



NEXION GROUP LTD
APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

31 August 2021

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 2021. Comparatives are for the year ended 30 June 2020.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				2021	2020
				\$'000	\$'000
2.1	Revenue from ordinary activities	Down	43%	2,180	3,803
2.2	Profit/(Loss) from ordinary activities after tax attributable to members	Down	237%	(4,139)	(1,227)
2.3	Net profit/(loss) for the year attributable to members	Down	237%	(4,139)	(1,227)
				Cents	Cents*
9.	Net Tangible assets per share – at the end of the period			0.0312	(0.0437)
14.1	Loss per share			(0.051)	(0.022)
	Diluted loss per share			(0.051)	(0.022)

*The net tangible assets per share and the loss per share for the 2020 Financial Year have been adjusted to reflect the share split on 19 October 2020 of 1,168.75 shares for each share held.

OPERATING RESULTS

Additional information supporting the Appendix 4E disclosure requirements can be found in the Annual Report which contains the Directors’ Report and the Financial Statements for the year ended 30 June 2021.

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.

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

The Group incorporated a wholly owned subsidiary company in New Zealand on 31 May 2021 (Nexion Pacific Ltd). This company was dormant as at 30 June 2021. The financial reports for Nexion Pacific Ltd will be drafted in compliance with NZ IFRS standards.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Group did not have any associates or participate in any joint ventures during the year ended 30 June 2021.



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AUDIT OF FINANCIAL STATEMENTS

This report is based on the attached consolidated annual financial statements which have been audited by our auditors.

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

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NEXION Group

NEXION GROUP LTD

ACN 628 415 887

Annual Report for the year ended 30 June 2021

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NEXION GROUP LTD
CORPORATE DIRECTORY
30 JUNE 2021

Corporate Directory

Directors

Peter Christie (Non-executive Chairman)
Chris Daly (Non-executive Director)
Paul Glass (Managing Director and Chief Executive Officer)
Kevin Read (Alternate Director and Chief Operating Officer)

Company Secretary

Jack Toby

Registered Office

Level 5
25 Walters Drive
Osborne Park
WA, 6017
Tel: +61 8 9441 4835
Website: www.nexiogroup.io

Principal Place of Business

Building C, Level 2
Garden Office Park
355 Scarborough Beach Road
Osborne Park
WA, 6017

Auditor

Stantons International Audit and Consulting Pty Ltd
Level 2, 1 Walker Avenue
Perth
WA, 6005

Share Registry

Computershare Investor Services Pty Limited
172 St Georges Terrace
Perth
WA, 6000

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth
WA, 6000

ASX Code

NNG

NEXION GROUP LTD
OPERATING AND FINANCIAL REVIEW
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Operating and Financial Review

Principal activities

Nexion Group Ltd (the “Company”), and its subsidiaries (the “Group”, “NEXION”) provides Hybrid Cloud infrastructure used by corporations to host their core business systems. Hybrid Cloud describes the combined use of dedicated private computer infrastructure with publicly available Cloud services to optimise the price and performance of corporate IT systems.

Review of Operations

NEXION was admitted to the official list of the ASX on 16 February 2021, and in a short period of 4 and a half months to 30 June has taken great strides toward achieving its primary goal of becoming a global Hybrid Cloud operator and Enterprise ICT solutions provider of choice.

The company pursues long-term (3 to 5 year) information technology Hybrid Cloud service and managed service contracts with tier-1 customers and has successfully increased the total value of contracts on-hand from \$6.1M just after IPO to \$10.2M by June 30; a 67% increase in the final quarter of the year. The company has expanded its client base to include customers in New Zealand, Canada, South Africa, and Dubai, as well as added Tier 1 Partnership globally with IBM.

COVID-19 hit NEXION in mid-2020, just as it was gathering momentum toward its IPO. The first half was relatively soft as it was for many technology service providers as customers put new technology projects on hold. The second half saw business gather pace toward pre-COVID growth rates and although product supply and resource availability remain a challenge, NEXION has begun to forge ahead faster than ever.

This year, the team has focussed on investing in, and building strategic relationships with its core customers and suppliers to develop revenue streams across a range of Hybrid Cloud and SD-WAN network services. These efforts are showing seeds of success with NEXION winning new business across a diverse range of customers and industry verticals. Since listing, the Company has employed a number of highly experienced sales people in the Perth office and increased the technical team to deliver new contracts the sales team has won.

NEXION made its first international steps toward building a global Hybrid Cloud platform by extending its relationship with Aryaka (Silicon Valley Head Quarter Global company), its global SD-WAN partner beyond Australia to include New Zealand then formalising a relationship with IBM Global Technology Services to launch Hybrid Cloud in-country. In recent weeks NEXION announced it had been selected as lead partner, taking the helm of Aryaka business in Australia and New Zealand and the expansion of its channel base in country.

Significant events and transactions during the year

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 was 8% per annum payable quarterly in arrears. On 2 February 2021, Nexion Group Ltd issued 7,596,888 ordinary shares pursuant to the conversion of these convertible notes of \$187 each on the basis of 1,168.75 ordinary shares for each convertible note.

On 19 October 2020, a share restructure occurred whereby shareholders received 1,168.75 shares for every 1 share held in the Company.

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On 3 November 2020, a number of loans payable were converted to issued shares in the Company. A total amount of \$767,700 of loans was extinguished, with 5,905,387 shares issued.

On 27 November 2020, the Company changed its status from a Pty Ltd company to a public company.

On 2 February 2021, Nexion Group Ltd issued 40,000,000 shares at 20 cents each and issued 6,038,702 options. Nexion Group was admitted to the Official List of ASX, which took effect on and from 16 February 2021 (ASX code 'NNG').

Matters subsequent to the end of the financial year

Delivering on the commitment to grow both organically and through acquisition of aligned businesses, NEXION announced the acquisition of Blue Sky Telecom ("Blue Sky") in Perth for a cash consideration of \$2 million. Blue Sky has particular strengths in satellite communications services and content distribution to the remote mining operations of Western Australia, both complimentary services to NEXION's business. The Group has begun integration of the teams and has since consolidated the sales function to now have a team of more than 10 people.

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.

Likely developments and expected results of operations

NEXION has extended its core network to cover an extended reach across capital and regional Australia as well as additional Cloud and network nodes in three locations since listing, and continues to pursue international growth both East and West around the globe from its headquarters in Perth, Western Australia and as economic conditions improve, hopes to deliver an outstanding result for the coming financial year 2022.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Corporate Governance Statement

Introduction

The following Corporate Governance statement has been approved by the Board of the Company.

The directors are focussed on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Recommendations – 4th Edition" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it. At the end of this statement a table is included detailing the recommendations with which the Company does not strictly comply.

The following section addresses the Company's practices in complying with the principles.

Principle 1: Lay solid foundations for management and oversight

Board Charter

The Board has adopted the following Board Charter:

The business of the Company is managed under the direction of the Board of Directors. The Board is accountable to shareholders of the Company for the performance of the Company.

Each Director of the Company will act in good faith in the best interests of the Company and collectively oversee and appraise the strategies, major policies, processes and performance of the company using care and diligence to ensure that Company's long term sustainability is assured.

Directors will not misuse their position on the Board to advance personal interests nor to represent particular constituencies. Directors will not use information available to them as Board members to advance personal interests or agendas.

Directors are required to inform the Board of any conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors must absent themselves from discussion or decisions on those matters.

The Company's Constitution and Australian corporations law specifies the minimum and maximum number of directors of the Company.

The Directors must elect one of their number as Chairman.

The chairman will be responsible for leading the board, facilitating the effective contribution of all directors and promoting constructive and respectful relations between directors and between the board and management. The chair will also usually be responsible for approving board agendas and ensuring that adequate time is available for discussion of all agenda items, including strategic issues.

Each of the directors is entitled to seek independent advice at the Company's expense whenever they judge such advice necessary for them to discharge their responsibilities as directors.

Role and Responsibilities of the Board

The Company has established the functions reserved to the Board. The Board has primary responsibility to shareholders for the sustainability and relevance of the Company by guiding and monitoring its business and affairs. The Board is responsible for:

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CORPORATE GOVERNANCE STATEMENT
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- demonstrating leadership;
- defining the Company's purpose and setting its strategic objectives;
- approving the Company's statement of values and code of conduct to underpin the desired culture within the entity;
- appointing the chairman;
- appointing and replacing the CEO;
- approving the appointment and replacement of other senior executives and the company secretary;
- overseeing management in its implementation of the Company's strategic objectives, instilling of the Company's values and performance generally;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- overseeing the Company's process for making timely and balanced disclosure of all material information concerning the entity that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- satisfying itself that the entity has in place an appropriate risk management framework (for both financial and non-financial risks) and setting the risk appetite within which the board expects management to operate;
- satisfying itself that an appropriate framework exists for relevant information to be reported by management to the board;
- whenever required, challenging management and holding it to account;
- satisfying itself that the Company's remuneration policies are aligned with the Company's purpose, values, strategic objectives and risk appetite; and
- monitoring the effectiveness of the Company's governance practices.

Role and Responsibilities of Senior Executives

The Company has established the functions reserved to senior executives. Those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance are considered to be senior executives. The functions delegated to senior executives are:

- implementing the entity's strategic objectives and instilling and reinforcing its values, all while operating within the values, code of conduct, budget and risk appetite set by the board; and
- providing the board with accurate, timely and clear information on the entity's operations to enable the board to perform its responsibilities. This is not just limited to information about the financial performance of the entity, but also its compliance with material legal and regulatory requirements and any conduct that is materially inconsistent with the values or code of conduct of the entity.

Background checks on persons proposed for election as a director

The Board undertakes appropriate background checks for persons proposed for election as a director, including character, experience, education, criminal record and bankruptcy history, so as to satisfy itself that there is no information of concern and no indication of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party. The Board also considers biographical details, including their relevant qualifications and experience and the skills they bring to the board and details of any other material directorships currently held. Material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a proposed director is included in the relevant notice of shareholder meeting together with a statement of whether it supports the election or re-election of the

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candidate and a summary of the reasons why and also, if applicable, a statement that the board considers the director to be an independent director.

Written agreement with each director and senior executive

The Board determines those circumstances where a written agreement with a director or senior executive is warranted. At present written agreements have not been executed with all directors and senior executives as the Board considers that the roles and responsibilities of all board members and senior executives are clearly defined and understood without a written agreement.

Company Secretary

The Company Secretary is accountable directly to the Board through the Chairman on all matters to do with the proper functioning of the Board. The role of the Company Secretary includes advising the board and its committees on governance matters; monitoring that board and committee policy and procedures are followed; coordinating the timely completion and despatch of board and committee papers; ensuring that the business at board and committee meetings is accurately captured in the minutes; and helping to organise and facilitate the induction and professional development of directors. Each director is able to communicate directly with the Company Secretary and vice versa. Any decision to appoint or remove a Company Secretary is made by the Board.

Diversity Policy

The Group does not discriminate on the basis of gender and has no measurable objectives for achieving gender diversity.

There are no women on the Board. There is one woman in senior executive positions in the Group. The proportion of women employees in the whole organisation is 25%.

