd (refer Appendix 3G - Notification regarding unquoted securities announced on 18 June 2024).
- 250,000 convertible notes of $0.10 each to raise $25,000 issued to Claude L Daly & Sons Pty Ltd (refer Appendix 3G - Notification regarding unquoted securities announced on 18 June 2024).
- 250,000 convertible notes of $0.10 each to raise $25,000 issued to Herdsman Lake Capital Asia Pte. Ltd (refer Appendix 3G - Notification regarding unquoted securities announced on 18 June 2024).
- 750,000 convertible notes of $0.10 each to raise $75,000 issued to Brian Thomas Clayton (refer Appendix 3G - Notification regarding unquoted securities announced on 18 June 2024).

Subsequent to 30 September 2024, Nexion issued the following convertible notes:

- 2,500,000 convertible notes of $0.10 each to raise $250,000 issued to Wong Chi Wai Roy (refer

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Appendix 3G - Notification regarding unquoted securities announced on 21 October 2024).

All of the convertible notes were issued with the same terms and conditions.

Refer to the announcement on 18 June 2024 titled "NNG Convertible Note Finance".

The purpose of the issue is to raise funds to contribute to costs incurred for a proposed acquisition as first announced on 23 April 2024 (**Proposed Transaction**).

Nexion may elect to repay the Convertible Notes in cash at any time prior to maturity.

The Convertible Notes are unsecured, mature on 31 May 2026 and attract interest at 10% per annum.

Interest is payable at the earlier of:

1) maturity of the Convertible Notes;
2) conversion of the Convertible Notes; and
3) upon the early repayment of the Convertible Notes by Nexion prior to maturity, at Nexion's election.

The Convertible Notes are, subject to shareholder approval, convertible into the Conversion Securities (defined below) at the election of the Noteholder, subject to:

1) Nexion obtaining shareholder approval for the issue of the Conversion Securities;
2) ASX not objecting to the conversion of the Convertible Notes; and
3) either:
   a) Nexion confirmation that the Proposed Transaction will not occur; or
   b) The Proposed Transaction does not occur by the date of maturity.

At this stage the Company expects the Convertible Notes to be repaid in full in cash with no Conversion Securities (defined below) to be issued.

On conversion, the Noteholder will receive fully paid ordinary shares in Nexion (**Shares**) calculated as the total face value of the Convertible Notes divided by $0.10 (**Conversion Shares).** In addition, the Noteholder will receive 4.25 free-attaching options exercisable at $0.001 each and expiring on 30 June 2026 for every one Conversion Share issued on conversion of the Convertible Notes (**Conversion Options**).

The Conversion Shares and Conversion Options are collectively referred to as the **Conversion Securities**.

About NEXION Group Ltd

NEXION integrates software, compute, storage, network and cyber security to deliver reliable and robust hybrid-cloud systems. NEXION owns 2MW data centre in Perth Western Australia that it uses to host compute and storage equipment and deliver cloud services.

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

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Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
Nexion Group Ltd	
ABN	**Quarter ended ("current quarter")**
48 628 415 887	30 September 2024

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	936	936
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(668)	(668)
	(c) advertising and marketing	(1)	(1)
	(d) leased assets	-	-
	(e) staff costs	(208)	(208)
	(f) administration and corporate costs	(458)	(458)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	4
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other		
1.9	**Net cash from / (used in) operating activities**	**(396)**	**(396)**

Note:

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(9)	(9)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(9)**	**(9)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	400	400
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	(73)	(73)
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**	**327**	**327**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	72	72
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(396)	(396)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(9)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	327	327
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**(6)**	**(6)**

Note:

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 30 September 2024	Previous quarter $A'000 30 June 2024
5.1	Bank balances	(6)	72
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)**	**(6)**	**72**

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	134
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

The amount in item 6.1 relates to directors' fees and other consulting fees paid for the quarter.

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.

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	1,180	1,180
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	1,180	1,180

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.	

Convertible Notes. Refer to the announcement on 18 June 2024 titled "NNG Convertible Note Finance"

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(396)
8.2	Cash and cash equivalents at quarter end (item 4.6)	(6)
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	(6)
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.02

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.

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: The Company expects that its net operating cash flow will improve over the next two quarters due to progressively improving revenue and cost reduction.

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: The Company has secured additional funding this quarter to support its operational needs by fulfilling $400,000 in the issuance of convertible notes. Additionally, in October 2024 a further $250,000 has been received.

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: Yes, the Company expects to sustain operations and achieve its business objectives based on current financial projections and strategic planning.

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.

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9. Additional Disclosure

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

Key terms for the ZEPOs are: Adjusted Revenue means total consolidated revenue excluding one-off or extraordinary revenue items, revenue received in the form of government grants, allowances, rebates or other hand-outs and revenue that has been "manufactured" to achieve the Vesting Condition. Total Revenue for a financial year means the total Adjusted Revenue of Nexion Group Ltd (Company) for that financial year. 30 Day VWAP means the volume weighted average price per Share calculated over the 30 days on which sales in the Company's ordinary shares are recorded before the day on which the calculation is made. Adjusted EBITDA for a financial year means the Company's consolidated net profit before income tax for that year, plus the Company's consolidated depreciation expense for that year, plus the Company's consolidated amortisation expense for that year, plus the Company's consolidated interest expense for that year, plus the Company's consolidated expensed direct costs of activities relating to mergers or acquisitions of business entities or subsidiaries for that year, plus the Company's consolidated expensed direct costs for capital raising for that year, plus the Company's consolidated share based payments expense for that year. An Adjusted EBITDA of less than zero will be deemed to be zero.

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

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

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

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

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

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

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

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

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

	met will automatically lapse upon the earlier to occur of 30 November 2024; and the holder ceasing to be an officer (and employee, if applicable) of the Company, unless otherwise determined by the Board at its absolute discretion. Once vested, the ZEPOs are exercisable at any time on or prior to the Expiry Date. The ZEPOs have remained on issue since their date of issue. No ZEPOs have been vested, exercised or cancelled since their date of issue. None of the ZEPOs vesting conditions have been met since their date of issue.

Compliance statement

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

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

Date: 31 October 2024

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – e.g., Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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