Evaluation of the performance of Directors and Senior Executives

A formal evaluation of the performance of directors and senior executives was not carried out in the financial year as the Board monitors the performance of directors and senior executives on an on-going basis and conducts an evaluation of the performance of directors and senior executives as and when the Board considers appropriate. The performance of the Chairman of the Board is assessed on an on-going basis by the Board as a whole.

Principle 2: Structure the Board to be effective and add value

Composition of the Board

The names of the directors of the Company and their skills, comprising their qualifications and experience are set out in the section headed Directors' Report in the Annual Report for the year ended 30 June 2021.

The mix of skills and diversity for which the Board of directors is looking to achieve in membership of the Board is that required so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company.

The recommendations are that a majority of the directors and in particular the chairperson should be independent. In assessing the independence of a director relevant factors considered by the Board include that the director:

- has not been employed in an executive capacity by the Company or any of its child entities or there has been a period of at least three years between ceasing such employment and current service on the board;
- does not receive performance-based remuneration (including options or performance rights) from the Company, or participate in an employee incentive scheme of the Company;

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- has not been within the last three years, in a material business relationship (eg as a supplier, professional adviser, consultant or customer) with the entity or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;
- is not, nor represents, nor has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
- has close personal ties with any person who falls within any of the categories described above; or
- has been a director of the Company for such a period (such as 10 years or more) that their independence from management and substantial holders may have been compromised.

In each case, the materiality of an interest, position or relationship is assessed by the Board to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or other party.

Mr Peter Christie and Mr Christopher Daly have been independent directors from the date of their appointment. None of the other Board members met these criteria. Consequently, the Board does not have a majority of independent directors. Mr Peter Christie is the chairman of the Board. The Chairman is an independent director.

Mr Peter Christie was appointed a director on 8 August 2019, Mr Paul Glass was appointed a director on 27 August 2018, Mr Christopher Daly was appointed a director on 21 November 2019 and Mr Kevin Read was appointed an alternate director for Mr Paul Glass on 16 September 2020. Mr Paul Glass is the Chief Executive Officer of the Company.

Nomination of Other Board Members

The Board has adopted the following Policy and Procedure for the Selection and (Re) Appointment of Directors.

In determining candidates for the Board, the Board follows a prescribed process whereby it evaluates the mix of skills, experience, knowledge and diversity of the existing Board. In particular, the Board considers the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if appropriate, are offered appointment to the Board. Any appointment made by the Board is subject to re-election by shareholders at the next annual general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. An election of directors is held each year. Each director must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Membership of the Board of directors, including whether the skills, knowledge and familiarity with the Company and its operating environment of each director is sufficient to fulfil their role on the board effectively, is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's businesses and its objectives. The Board does not believe that at this point in the Company's development it is necessary to appoint additional directors. Consequently, the Board has not established a nomination committee. The Board has not adopted a Nomination Committee Charter.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Code of conduct

The Company has established a code of conduct as to the:

- Practices necessary to maintain confidence in the Company's integrity;
- Practices necessary to take into account their legal obligations and the expectations of their stakeholders;
- Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

All directors, senior executives, employees and consultants are expected to abide by the Company's code of conduct. The code of conduct is periodically reviewed to ensure that it is operating effectively and whether any changes are required. The terms of the code of conduct are:

- act in accordance with the Company's stated values and in the best interests of the Company;
- act honestly and with high standards of personal integrity;
- comply with all laws and regulations that apply to the Company and its operations;
- act ethically and responsibly; – treat fellow staff members with respect and not engage in bullying, harassment or discrimination;
- deal with customers and suppliers fairly;
- disclose and deal appropriately with any conflicts between their personal interests and their duties as a director, senior executive or employee;
- comply with the Company's Whistleblower policy;
- comply with the Company's Anti-Bribery and Corruption Policy;
- not take advantage of the property or information of the Company or its customers for personal gain or to cause detriment to the Company or its customers;
- not take advantage of their position or the opportunities arising therefrom for personal gain; and
- report breaches of the code to the appropriate person or body within the organisation.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Policy for trading in the securities of the Company

Directors are required to make disclosure of any trading in securities of the Company.

The Company has a policy for trading in the securities of the Company. The policy is:

Definitions

Insider Trading:

'Insider trading' includes the trading of securities or some wider set of financial products (including derivatives and financial products able to be traded on a financial market) while in possession of information that is not generally available and would be likely to have a material effect on their price or value if it were generally available. The prohibition against insider trading extends to applying for, acquiring or disposing of, or entering into an agreement to apply for, acquire or dispose of relevant financial products, or procuring another person to so trade, or communicating that information where trading in the relevant financial products is likely to take place.

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The insider trading provisions are found in Part 7.10, Division 3 of the *Corporations Act 2001* (“Corporations Act”). Section 677 of the Corporations Act defines material effect on price or value. A reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell, the first mentioned securities.

Company Securities:

Company Securities means shares, options or performance rights over those shares and other securities convertible into shares, and any financial products of the Company traded on ASX.

Closed Periods:

Closed Periods means the following periods of time:

- From 7 January of each year until the next announcement to the ASX of financial results either in the form of a cashflow report or in the form of profit results; and
- From 7 July of each year until the next announcement to the ASX of financial results either in the form of a cashflow report or in the form of profit results.

Key Management Personnel:

Key Management Personnel are defined in the ASX Listing Rules.

Declaration:

A declaration may be validly issued in either written or electronic form. Electronic declarations may take the form of an email, fax or any other electronic recordable communication.

Excluded Trading:

Excluded trading means trading consistent with any of the following categories:

Transfers of Company’s Securities already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary;

An investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the entity) where the assets of the fund or other scheme are invested at the discretion of a third party;

Where a restricted person is a trustee, trading in the Company’s Securities of the entity by that trust provided the restricted person is not a beneficiary of the trust and any decision to trade during a closed period is taken by the other trustees or by the investment managers independently of the restricted person;

Undertakings to accept, or the acceptance of, a takeover offer;

Trading under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;

A disposal of the Company’s Securities that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement, provided that the restricted person obtained the consent of the Chairman or Chief Executive Officer of the Company to enter into agreements that provide lenders with rights over their interests in the entity’s securities;

Acquisition of the Company’s Securities through an issue of securities by the Company;

The exercise (but not the sale of securities following exercise) of an option or a right, or the conversion of a convertible security; or

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Trading under a non-discretionary trading plan for which prior clearance by the Chairman or Chief Executive Officer of the Company has been provided and where:

- the restricted person did not enter into the plan or amend the plan during a closed period;
- the trading plan does not permit the restricted person to exercise any influence or discretion over how, when, or whether to trade; and
- there was no cancellation of the trading plan during a closed period other than in exceptional circumstances.

Trading in Exceptional Circumstances:

Trading in Exceptional Circumstances means trading consistent with any of the following categories:

Trading in accordance with a declaration by the Chairman or Chief Executive Officer of permitted trading. In exceptional circumstances, a member of the Key Management Personnel may apply, together with a description of the circumstances, to the Chairman or Chief Executive Officer for a declaration to permit trading as Trading in Exceptional Circumstances which may be given in circumstances that the Chairman considers appropriate such as severe financial hardship, or a person is required by a court order, or there are court enforceable undertakings or there is some other legal or regulatory requirement to do so. The declaration will specify the duration of permitted trading.

Trading restrictions

All Key Management Personnel and all employees of the Company are required to comply with the prohibition against Insider Trading at all times with respect to the Company's Securities. Contravention of the insider trading prohibition may result in significant penalties.

With the introduction of the continuous disclosure regime, public listed companies and other disclosing entities are now required to disclose Price Sensitive Information on an on-going basis (subject to limited exceptions) so that at all times in the year the market can be fully informed and trading can be lawful. As a result the Company has decided not to specify safe periods but rather to designate periods when Trading by Key Management Personnel should not occur.

All Key Management Personnel are required to refrain from trading in the Company's Securities on the ASX during a Closed Period except for Excluded Trading or Trading in Exceptional Circumstances.

All directors of the Company are required to comply with the Corporations Act and the ASX Listing Rules with regard to disclosure of their interests in the Company's Securities on their appointment as a director, on any change in their interests in the Company's Securities and on resignation as a director.

Whistleblower Policy

The Company has a whistleblower policy. The Board is informed of any material incidents reported under that policy. The policy is:

Who is a Whistleblower

To be a whistleblower, you must be a current or former:

- employee of the Company your disclosure is about, or a related company or organisation;
- officer (usually that means a director or company secretary) of the Company your disclosure is about, or a related company or organisation;
- contractor, or an employee of a contractor, who has supplied goods or services to the Company your disclosure is about, or a related company or organisation. This can be either paid or unpaid, and can include volunteers;
- associate of the Company, usually a person with whom the Company acts in concert; or
- spouse, relative or dependant of one of the people referred to above.

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If you are a whistleblower, while you must hold or have held one of these roles to access the protections, you do not have to identify yourself or your role, and you can raise your concerns anonymously.

Who you can make disclosure to

You must make your disclosure to:

- a director, company secretary, company officer, or senior manager of the Company or organisation, or a related company or organisation;
- an auditor, or a member of the audit team, of the Company or organisation, or a related company or organisation;
- an actuary of the Company or organisation, or a related company or organisation;
- a person authorised by the Company to receive whistleblower disclosures;
- ASIC or the Australian Prudential Regulation Authority (APRA); or
- your lawyer.

While you must make your disclosure to one of these people or organisations, you can raise your concerns anonymously.

Code of Conduct

The Company has established a code of conduct which all directors, senior executives, employees and consultants are required to comply with. Refer above for the code of conduct.

Subject of Disclosure

You must have reasonable grounds to suspect that the information you are disclosing about the Company concerns:

- misconduct;
- a breach of the Company's code of conduct;
- an improper state of affairs or circumstances;
- This information can be about the Company or organisation, or an officer or employee of the Company or organisation, engaging in conduct that:
 - breaches the Corporations Act,
 - breaches other financial sector laws enforced by ASIC or APRA,
 - breaches an offence against any other law of the Commonwealth that is punishable by imprisonment for a period of 12 months, or
 - represents a danger to the public or the financial system;
- A public interest disclosure as defined below; or
- An emergency disclosure as defined below.

'Reasonable grounds' means that a reasonable person in your position would also suspect the information indicates misconduct or a breach of the law.

Public Interest Disclosures

A disclosure can be a public interest disclosure if the following conditions are met:

- You must have previously made a report to ASIC or APRA that satisfies the criteria in "Subject of Disclosure" above;
- At least 90 days have passed since you reported your concerns to ASIC or APRA, and you do not have reasonable grounds to believe that action to address your concerns is being or has been taken;
- You have reasonable grounds to believe that reporting your concerns to a journalist or parliamentarian would be in the public interest; and

- After 90 days from when you reported to ASIC or APRA, you gave ASIC or APRA a written notice that includes sufficient information to identify your earlier report and states your intention to make a public interest disclosure. This could be by contacting the ASIC officer who considered your concerns and quoting the reference number of your case.

If you have a public interest disclosure then you can report your concerns about misconduct or an improper state of affairs or circumstances or a breach of the law to a journalist or a parliamentarian. The extent of the information disclosed is no greater than is necessary to inform the recipient about your concerns.

Emergency Disclosures

A disclosure can be an emergency disclosure if the following conditions are met:

- You must have previously made a report to ASIC or APRA that satisfies the criteria in “Subject of Disclosure” above;
- You have reasonable grounds to believe that the information in your report concerns substantial and imminent danger to the health or safety of one or more people or to the natural environment; and
- You gave ASIC or APRA a written notice that includes sufficient information to identify your earlier report and states your intention to make an emergency disclosure. This could be by contacting the ASIC officer who considered your concerns and quoting the reference number of your case.

If you have an emergency disclosure then you can report your concerns about the substantial or imminent danger to a journalist or parliamentarian. The extent of the information disclosed must be no greater than is necessary to inform the recipient about the substantial and imminent danger.

Protections available to whistleblowers

You can ask the Company to keep your identity, or information that is likely to lead to your identification, confidential. The Company will comply with such a request except that it may report the information to ASIC, APRA, or the Australian Federal Police, or to a lawyer for advice about the whistleblower protections.

It is illegal for a person to reveal the identity of a whistleblower, or information likely to lead to the identification of whistleblower, outside of these circumstances.

In the Company's investigation of the concerns raised in your report, the Company will take reasonable steps to ensure that information likely to lead to your identification is not disclosed without your consent. However, the Company may face difficulties investigating or internally addressing or correcting the misconduct unless you provide some approval for the Company to use your information.

How the Company will support and protect whistleblowers

The Corporations Act protects a whistleblower against certain legal actions related to making the whistleblower disclosure, including:

- criminal prosecution (and the disclosure cannot be used against the whistleblower in a prosecution, unless the disclosure is false);
- civil litigation (such as for breach of an employment contract, duty of confidentiality, or other contractual obligation), or
- administrative action (including disciplinary action).

If you are the subject of an action for making a whistleblower disclosure, you may rely on this protection in your defence.

However, this protection does not grant immunity to you for any misconduct that you were involved in that is revealed in the disclosure.

How investigations into a disclosure will proceed

All whistleblower disclosures are to be referred immediately to the Chairman of directors, who will then notify the Board of directors. The Chairman will then determine the steps required to adequately investigate the disclosures.

How the Company will ensure fair treatment of employees who are mentioned in whistleblower disclosures

The Corporations Act makes it illegal (through a criminal offence and civil penalty) for someone to cause or threaten detriment to you because they believe or suspect that you have made, may have made, or could make a whistleblower disclosure.

The criminal offence and civil penalty apply even if you have not made a whistleblower report, but the offender causes or threatens detriment to you because they believe or suspect you have or might make a report.

A person may be causing you detriment if they:

- dismiss you from your employment
- injure you in your employment
- alter your position or duties to your disadvantage
- discriminate between you and other employees of the same employer
- harass or intimidate you
- harm or injure you, including causing you psychological harm
- damage your property
- damage your reputation
- damage your business or financial position
- cause you any other damage.

The offence and penalty require that the detriment be the result of an actual or suspected whistleblower disclosure. In many cases, particularly in the context of private employment, there may be arguments about whether the conduct involved was victimisation as a result of the whistleblower disclosure or for some other reason.

The Company will comply with the above legal obligations.

Policy Review

The policy will be periodically reviewed by the Board to check that it is operating effectively and whether any changes are required to the policy.

Employee and Manager training

All managers will be provided with a copy of this policy to ensure that they are aware of how to respond in the event that they receive whistleblower disclosures.

All employees will be provided with a copy of this policy to ensure that they are aware of rights and obligations pursuant to this policy.

All managers and employees are encouraged to refer any questions they may have about the policy to their supervisor.

Anti-Bribery and Corruption Policy

The Company has an Anti-Bribery and Corruption policy. The Board is informed of any material incidents reported under that policy. The policy is:

All directors, senior executives, employees and consultants are expected to abide by the Company's Anti-Bribery and Corruption Policy. The Anti-Bribery and Corruption Policy is periodically reviewed to ensure that it is operating effectively and whether any changes are required. The terms of the Anti-Bribery and Corruption Policy are:

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- the giving of bribes or other improper payments or benefits to public officials is prohibited;
- the payment of secret commissions to those acting in an agency or fiduciary capacity is prohibited;
- political donations and offering or accepting exceptional gifts, entertainment or hospitality is prohibited without the prior approval of the Board;
- managers and employees likely to be exposed to bribery or corruption are to receive training about how to recognise and deal with it;
- The Company acknowledges that serious criminal and civil penalties that may be incurred and reputational damage may be done if the Company is involved in bribery or corruption; and
- All breaches of this policy are to be reported to the Chairman. Any material breaches of this policy are to be reported to the Board.

The Company has established a code of conduct which all directors, senior executives, employees and consultants are required to comply with. Refer above for the code of conduct.

Principle 4: Safeguard Integrity in Corporate Reporting

No audit committee has been established. The Board has not adopted an Audit Committee Charter. Executive directors play an active role in monitoring the daily affairs of the Company. As a result of the scale of operations it has not been considered necessary to form sub-committees.

Each Board member has access to the external auditors and the auditor has access to each Board member.

In the event of the resignation of external auditors, the Board will appoint a new external auditor which is subsequently ratified by shareholders in General Meeting. In all other cases an external auditor is nominated by a shareholder of the Company and is appointed by shareholders in General Meeting. An external auditor can be removed by shareholders in General Meeting. The Board does not have a policy for the rotation of external audit engagement partners.

Before the Board approves the Company's financial statements for a financial period, the Chief Executive Officer and the Chief Finance Officer each declare that, in their opinion, the financial records of the Company for the financial year have been properly maintained, the financial statements and notes for the financial year comply with the appropriate accounting standards, give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The external auditor of the Company attends each Annual General Meeting of shareholders.

Process to verify the integrity of reports issued not subject to audit or review by an external auditor

From time to time, the Company issues reports that are not subject to audit or review by an external auditor, such as annual directors' reports, quarterly activity reports, quarterly cash flow reports and ASX Appendices. To ensure the integrity of such reports, the Company ensures that they are prepared by suitably qualified staff or consultants and are reviewed by the Board or by the appropriate Director.

Principle 5: Make Timely and Balanced Disclosure

Compliance with ASX Listing Rules

The Company has established a policy to ensure compliance with ASX Listing Rule disclosure including, but not limited to, Listing Rule 3.1 and accountability at senior executive level for that compliance. This policy is periodically reviewed to ensure that it is operating effectively and whether any changes are required. The terms of the policy are:

- All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirements of the listing rules.

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- The Company recognises the importance of its market announcements being accurate, balanced and expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.
- Directors, senior executives and employees are each responsible to inform the Board of any circumstances which could impact the Company's compliance with these requirements.
- The Company ensures that all market announcements are prepared by suitably qualified staff or consultants and are reviewed by the Board or by the appropriate Director.
- The Board delegates authority to approve and authorise ASX announcements on behalf of the Company to appropriate individuals.
- The Company has highlighted to all directors, senior executives and staff, the importance of safeguarding the confidentiality of corporate information and avoiding premature disclosure. The Company restricts analyst briefings and responses to security holder questions to the appropriately qualified staff.
- The Board constantly monitors market developments to ensure that there has not emerged a false market in the Company's securities and will respond appropriately if a false market occurs.
- The Company Secretary is the person responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with the ASX.

The Board receives copies of all material market announcements promptly after they have been made.

The Company releases a copy of presentation materials on the ASX Market Announcements Platform before any presentation.

Principle 6: Respect the rights of security holders

The Company's corporate governance procedures and policies can be viewed at: <https://www.nexiongroup.io/corporate-governance/>

The Company has a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at its Annual General Meetings. The terms of the communications policy are:

The Board seeks to inform security holders of all major developments affecting the Company by:

- preparing half yearly and yearly financial reports and announcing these reports to the ASX;
- preparing quarterly reports in accordance with the listing rules and announcing these reports to the ASX;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- maintaining the Company's website and hosting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Company's investor relations program is based on actively engaging with security holders at the Annual General Meeting, meeting with them upon request and responding to security holder enquiries from time to time. The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The Board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the Company who is invited to the Annual General Meeting. The Annual General Meeting is held each year at a convenient time and place and all security holders are encouraged to attend and participate.

The Company's website provides facilities for security holders to subscribe to email updates and thereby receive communications from the Company by email.

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All shareholders are invited to, and encouraged to attend, all shareholder meetings of the Company. Notices of meetings are sent to all shareholders by their preferred form of communication. Shareholders who are not able to attend can appoint a proxy to attend in their stead and documentation to facilitate the appointment of a proxy is provided to all shareholders for each shareholder meeting. The Board encourages questions and other communications from shareholders at any time.

The Company complies with ASX Guidance Note 35 which requires that the vote on the resolution with an ASX required voting exclusion statement be conducted by a poll rather than by a show of hands. Furthermore, the Chairman of a shareholder meeting ensures that voting on all substantive resolutions reflects the true will of the security holders attending and voting at the meeting, whether they attend in person, electronically or by proxy or other representative.

The Company provides its security holders with the option to receive communications from, and send communications to, the Company and its security registry electronically.

Principle 7: Recognise and Manage Risk

The Board is conscious of the need to continually maintain systems of risk management and controls to manage all of the assets and affairs of the Company. The Company has established a policy for the oversight of material business risks and the management of material business risks. Risk management is a process of continuous improvement that is integrated into existing practices or business processes. The terms of these risk management policies are:

- liaise with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole;
- define the basic parameters within which risks must be managed and set the scope for the rest of the risk management process;
- identify the risks to be managed;
- identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur;
- compare estimated levels of risk against pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities;
- develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs. Allocate responsibilities to those best placed to address the risk and agree on target date for action;
- the Chairman and Chief Executive Officer are responsible for the implementation and maintenance of sound risk management. In carrying out this responsibility, senior managers review the adequacy of internal controls to ensure that they are operating effectively and are appropriate for achieving corporate goals and objectives;
- the Board is responsible for oversight and for providing corporate assurance on the adequacy of risk management procedures; and
- managers at all levels are to create an environment where managing risk forms the basis of all activities.

Risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. The Company identifies and manages those risks on a case by case and overall corporate basis.

The Company does not have an internal audit function. The Board has required management to design and implement processes for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes and has required management to report to it on whether those processes are being managed effectively.

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A formal risk management evaluation was not carried out in the financial year as the Board monitors risk on an on-going basis.

The Company has regulatory responsibility for the environmental consequences of its activities. The Company engages qualified employees or consultants where applicable to manage its environmental responsibilities and complies with these obligations. The Company has no material exposure to environmental or social risks.

Principle 8: Remunerate Fairly and Responsibly

There is no formal remuneration committee. The Board has not adopted a Remuneration Committee Charter. The functions that would have been carried out by a remuneration committee are performed as follows:

- The remuneration of executive directors is determined by the Board as a whole. The remuneration of non-director senior executives is determined by the chief executive officer.
- A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. The Board as a whole determines the remuneration of each non-executive director. In determining the allocation of remuneration to each non-executive director, the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.
- When the Board as a whole considers the remuneration of a particular director, that director will take no part in the decision making process or discussions.
- Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a director of the Company. One third of the directors retires annually in accordance with the Constitution and is free to seek re-election by shareholders.

There are no schemes for retirement benefits other than contributions to external superannuation funds. There is no policy on prohibiting transactions in associated products which limit the economic risk to directors and executives of participating in unvested entitlements under an equity based remuneration scheme, other than the Company's policy for trading in the securities of the Company. The Company has from time to time issued securities of the Company and performance rights to executives and directors. Securities issued to directors are pursuant to the approval of the Company's shareholders in general meeting.

**Table of Departures and Explanations (from the Recommendations of the ASX
Corporate Governance Council)**

“Recommendation” Ref (“Principle No” Ref followed by Recommendation Ref)	Departure	Explanation
1.3	Written agreements have not been executed with all directors and senior executives.	Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that the roles and responsibilities of all directors and senior executives are clearly defined and understood and that written agreements for all directors and senior executives are not warranted as yet.
1.5	No formal diversity policy has been established. No measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally have been established.	The Company does not discriminate on the basis of gender. While gender imbalances may occur from time to time, all applicants for positions with the Group are assessed on their merits irrespective of their gender. Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that the current composition of the Board does not disadvantage the Company and a diversity policy is not necessary to provide a competitive advantage at this time.
1.6 and 1.7	No formal process has been established for periodically evaluating the performance of Directors and Senior Executives and no performance evaluation has been undertaken.	There is no formal process for periodically evaluating the performance of Directors and Senior Executives as the Board monitors the performance of directors and senior executives on an on-going basis and conducts an evaluation of the performance of directors and senior executives as and when the Board considers appropriate.
2.1	A Nomination Committee has not been formed.	The Board comprises four members each of whom have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict.
2.4 and 2.5	The Board does not have a majority of independent directors.	Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that active director oversight with executive involvement is required in multiple jurisdictions and disciplines, thereby limiting the number of directors who can be independent. Given the nature and depth of their experience, each of the directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.

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"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
2.6	The Company does not have a program for inducting new directors or for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that all directors already have sufficient skills, knowledge and familiarity with the Company and its operating environment to fulfil their role on the board effectively. All directors are responsible for their own training and development.
4.1	No formal audit committee has been established or formal charter drawn.	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that a formal audit committee be established or a charter be drawn.
7.1	No formal risk management committee has been established or formal charter drawn.	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary to establish a risk management committee or a charter be drawn.
7.2	No formal review of the Company's risk management framework has been carried out.	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary to conduct a formal review of the Company's risk management framework as the Company's risk profile is monitored by the Board on an on-going basis.
8.1	No formal remuneration committee has been established or formal charter drawn.	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary to establish a remuneration committee or a charter be drawn.

Directors' Report

Your Directors present their annual report, together with the financial statements, on Nexion Group Ltd ("Company") and the entities it controlled ("Consolidated Entity" or "Group" or "NEXION") for the financial year ended 30 June 2021.

Directors

The following persons were Directors of the company during or since the end of the financial year 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 (appointed 16 September 2020)

Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in note 28 to the financial statements did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 : Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 33 of the financial report.

Options

At the date of this report, the unissued ordinary shares of Nexion Group Ltd under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
2 February 2021	2 February 2024	\$0.40	<u>6,038,702</u>

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

During the year ended 30 June 2021, no ordinary shares were issued on the exercise of options granted. No further shares have been issued since year-end.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

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Performance rights

The terms and conditions of each grant of performance rights affecting remuneration of directors and other key management personnel and related parties in this financial year or future reporting years are as follows:

Class A performance rights

Name	Number of Class A rights granted	Grant date	Vesting date	Lapse date	Fair value per right at grant date
Paul Glass	1,534,282	20/11/20	30/6/22	29/01/25	\$0.20
Kevin Read	1,534,282	20/11/20	30/6/22	29/01/25	\$0.20
Peter Christie	657,550	20/11/20	30/6/22	29/01/25	\$0.20
Chris Daly	438,366	20/11/20	30/6/22	29/01/25	\$0.20
Dom Papaluca	175,347	20/11/20	30/6/22	29/01/25	\$0.20
Jack Toby	43,837	20/11/20	30/6/22	29/01/25	\$0.20
Total Class A rights	<u>4,383,664</u>				

Class B performance rights

Name	Number of Class B rights granted	Grant date	Vesting date	Lapse date	Fair value per right at grant date
Paul Glass	1,783,918	20/11/20	30/6/23	30/01/25	\$0.20
Kevin Read	1,783,918	20/11/20	30/6/23	30/01/25	\$0.20
Peter Christie	764,536	20/11/20	30/6/23	30/01/25	\$0.20
Chris Daly	509,691	20/11/20	30/6/23	30/01/25	\$0.20
Dom Papaluca	203,876				
Jack Toby	50,969				
Total Class B rights	<u>5,096,908</u>				

Total class A and B rights **9,480,572**

Performance rights granted carry no dividend or voting rights.

All performance rights were granted over unissued fully paid ordinary shares in the company. The number of performance rights granted was determined having regard to the satisfaction of performance measures and weightings. Performance rights are exercisable by the holder after achievement of the vesting conditions. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such performance rights. No performance rights were exercised or lapsed during the year ended 30 June 2021.

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Information Relating to Directors and Company Secretary

Peter Christie	– Chair (Non-executive)
Qualifications	– Bachelor of Economics and Computer Science (Flinders University)
Experience	– Appointed Chair in 2019. Peter is an IT industry expert with 30 years of experience across the full stack of information technology from enterprise application software down through middleware, servers, operating systems, networks, and data centres.
Interest in Shares and Rights	– 4,942,585 ordinary shares of Nexion Group Limited, 657,550 Class A Performance Rights in Nexion Group Limited and 764,536 Class B Performance Rights in Nexion Group Limited.
Directorships held in other listed entities during the three years prior to the current year	– DXN (September 2017 – January 2019)
Christopher Daly	– Non-executive Director
Qualifications	– None
Experience	– Chris has 30 years of management and supervisory experience in businesses operating in the contracting, fabrication, sales, equipment rental and construction sectors. Chris has extensive experience in managing businesses with a keen focus on financial management, job costing, business processes and safety system development including Australian Standards accreditation.
Interest in Shares and Rights	– 1,751,175 ordinary shares of Nexion Group Limited, 438,366 Class A Performance Rights in Nexion Group Limited and 509,691 Class B Performance Rights in Nexion Group Limited.
Directorships held in other listed entities during the three years prior to the current year	– None
Paul Glass	– Managing Director and Chief Executive Officer
Qualifications	– Advanced Diploma in Management & Leadership and Business Management (Chartered Management Institute), member of Australian Institute of Management.
Experience	– Paul is a co-founder and the Managing Director of NEXION. He has 15 years' experience in voice, video and data communications starting with Jersey Telecom then moving to Comcentre in Perth and Mitel in 2013 before forming NEXION in 2016.
Interest in Shares and Rights	– 11,851,694 ordinary shares of Nexion Group Limited,

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Rights	–	1,534,282 Class A Performance Rights in Nexion Group Limited and 1,783,918 Class B Performance Rights in Nexion Group Limited.
Directorships held in other listed entities during the three years prior to the current year	–	None
Kevin Read	–	Chief Operating Officer and Alternate Director to Paul Glass
Qualifications	–	National Technical Certificate 6 – NTC6 in Digital Electronics (Durban technical College).
Experience	–	Kevin Read is co-founder and Chief Operating Officer. Kevin has over 20 years global ICT Management experience across an array of industries including Aviation, Pharma, and media. His experience extends across Africa, the UK and Australia. Kevin held technical positions with enterprises such as PQ networks & Independent Newspapers Limited in Africa, Unisys in the UK then became the technical manager at Scope Logic in Perth, before joining Paul to co-found NEXION.
Interest in Shares and Rights	–	11,998,217 ordinary shares of Nexion Group Limited, 1,534,282 Class A Performance Rights in Nexion Group Limited and 1,783,918 Class B Performance Rights in Nexion Group Limited
Directorships held in other listed entities during the three years prior to the current year	–	None
Jack Toby	–	Company Secretary
Qualifications	–	Fellow of Chartered Accountants Australia & New Zealand, Fellow of the Institute of Chartered Accountants in England and Wales, Associate member of the Australian Computer Society
Experience	–	Jack has extensive experience as Company Secretary and Chief Financial Officer of several listed public companies and major corporations for over the last 30 years.

Meetings of Directors

During the financial year, 10 meetings of directors were held. Attendance by each director during the year was as follows:

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	Directors' Meetings	
	Number eligible to attend	Number attended
Peter Christie	10	10
Chris Daly	10	10
Paul Glass	10	10
Kevin Read	8	8

Remuneration report (audited)

This remuneration report, which forms part of the Directors' Report, details the key management personnel remuneration arrangements for the consolidated entity for the year ended 30 June 2021 in accordance with the requirements of the Corporations Act 2001 ("the Act") and its Regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including all directors (whether executive or otherwise) of the consolidated entity. For the purposes of this report 'executive' directors include the Managing Director and Chief Executive Officer and the Chief Operating Officer.

Remuneration consultants were not engaged during the financial year.

The remuneration report is set out under the following main headings:

- Key management personnel
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Key management personnel

The directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

Non-executive directors	Position
Peter Christie	Non-executive Chairman
Chris Daly	Non-executive Director
Executive directors and officers	Position
Paul Glass	Managing Director, Chief Executive Officer
Kevin Read	Alternate Director, Chief Operating Officer

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform

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to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Company does not have a separate Remuneration Committee, and hence the full Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel. Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.

The Board approves the remuneration of the Managing Director and Executive Director. The Board also sets the remuneration of non-executive directors, provided that the total aggregate fixed sum per annum to be paid to the non-executive Directors from time to time will not exceed the sum determined by the Shareholders in general meeting.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- focusing on sustained growth in shareholder wealth, including growth in share price, as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed periodically by the board and are based on comparative roles in the external market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The total aggregate was initially set at \$500,000 in the Company's constitution dated 19 October 2020 and adopted by special resolution on that date.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility. The executive remuneration and reward framework is made up of a fixed remuneration component, performance incentives and share-based payments (if appropriate at the time).

Fixed remuneration, consisting of base salary, and any non-monetary benefits, are reviewed periodically by the board based on individual performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

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Short-term incentives ('STI') are designed to align the targets of the business with the performance of executives.

Long-term incentives ('LTI') include share-based payments. Performance rights are awarded to executives over a period of three years based on long-term incentive measures. These include revenue targets over the term of the performance rights.

The Board is of the opinion that the adoption of performance-based compensation will increase shareholder wealth if maintained over the coming years.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Share-based payments	Total	Equity-settled as % of total remuneration
	Cash salary and fees	Cash bonus	Other	Super-annuation	Performance rights		
2021	\$	\$		\$	\$	\$	
<i>Non-Executive Directors:</i>							
Peter Christie (Chairman)	64,500	-	3,000 ²	-	45,873	113,373	40.5%
Chris Daly	64,500	-	7,150 ²	-	30,582	102,232	29.9%
<i>Executive Directors:</i>							
Paul Glass	249,840	100,000 ¹	-	1,821	107,037	458,698	23.3%
Kevin Read	249,840	100,000 ¹	-	1,821	107,037	458,698	23.3%
	<u>628,680</u>	<u>200,000</u>	<u>10,150</u>	<u>3,642</u>	<u>290,529</u>	<u>1,133,001</u>	<u>25.6%</u>

1. Amount refers to cash bonus paid to Paul Glass and Kevin Read on successful IPO listing.
2. Additional payments in relation to the IPO listing.

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30 JUNE 2021

	Short-term benefits			Post-employment benefits	Share-based payments	Total	Equity-settled as % of total remuneration
	Cash salary and fees	Cash bonus	Other	Super-annuation	Equity-settled shares		
2020	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors:</i>							
Peter Christie (Chairman)	38,124	-	-	-	-	38,124	0.0%
Chris Daly	35,000	-	-	-	-	35,000	0.0%
<i>Executive Directors:</i>							
Paul Glass	230,016	-	-	21,851	-	251,867	0.0%
Kevin Read	230,016	-	-	21,851	-	251,867	0.0%
	<u>533,156</u>	<u>-</u>	<u>-</u>	<u>43,702</u>	<u>-</u>	<u>576,858</u>	<u>0.0%</u>

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Paul Glass
Title:	Chief Executive Officer
Agreement commenced:	7 March 2017
Term of agreement:	No fixed term
Details:	Base salary of \$230,000 per annum plus superannuation. 24 weeks termination notice by either party, performance based bonus based on performance indicators, non-disclosure and non-compete clauses.

This agreement was replaced by the consultancy agreement dated 1 December 2020 as detailed on the next page.

Service agreements (continued)

Name: Paul Glass
Title: Chief Executive Officer
Agreement commenced: 1 December 2020
Term of agreement: 2 years
Details: Base fee of \$22,000 per month inclusive of superannuation, to be reviewed annually by the board of directors. 3 month termination notice by either party, performance based bonus based on performance indicators, non-disclosure and non-compete clauses.

Name: Kevin Read
Title: Chief Technology Officer
Agreement commenced: 7 March 2017
Term of agreement: No fixed term
Details: Base salary of \$230,000 per annum plus superannuation. 24 weeks termination notice by either party, performance based bonus based on performance indicators, non-disclosure and non-compete clauses.

This agreement was replaced by the consultancy agreement dated 1 December 2020 as detailed on the next page.

Name: Kevin Read
Title: Chief Operating Officer
Agreement commenced: 1 December 2020
Term of agreement: 2 years
Details: Base fee of \$22,000 per month inclusive of superannuation, to be reviewed annually by the board of directors. 3 month termination notice by either party, performance based bonus based on performance indicators, non-disclosure and non-compete clauses.

Name: Peter Christie
Title: Non-Executive Chairman
Agreement commenced: 8 August 2019
Term of agreement: No fixed term
Details: Base fee of \$66,000 per annum inclusive of superannuation, to be reviewed annually by the board of directors. Peter Christie was paid \$5,000 per month until October 2020, after which he was paid \$5,500 per month. In the prior year, Peter was paid on a contractual basis for services rendered at a rate of \$250 per hour. Included in current contract are Performance based bonus based on performance indicators, non-disclosure clauses.

NEXION GROUP LTD
DIRECTORS' REPORT
30 JUNE 2021

Service agreements (continued)

Name: Chris Daly
 Title: Non-Executive Director
 Agreement commenced: 21 November 2019
 Term of agreement: No fixed term
 Details: Base fee of \$66,000 per annum inclusive of superannuation, to be reviewed annually by the board of directors. Chris Daly was paid \$5,000 per month until October 2020, after which he was paid \$5,500 per month. In the prior year, Chris was paid \$5,000 per month for a period of 7 months. Included in current contract are performance based bonus based on performance indicators, non-disclosure clauses.

Share-based compensation

Performance rights

The terms and conditions of each grant of performance rights affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Class A performance rights

Name	Number of Class A rights granted	Grant date	Vesting date	Lapse date	Fair value per right at grant date
Paul Glass	1,534,282	20/11/20	30/6/22	29/01/25	\$0.20
Kevin Read	1,534,282	20/11/20	30/6/22	29/01/25	\$0.20
Peter Christie	657,550	20/11/20	30/6/22	29/01/25	\$0.20
Chris Daly	438,366	20/11/20	30/6/22	29/01/25	\$0.20

Class B performance rights

Name	Number of Class B rights granted	Grant date	Vesting date	Lapse date	Fair value per right at grant date
Paul Glass	1,783,918	20/11/20	30/6/23	30/01/25	\$0.20
Kevin Read	1,783,918	20/11/20	30/6/23	30/01/25	\$0.20
Peter Christie	764,536	20/11/20	30/6/23	30/01/25	\$0.20
Chris Daly	509,691	20/11/20	30/6/23	30/01/25	\$0.20

Performance rights granted carry no dividend or voting rights.

NEXION GROUP LTD
DIRECTORS' REPORT
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All performance rights were granted over unissued fully paid ordinary shares in the company. The number of performance rights granted was determined having regard to the satisfaction of performance measures and weightings. Performance rights are exercisable by the holder after achievement of the vesting conditions. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such performance rights. No performance rights were exercised or lapsed during the year ended 30 June 2021.

Additional disclosures relating to key management personnel

Shareholding

The number of ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year ¹	Capital restructuring ²	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Paul Glass	9,039	10,555,293	1,287,362	-	11,851,694
Kevin Read	9,038	10,554,125	1,435,054	-	11,998,217
Peter Christie	4,000	4,671,000	267,585	-	4,942,585
Chris Daly	182	212,531	1,538,462	-	1,751,175
	<u>22,259</u>	<u>25,992,949</u>	<u>4,528,463</u>	<u>-</u>	<u>30,543,671</u>

Notes in relation to the above table:

1. The number of shares held by each key management personnel is shown before the capital restructuring.
2. On 19 October 2020, a share restructure occurred whereby shareholders received 1,168.75 shares for every 1 share held in the Company.

NEXION GROUP LTD
DIRECTORS' REPORT
30 JUNE 2021

Performance rights holding

The number of performance rights held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted Class A	Granted Class B	Vested	Lapsed/ forfeited/ other	Balance at the end of the year
<i>Performance rights</i>						
Paul Glass	-	1,534,282	1,783,918	-	-	3,318,200
Kevin Read	-	1,534,282	1,783,918	-	-	3,318,200
Peter Christie	-	657,550	764,536	-	-	1,422,086
Chris Daly	-	438,366	509,691	-	-	948,057
	-	<u>4,164,480</u>	<u>4,842,063</u>	-	-	<u>9,006,543</u>

Other transactions with key management personnel and their related parties

During the financial year, payments for goods purchased from Global Executive (director-related entity of Kevin Read and Paul Glass) of \$38,429 were made. The current trade payable balance as at 30 June 2021 was (\$19,039) (2020: \$23,423). All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

Dividends

No dividends were paid or recommended paid during the financial year.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

NEXION GROUP LTD
DIRECTORS' REPORT
30 JUNE 2021

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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 this Directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Paul Glass
Director

31 August 2021

31 August 2021

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

Dear Directors

RE: NEXION GROUP LTD

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 Ltd.

As Audit Director for the audit of the financial statements of Nexion Group Ltd for the year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD



Martin Michalik
Director

For personal use only

NEXION GROUP LTD
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 \$	30 June 2020 \$
Revenue from contracts with customers	5	2,179,507	3,802,843
Cost of goods sold		<u>(1,734,129)</u>	<u>(2,758,643)</u>
Gross Profit		445,378	1,044,200
Other income	6	208,452	531,785
Expenses			
Administrative expenses		(780,828)	(474,079)
Consulting fees (includes Directors' remuneration)		(992,575)	(568,778)
Filing fees (IPO related costs)		(434,428)	-
Employee benefits expenses		(1,251,442)	(1,065,289)
Occupancy expenses		(113,780)	(36,513)
Share based payments	10	(802,088)	-
Finance costs	7	(80,300)	(266,837)
Depreciation and amortisation	7	<u>(337,340)</u>	<u>(391,771)</u>
Loss before income tax		(4,138,951)	(1,227,282)
Income tax expense	8	-	-
Loss for the year		(4,138,951)	(1,227,282)
Other comprehensive Income		-	-
Total comprehensive loss for the year attributable to members		(4,138,951)	(1,227,282)
The total comprehensive loss attributable to: Owners of Nexion Group Ltd		<u>(4,138,951)</u>	<u>(1,227,282)</u>
Loss per share			
- Basic loss per share	9	(0.051)	(0.022)
- Diluted loss per share	9	(0.051)	(0.022)

The accompanying notes form part of these consolidated financial statements.

NEXION GROUP LTD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	30 June 2021 \$	30 June 2020 \$
Current assets			
Cash and cash equivalents	11	4,850,088	96,037
Trade and other receivables	12	324,140	1,115,984
Financial assets at amortised cost	13	360,000	-
Total current assets		<u>5,534,228</u>	<u>1,212,021</u>
Non-current assets			
Property, plant and equipment	14	781,241	864,414
Right-of-use assets	15	1,286,363	1,276,631
Other non-current assets	16	114,342	-
Total non-current assets		<u>2,181,946</u>	<u>2,141,045</u>
Total assets		<u>7,716,174</u>	<u>3,353,066</u>
Current liabilities			
Trade and other payables	17	895,665	1,872,709
Lease liabilities	18	200,209	124,527
Provision for employee benefits	19	70,486	41,762
Loans payable	22	175,331	808,738
Total current liabilities		<u>1,341,691</u>	<u>2,847,736</u>
Non-current liabilities			
Lease liabilities	20	1,152,551	1,176,022
Loans payable	22	466,667	563,035
Total non-current liabilities		<u>1,619,218</u>	<u>1,739,057</u>
Total liabilities		<u>2,960,909</u>	<u>4,586,793</u>
Net assets / (liabilities)		<u>4,755,265</u>	<u>(1,233,727)</u>
Equity			
Contributed equity	23	10,680,601	1,354,746
Share based payment reserve	24	802,088	-
Accumulated losses	25	(6,727,424)	(2,588,473)
Capital and reserves attributable to members		<u>4,755,265</u>	<u>(1,233,727)</u>
Total Equity		<u>4,755,265</u>	<u>(1,233,727)</u>

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 2021

	Contributed Equity	Share based payment reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance as at 1 July 2019	1,334,746	-	(1,361,191)	(26,445)
Loss for the year	-	-	(1,227,282)	(1,227,282)
Total comprehensive loss for the year	-	-	(1,227,282)	(1,227,282)
Issue of shares (net of costs)	20,000	-	-	20,000
Balance as at 30 June 2020	1,354,746	-	(2,588,473)	(1,233,727)
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

The accompanying notes form part of these consolidated financial statements.

NEXION GROUP LTD
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 \$	30 June 2020 \$
Cash flow from operating activities			
Receipts from customers		2,708,097	3,727,795
Payments to suppliers and employees		(6,092,365)	(3,953,474)
R&D rebate & government subsidies received		308,456	235,019
Interest received		428	846
Interest paid		(107,676)	(5,993)
Net cash (outflow)/inflow from operating activities	31	<u>(3,183,060)</u>	<u>4,193</u>
Cash flow from investing activities			
Loan to third party		(360,000)	-
Payment for property, plant and equipment		(5,791)	(13,918)
Net cash (outflow) from investing activities		<u>(365,791)</u>	<u>(13,918)</u>
Cash flow from financing activities			
Receipts from borrowings		-	519,881
Repayment of borrowings		-	(200,000)
Payments for loans to third parties	32	(144,680)	(106,408)
Issue of shares (net of issue costs)		7,382,387	20,000
Proceeds from issue of convertible notes		1,215,500	-
Payment of lease liabilities	32	(150,305)	(170,046)
Net cash inflow from financing activities		<u>8,302,902</u>	<u>63,427</u>
Net increase in cash and cash equivalents		4,754,051	53,702
Cash and cash equivalents at beginning of year		<u>96,037</u>	<u>42,335</u>
Cash and cash equivalents at end of the year	11	<u>4,850,088</u>	<u>96,037</u>

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, certain classes of property, plant and equipment and derivative financial instruments.

Presentation Currency

The financial statements are presented in Australian dollars, which is Nexion Group Ltd's functional and presentation currency.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nexion Group Ltd ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Nexion Group Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'Group'. A list of the subsidiaries is provided in note 27.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

NEXION GROUP LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2021

Note 1: Summary of Significant Accounting Policies (continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

Foreign currency transactions and foreign operations are translated into Australian dollars as follows:

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity. The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Going concern assessment

The financial report has been prepared on a going concern basis, which assumes the consolidated entity will be able to realise its assets and discharge its liabilities in the normal course of business.

NEXION GROUP LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2021

Note 1: Summary of Significant Accounting Policies (continued)

As at 30 June 2021, the consolidated entity had net assets of \$4,755,265 and net current assets of \$4,192,537, and in the year then ended incurred a loss of \$4,138,951 and net operating cash outflows of \$3,183,060. As at 30 June 2021, the Group had cash and cash equivalents of \$4,850,088.

During the year ended 30 June 2021, management has mitigated the going concern risk as follows;

- Nexion Group Ltd issued 40,000,000 shares at 20 cents each to raise \$8,000,000 (before costs) and became a listed company on 16 February 2021.
- The consolidated entity securing additional funding through the issuance of convertible notes, raising \$1,215,500 before costs of \$175;
- The consolidated entity converting \$767,700 of loans payable to equity.

In the next 12 months, any going concern risk can be further mitigated by reducing expenses and overheads and raising additional funding through capital raising or share placements. In addition to this, global expansion and growth will be achieved by a number of significant agreements and contracts, including:

- Nexion Networks has entered into a 60-month agreement with IBM whereby Nexion will deploy an array of Nexion products and services to IBM both in Western Australia, and in New Zealand.
- Nexion Networks has entered into a fusion agreement with Aryaka in Australia and New Zealand, giving Nexion the right to build Points of Presence (PoPs) in the region and grow its revenue base.
- Nexion Pacific was incorporated in New Zealand on 31 May 2021 to set a platform for taking advantage of the planned expansion in New Zealand.

The Directors have a reasonable expectation that the company will continue as a going concern, and therefore have adopted the going concern basis in preparing this financial report.

Revenue recognition

Under AASB 15, revenue recognition requires the application of 5 steps:

- | | |
|--------|---|
| Step 1 | Identify the contract(s) with the customer |
| Step 2 | Identify the performance obligations in the contract |
| Step 3 | Determine the transaction price |
| Step 4 | Allocate the transaction price to the performance obligations |
| Step 5 | Recognise revenue when a performance obligation is satisfied |

The consolidated entity recognises revenue in accordance with these 5 steps as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other

Note 1: Summary of Significant Accounting Policies (continued)

contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Revenue is recognised for the major business activities as follows:

(i) Software, subscription and virtual products

For software, subscription and virtual products, the performance obligation is satisfied when access is facilitated.

(ii) Consulting, networking, security and cloud services

Revenue from these business activities 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. Where these are not considered to be a distinct services, 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. Where the services are distinct, the revenue is recognised at a point in time where the Group has satisfied its performance obligations.

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.

All revenue is stated net of the amount of goods and services tax (GST).

(iii) Interest income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Interest income is recognised as interest accrues using the effective interest method.

(iv) Research and development rebates, and other government incentives

Research and development rebates and other government incentives are recognised on an accruals basis.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

NEXION GROUP LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2021

Note 1: Summary of Significant Accounting Policies (continued)

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Where there are bank overdrafts, for the statement of cash flows presentation purposes, these are included in cash and cash equivalents and are shown within borrowings in current liabilities on the consolidated statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 -90 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Note 1: Summary of Significant Accounting Policies (continued)

Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Financial instruments

Classification and measurement

Under AASB 9, the Group initially measures a financial asset as its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Financial assets are then subsequently measured at fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI").

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

Subsequent measurement

The Group's financial assets at amortised cost includes trade and other receivables, and loan to a third party.

Impairment of financial assets

For trade receivables, the Group applies a simplified approach in calculating expected credit losses ("ECLs"). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings and lease liabilities.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is

NEXION GROUP LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2021

Note 1: Summary of Significant Accounting Policies (continued)

calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date

of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss and other comprehensive income upon conversion or expiration of the conversion option. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Leases (the consolidated entity as lessee)

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Note 1: Summary of Significant Accounting Policies (continued)

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	25%
Vehicles	25%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets

Note 1: Summary of Significant Accounting Policies (continued)

are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 -60 days of recognition depending on the supplier's credit terms.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility

Note 1: Summary of Significant Accounting Policies (continued)

will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to certain employees and key management personnel.

Equity-settled transactions are awards of shares, or performance rights, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 1: Summary of Significant Accounting Policies (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 1: Summary of Significant Accounting Policies (continued)

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

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 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

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Note 1: Summary of Significant Accounting Policies (continued)

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.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Current Tax

Current tax assets are measured at the amounts expected to be recovered from the Australian Taxation Office.

Deferred Tax

Deferred income tax expense reflects the movements in deferred tax asset and deferred tax liability balances during the year as well as unutilised tax losses.

Except for business combination, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or tax profit and loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Tax losses have not been recognised in the current year.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Nexion Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

NEXION GROUP LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2021

Note 1: Summary of Significant Accounting Policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Adoption of new and amended Australian Accounting Standards that are effective for the current year

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions and AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021

AASB 2020-4 and AASB 2021-3 amend AASB 16 *Leases* to provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, by including an additional practical expedient in the standard. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease.

The amendment in AASB 2020-4 applies to annual reporting periods beginning on or after 1 June 2020 and applied to rent concessions affecting payments originally due on or before 30 June 2021. The amendment in AASB 2021-3 applies to annual reporting periods beginning on or after 1 April 2021 and extends the ambit of the practical expedient to include rent concessions affecting payments originally due on or before 30 June 2022.

The directors have elected under s.334(5) of the Corporations Act 2001 to apply AASB 2021-3 prior to its mandatory effective date. These amendments are required to be applied on a retrospective basis, with the cumulative effect of initially applying AASB 2021-3 recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

However, as all additional eligible rent concessions to which the practical expedient has been applied, have been negotiated or entered into during the current financial year, there is no amount that impacts prior financial reporting periods. As a result, there is no retrospective adjustment in respect of retained earnings or other component of equity at the beginning of the reporting period (1 July 2020).

No other new and amended Australian Accounting Standards that are effective for the current year have been adopted as they are either not relevant to the consolidated entity, or their impact is not considered to be material on the disclosures or amounts reported in these financial statements.

NEXION GROUP LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2021

Note 1: Summary of Significant Accounting Policies (continued)

New accounting standards and Interpretations issued but not yet effective

The directors of the Group have considered the new and revised Australian Accounting Standards, interpretations and amendments that have been issued but are not yet effective as at the date of authorisation of the financial statements, and anticipate that these amendments will not have a material impact on the consolidated entity's financial statements.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Note 2: Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 10 for further information.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Note 2: Critical accounting judgments, estimates and assumptions (continued)

Performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/ type, cost/ value, quantity and the period of transfer related to the goods or services promised.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 12, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Deferred taxation

Under normal circumstances, the benefits of deferred tax losses not brought to account can only be realised in the future if:

- assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realised
- conditions for deductibility imposed by law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The Directors on a regular basis will assess the recognition of the deferred tax assets.

Income tax

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

NEXION GROUP LTD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 3: 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 2021, all revenues and material assets are considered to be derived and held in one geographical area being Australia.

Note 4: Significant events and transactions

In addition to the events and transactions disclosed in the Directors' report, the Group received rent concessions from Lessors for part of the year due to the impact of COVID-19. As discussed in Note 2, the Group has elected to apply the practical expedient introduced by the amendments to AASB 16 to all rent concessions that satisfy the criteria. The rent concessions entered into satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in a change of the total lease liabilities which has been recorded in profit or loss.

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. All of the revenue for the Group is derived at a point in time.

Product Categories:	30 June 2021 \$	30 June 2020 \$
Networking	464,248	341,669
Security	235,564	1,223,155
General	-	637,806
Data Centre	631,194	1,080,151
Consulting	154,091	251,603
Cloud	694,410	268,459
	<u>2,179,507</u>	<u>3,802,843</u>

(b) Operating segments

The Group operates in one geographic segment, being Australia.

NEXION GROUP LTD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 YEAR ENDED 30 JUNE 2021

Note 6: Other income

	30 June 2021 \$	30 June 2020 \$
Other Income		
Interest income	5,399	846
R&D rebates	-	393,415
Government cashflow incentives	118,500	134,500
Other	84,553 ¹	3,024
	<u>208,452</u>	<u>531,785</u>

1. Includes insurance recovery of \$80,000.

Note 7: Loss before income tax

Loss before income tax includes the following specific expenses:

	30 June 2021 \$	30 June 2020 \$
<i>Cost of sales</i>		
Cost of sales	<u>1,734,129</u>	2,758,643
<i>Depreciation</i>		
Vehicles (note 14)	9,448	10,797
Plant and equipment (note 14)	163,248	157,529
Right-of-use assets (note 15)	164,644	148,445
Total depreciation	<u>337,340</u>	316,771
<i>Amortisation</i>		
Intangible assets	-	75,000
Total amortisation	-	75,000
Total depreciation and amortisation	<u>337,340</u>	391,771
<i>Finance costs</i>		
Interest and finance charges on lease liabilities	6,725	43,339
Other interest and finance charges	73,575	223,498
Finance costs expensed	<u>80,300</u>	266,837
<i>Share based payments</i>		
Total share based payment expense (note 10)	<u>802,088</u>	-

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 YEAR ENDED 30 JUNE 2021

Note 8: Income tax expense

Reconciliation of income tax expense to prima facie tax payable

	30 June 2021 \$	30 June 2020 \$
Loss before income tax	(4,138,951)	(1,227,282)
Tax at Australian tax rate of 26% (2020: 27.5%)	(1,076,127)	(337,503)
Tax effect of amounts which are not assessable in calculating taxable income:		
- R&D Claim Receivable	-	(108,189)
- Government Incentive - Cashflow Boost	(9,750)	(17,188)
- AASB 16 adjustments to rent	(26,833)	-
Tax effect of amounts which are not deductible in calculating taxable income:		
- Costs Associated with R&D claim	-	248,711
- Impairment of goodwill and customer contracts	-	20,625
- Share based payments	208,542	-
- Current year provision for annual leave	16,163	-
- Current year superannuation creditor	14,165	-
- Entertainment – not deductible	7,727	-
- Fines and penalties	7,638	-
Deferred tax assets not recognised	858,475	193,544
Income tax expense	-	-

Carried forward tax losses of \$4,272,856 have not been brought to account as a deferred tax asset of \$1,068,214. Based on the value of tax losses incurred, the directors have formed an opinion that the business was not in a position to satisfy the criteria for recognising these losses as a deferred tax asset. The directors are of the opinion that these losses remain available for the group to use in the future.

Under normal circumstances, the benefits of deferred tax losses not brought to account can only be realised in the future if:

- assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The directors on a regular basis will assess the recognition of the deferred tax assets.

The Group undertook eligible research and development (R&D) activities and was therefore entitled to claim an R&D offset under the R&D tax incentive as administered by The Australian Taxation Office and the Department of Industry, Innovation and Science.

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Note 9: Loss per share

	30 June 2021 \$	30 June 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	(4,138,951)	(1,227,282)
(b) Weighted average number of shares		
Ordinary shares used as the denominator in calculating basic loss per share	81,057,484	56,046,308
	\$	\$
(c) Loss per share		
Basic loss per share	(0.051)	(0.022)
Diluted loss per share	(0.051)	(0.022)

There are no potential ordinary shares that are dilutive, therefore none are included in the calculation of diluted loss per share. The loss per share for the year ended 30 June 2020 has been adjusted to reflect the share split on 19 October 2020 of 1,168.75 shares for each share held.

Note 10: 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 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.

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Note 10: Share based payments (continued)

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	<u>4,383,664</u>	<u>5,096,908</u>

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 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.

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
Number of rights expected to vest as at 30 June 2021	2,630,198	2,548,454
Value of rights expected to vest	\$526,040	\$509,691

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 2021 in relation to these performance rights amounted to \$305,819 (30 June 2020: \$Nil).

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

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Note 10: Share based payments (continued)

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 (30 June 2020: nil)

Note 11: Current assets - cash and cash equivalents

	30 June 2021 \$	30 June 2020 \$
Cash at bank	<u>4,850,088</u>	<u>96,037</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>4,850,088</u>	<u>96,037</u>
Balance as per statement of cash flows	<u>4,850,088</u>	<u>96,037</u>

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Note 12: Current assets - trade and other receivables

	30 June 2021 \$	30 June 2020 \$
Trade receivables	276,630	623,857
Less: Allowance for expected credit losses	-	-
	<u>276,630</u>	<u>623,857</u>
Other receivables:		
Research and Development receivables	-	393,415
Term deposit	42,539	42,539
Net GST receivables	4,971	56,173
Total trade and other receivables	<u>324,140</u>	<u>1,115,984</u>

Trade receivables

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 – 90 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(ii) Fair values of trade and other receivables

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

(iii) Impairment and risk exposure

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit evaluations are performed on all customers. Outstanding customer receivables are monitored regularly.

The Group applies a simplified approach in providing for expected credit losses, in accordance with AASB 9. To measure the expected credit loss, receivables have been grouped based on days overdue. The methodology applied in estimating expected credit losses below is consistent with that applied for the year ended 30 June 2020.

The loss allowance provision as at 30 June 2021 and 30 June 2020 is determined as follows:

NEXION GROUP LTD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 12: Current assets - trade and other receivables (continued)

	Current	0 to 30 days past due	31 to 60 days past due	More than 60 days past due	Total
30 June 2021	\$	\$	\$	\$	\$
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount	187,554	8,135	69,869	11,072	276,630
Loss allowance provision	-	-	-	-	-
Net receivables	187,554	8,135	69,869	11,072	276,630
	Current	0 to 30 days past due	31 to 60 days past due	More than 60 days past due	Total
30 June 2020	\$	\$	\$	\$	\$
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount	150,216	79,894	96,212	297,535	623,857
Loss allowance provision	-	-	-	-	-
Net receivables	150,216	79,894	96,212	297,535	623,857

Note 13: Current assets – financial assets at amortised cost

	30 June 2021 \$	30 June 2020 \$
Loan to third party	360,000	-
	<u>360,000</u>	<u>-</u>

During the year, the Company loaned an amount of \$360,000 to a third party. The loan is to be repaid in September 2021, interest is charged at 6% per annum, and no credit loss is expected in relation to the loan. The objective in advancing the loan is to collect contractual cash flows.

Note 14: Non-current assets - property, plant and equipment

	30 June 2021 \$	30 June 2020 \$
Vehicles - at cost	108,899	108,899
Vehicles - accumulated depreciation	(42,766)	(33,318)
Vehicles - carrying value at the end of the year	<u>66,133</u>	<u>75,581</u>

NEXION GROUP LTD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 14: Non-current assets - property, plant and equipment (continued)

	30 June 2021	30 June 2020
	\$	\$
Plant & equipment - at cost	1,145,613	1,056,090
Plant & equipment - accumulated depreciation	(430,505)	(267,257)
Plant & equipment - carrying value at the end of the year	715,108	788,833
Total property, plant & equipment	781,241	864,414

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Motor Vehicles	Plant & Equipment	Total
	\$	\$	\$
Balance at 1 July 2019	86,378	529,268	615,646
Additions	-	417,094	417,094
Depreciation expense	<u>(10,797)</u>	<u>(157,529)</u>	<u>(168,326)</u>
Balance at 30 June 2020	<u>75,581</u>	<u>788,833</u>	<u>864,414</u>
Balance at 1 July 2020	75,581	788,833	864,414
Additions	-	89,523	89,523
Depreciation expense	<u>(9,448)</u>	<u>(163,248)</u>	<u>(172,696)</u>
Balance at 30 June 2021	<u>66,133</u>	<u>715,108</u>	<u>781,241</u>

Included in the total additions during the year was equipment acquired through loans which amounted to \$80,555 (2020: \$403,177).

NEXION GROUP LTD
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Note 15: Non-current assets - right-of-use assets

	30 June 2021	30 June 2020
	\$	\$
Land & buildings - right-of-use	1,599,452	1,425,076
Less: Accumulated depreciation	<u>(313,089)</u>	<u>(148,445)</u>
Carrying value	<u><u>1,286,363</u></u>	<u><u>1,276,631</u></u>

A lease agreement was entered into on 29 March 2018 for a building at 37-39 Robinson Avenue, Belmont, Western Australia. The lease has an initial 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 sub-lease agreement was entered into on 11 February 2021 for the office building at 355 Scarborough Beach Road, Osborne Park, Western Australia. The sub-lease has a term of 19 months with no option of extension.

Right-of use asset amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the year were:

	30 June 2021	30 June 2020
	\$	\$
Depreciation charge	164,644	148,445
Interest	6,725	45,519
	<u><u>171,369</u></u>	<u><u>193,964</u></u>

Note 16: Non-current assets - other

	30 June 2021	30 June 2020
	\$	\$
Security deposits	<u>114,342</u>	-
Intangible assets (Customer contracts):		
Net carrying value at start of year	-	75,000
Amortisation for the year	<u>-</u>	<u>(75,000)</u>
Net carrying value at end of year	-	-
Total non-current assets - other	<u><u>114,342</u></u>	<u><u>-</u></u>

In 2018, the Company acquired Nexion W1 DC Pty Ltd and had recognised an intangible asset, in the form of customer contracts, as part of the acquisition. The customer contracts usually had a 2 year service period at the time of acquisition, and therefore the value of these contracts has been amortised over 2 years. As at 30 June 2021, the carrying amount of the intangible asset is nil.

The security deposit as at 30 June 2021 is in respect of the sub-lease of the office building in Osborne Park.

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Note 17: Current liabilities - trade and other payables

	30 June 2021	30 June 2020
	\$	\$
Trade payables	603,595	1,464,554
Other payables	292,070	408,155
Total trade and other payables	<u>895,665</u>	<u>1,872,709</u>

Refer to note 33 for further information on financial instruments.

Note 18: Current liabilities - lease liabilities

	30 June 2021	30 June 2020
	\$	\$
Lease liabilities	<u>200,209</u>	<u>124,527</u>

Refer to note 33 for further information on financial instruments.

Note 19: Current liabilities - employee benefits

	30 June 2021	30 June 2020
	\$	\$
Employee benefits	<u>70,486</u>	<u>41,762</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. The Group expects all employees to take the full amount of accrued leave or require payment within the next 12 months.

NEXION GROUP LTD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 20: Non-current liabilities - lease liabilities

	30 June 2021	30 June 2020
	\$	\$
Lease liabilities	<u>1,152,551</u>	<u>1,176,022</u>

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

30 June 2021	< 1 year	1 – 5 years	>5 years	Total undiscounted lease liabilities	Lease liabilities included in the Consolidated Statement of Financial Position
	\$	\$	\$	\$	\$
Lease liabilities	241,308	720,235	597,960	1,559,503	1,352,760
30 June 2020					
Lease liabilities	128,263	701,394	769,051	1,598,708	1,300,549

Note 21: Convertible notes

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 22: Loans payable

	30 June 2021 \$	30 June 2020 \$
<i>Current</i>		
Loans payable to related parties (i)	-	659,941
Loans payable to third parties (ii)	150,441	126,282
Hire purchase - vehicles	24,890	22,515
	175,331	808,738
<i>Non Current</i>		
Loans payable to third parties (ii)	428,472	499,949
Hire purchase - vehicles	38,195	63,086
	466,667	563,035

(i) The following loans were provided by related parties of the Group in previous financial years:

- On 26 June 2019, \$25,000 was provided by Kingsley International Trust, a company associated with Mr Paul Glass, a Director of the Company. Interest of 2% per month was applied to the loan.
- On 27 June 2019, \$40,000 was provided by Read Tech Trust, a company associated with Mr Kevin Read, a Director in the Company. Interest of 2% per month was applied to the loan.
- On 22 November 2019, \$100,000 was provided by Mr Chris Daly, a Director of the Company. Interest of 5% per month was applied to the loan.
- During November and December 2019, \$149,167 was provided by Wisorange Investments Pty Ltd, a company controlled by Mr Dominic Papaluca, the Group's Chief Financial Officer. Interest of 2% per month was applied to the loan.
- During the course of 2020, a total of \$135,357 was provided by Read Tech Trust, a company associated with Mr Kevin Read, a Director in the Company. No interest was applied to the loan.
- During the course of 2020, a total of \$135,357 was provided by Kingsley International Trust, a company associated with Mr Paul Glass, a Director in the Company. No interest was applied to the loan.

On 3 November 2020, all of the loans payable, as detailed above, were converted to issued shares in the Company. A total amount of \$767,700 of loans and associated interest payable up to repayment date, were extinguished, with 5,905,387 shares issued.

(ii) 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%

NEXION GROUP LTD
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Note 23: Equity - issued capital

	30 June 2021 Shares	30 June 2020 Shares	30 June 2021 \$	30 June 2020 \$
Ordinary shares - fully paid	<u>111,293,456</u>	<u>49,137</u>	<u>10,680,601</u>	<u>1,354,746</u>

Movements in ordinary share capital

Details	Shares	\$
Balance as at 1 July 2019	45,316	1,334,746
Issue of shares during the year	<u>3,821</u>	<u>20,000</u>
Balance as at 30 June 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 (note 21)	7,596,888	1,175,768
Loans payable converted into shares (note 22(ii))	5,905,387	767,700
Share issue costs	-	<u>(617,613)</u>
Balance as at 30 June 2021*	<u>111,293,456</u>	<u>10,680,601</u>

*Of the total shares on issue at 30 June 2021, 49,600 shares were in escrow until 17 August 2021 and 47,609,955 shares were in escrow until 18 February 2023.

(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.

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Note 23: Equity - issued capital (continued)

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 2020 Annual Report.

Note 24: Equity – reserves

	30 June 2021 \$	30 June 2020 \$
Share based payment reserve	802,088	-

Movements in reserves

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

	Share based payment reserve \$
Balance as at 1 July 2019	-
Movements during the year	-
Balance as at 30 June 2020	-
Share based payment expense recognised during the year (note 10)	802,088
Balance as at 30 June 2021	802,088

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Note 24: Equity – reserves (continued)

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 2021		30 June 2020	
	Number	Value at reporting date (\$)	Number	Value at reporting date (\$)
Class A Performance rights				
Balance at the start of the year	-	-	-	-
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	-	-
Class B Performance rights				
Balance at the start of the year	-	-	-	-
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	-	-

Note 25: Equity – accumulated losses

	30 June 2021	30 June 2020
	\$	\$
Accumulated losses at the beginning of the financial year	2,588,473	1,361,191
Losses for the year	4,138,951	1,227,282
Accumulated losses at the end of the financial year	6,727,424	2,588,473

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Note 26: Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	30 June 2021	30 June 2020
	\$	\$
Short-term employee benefits	838,830	533,156
Post-employment benefits	3,642	43,704
Share-based payments (performance rights)	290,529	-
Total key management personnel compensation	<u>1,133,001</u>	<u>576,860</u>

Note 27: Related party transactions

Parent entity

Nexion Group Limited is the parent entity.

Subsidiaries

The consolidated financial statements include the financial statements of Nexion Group Ltd and its following wholly owned subsidiaries which were incorporated in Australia. Nexion Group Ltd is the parent entity within the consolidated entity.

	2021	2020
	% Interest	% Interest
Nexion Networks Pty Ltd	100	100
Nexion W1 DC Pty Ltd	100	100
Nexion Pacific Ltd (Incorporated in New Zealand on 31 May 2021)*	100	N/A

* Dormant

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Note 27: Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	30 June 2021	30 June 2020
	\$	\$
Provision of goods and services:		
Goods purchased from Global executive management (director-related entity of Kevin Read and Paul Glass)	38,429	22,993
Consulting services from Carbon Group (Related party to Dom Papaluca, Group CFO)	36,364	40,409
Consulting services from Jaguar Enterprises (Related party to Jack Toby, Company Secretary)	70,548	-

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30 June 2021	30 June 2020
	\$	\$
Current payables:		
Included in current payables to Global executive management (director-related entity of Kevin Read and Paul Glass)	(19,039)	(23,423)
Included in current payables to Carbon Group (entity related to Dom Papaluca)	(3,636)	(22,464)
Unpaid entitlements - Paul Glass	(7,198)	(9,302)
Unpaid entitlements - Kevin Read	(1,121)	-

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

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Note 28: Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Stantons, the auditor of the company:

	30 June 2021	30 June 2020
	\$	\$
<i>Audit services - Stantons</i>		
Audit or review of the financial statements	77,649	15,000
<i>Other services - Stantons</i>		
Preparation of limited assurance report	7,500	-
	<u>85,149</u>	<u>15,000</u>

Note 29: Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 30 June 2021	Parent 30 June 2020
	\$	\$
Loss after income tax	(2,432,824)	(163,913)
Total comprehensive income	(2,432,824)	(163,913)

Statement of financial position

	Parent 30 June 2021	Parent 30 June 2020
	\$	\$
Total current assets	8,355,933	3,992
Total assets	8,870,679	1,257,156
Total current liabilities	148,559	91,343
Total liabilities	148,559	230,154
Equity		
Issued capital	10,680,601	1,354,746
Share based payment reserve	802,088	-
Accumulated loss	(2,760,569)	(327,745)
Total equity	<u>8,722,120</u>	<u>1,027,002</u>

NEXION GROUP LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2021

Note 29: Parent entity information (continued)

Guarantees entered into by parent company of this group

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries as at 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 30: Events occurring after the reporting period

On 16 August 2021, NEXION finalised the acquisition of Blue Sky Telecom Pty Ltd in Perth for a cash consideration of \$2,000,000. Blue Sky has particular strengths in satellite communications services and content distribution to the remote mining operations of Western Australia, both complimentary services to NEXION's business.

There are no other significant events that have arisen since the end of the financial year 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 CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2021

Note 31: Reconciliation of profit after income tax to net cash from operating activities

	30 June 2021 \$	30 June 2020 \$
Loss after income tax expense for the year	(4,138,951)	(1,227,282)
<i>Adjustments for non-cash expenses:</i>		
Depreciation and amortisation	337,340	391,771
Non-cash interest expense	13,118	266,837
Accrual of R&D incentives	-	(393,415)
Share-based payments	802,088	-
Loss on sale of non-current asset	28,500	-
Non-cash share capital adjustment	20,000	-
<i>Movement in operating assets and liabilities:</i>		
Decrease/(increase) in trade and other receivables	565,177	(838,159)
Increase in prepayments	-	5,191
(Decrease)/increase in trade and other payables	(839,056)	1,782,891
Increase in other provisions	28,724	16,359
Net cash from operating activities	<u>(3,183,060)</u>	<u>4,193</u>

Note 32: Non-cash investing and financing activities

	30 June 2021 \$	30 June 2020 \$
Additions to the right-of-use assets	174,376	1,425,076
Shares issued on loan conversions	767,700	-
Property, plant & equipment acquired under loan arrangements	80,555	403,177

Changes in liabilities arising from financing activities

	1 July 2020 \$	New Leases / Loans \$	Cash Flows \$	Other (non- cash) \$	30 June 2021 \$
Lease liabilities	1,300,549	174,376	(150,305)	28,140	1,352,760
Loans payable	1,371,773	80,555	(144,680)	(665,650)	641,998
Total liabilities from financing activities	<u>2,672,322</u>	<u>254,931</u>	<u>(294,985)</u>	<u>(637,510)</u>	<u>1,994,758</u>

NEXION GROUP LTD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 YEAR ENDED 30 JUNE 2021

Note 32: Non-cash investing and financing activities (continued)

	1 July 2019	New Leases / Loans	Cash Flows	Other (non- cash)	30 June 2020
	\$	\$	\$	\$	\$
Lease liabilities	-	1,425,076	(170,046)	45,519	1,300,549
Loans payable	651,457	923,058	(306,408)	103,666	1,371,773
Total liabilities from financing activities	<u>651,457</u>	<u>2,348,134</u>	<u>(476,454)</u>	<u>149,185</u>	<u>2,672,322</u>

Note 33: Financial risk management

Objectives and policies and financial instruments

The Group's financial instruments consist mainly of cash at bank, trade and other receivables, loans payable and trade payables and lease liabilities.

The totals for each category of financial instruments, measured in accordance with *AASB 9: Financial Instruments* as detailed in the accounting policies to these financial statements, are as follows:

	Notes	30 June 2021	30 June 2020
		\$	\$
Financial Assets			
Cash and cash equivalents	11	4,892,627	138,576
Trade and other receivables	12	281,601	1,073,445
Loan to third party	13	360,000	-
Total Financial Assets		<u>5,534,228</u>	<u>1,212,021</u>
Financial Liabilities			
Trade and other payables	17	895,665	1,872,709
Loans payable – current	22	175,331	808,738
Loans payable – non current	22	466,667	563,035
Lease liabilities – current	18	200,209	124,527
Lease liabilities – non current	20	1,152,551	1,176,022
Total Financial Liabilities		<u>2,890,423</u>	<u>4,545,031</u>

Financial Risk Management Policies

The Board of Directors monitors the Group's financial risk management policies and exposures and approves financial transactions. It also reviews the effectiveness of internal controls relating to counterparty credit risk, liquidity risk and interest rate risk.

Specific Financial Risk Exposures and Management

The main risk that the Group is exposed to through its financial instruments are liquidity risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

NEXION GROUP LTD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 YEAR ENDED 30 JUNE 2021

Note 33: Financial risk management (continued)

Credit risk

The Group has no concentrations of credit risks.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above of this note.

As at 30 June 2021, all cash and cash equivalents were held by either Bankwest and ANZ Bank, both with an A (Standard and Poor's) credit rating. In relation to trade receivables, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The credit risk on other receivables is limited as it is comprised of GST recoverable from the Australian Taxation Office. No credit risk is identified on the amount of loan to a third party as subsequent to financial year, this entity has been acquired by the Group.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to its trade and other payables. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile; and
- only investing cash with major financial institutions.

Below is a maturity analysis of undiscounted financial liabilities:

2021	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows
	\$	\$	\$	\$	\$
Trade and other payables	895,665	895,665	-	-	895,665
Borrowings	641,998	219,621	437,889		657,510
Lease liabilities	1,352,760	241,308	720,235	597,960	1,559,503

2020	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows
	\$	\$	\$	\$	\$
Trade and other payables	1,872,709	1,872,709	-	-	1,872,709
Borrowing	1,371,773	862,055	657,510	-	1,519,565
Lease liabilities	1,300,549	128,263	701,394	769,051	1,598,708

NEXION GROUP LTD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 YEAR ENDED 30 JUNE 2021

Note 33: Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's Australian Dollar current and non-current debt obligations with floating interest rates. The Group is also exposed to interest rate risk on its cash and short term deposits.

2021	Floating interest rate \$	Fixed interest rate maturing in 1 year or less \$	Fixed interest rate maturing greater than 1 year \$	Non- interest bearing \$	Total \$
Financial assets					
Cash and cash equivalents	4,850,088	-	-	-	4,850,088
Term deposit	-	42,539	-	-	42,539
Trade and other receivables	-	-	-	281,601	281,601
Loan to third party	-	360,000	-	-	360,000
	<u>4,850,088</u>	<u>402,539</u>	<u>-</u>	<u>281,601</u>	<u>5,534,228</u>
Financial liabilities					
Trade and other payables	-	-	-	895,665	895,665
Loans payable	-	175,331	466,667	-	641,998
Lease liabilities	-	200,209	1,152,551	-	1,352,760
	<u>-</u>	<u>375,540</u>	<u>1,619,218</u>	<u>895,665</u>	<u>2,890,423</u>
2020	Floating interest rate \$	Fixed interest rate maturing in 1 year or less \$	Fixed interest rate maturing greater than 1 year \$	Non- interest bearing \$	Total \$
Financial assets					
Cash and cash equivalents	96,037	-	-	-	96,037
Term deposit	-	42,539	-	-	42,539
Trade and other receivables	-	-	-	1,073,445	1,073,445
	<u>96,037</u>	<u>42,539</u>	<u>-</u>	<u>1,073,445</u>	<u>1,212,021</u>
Financial liabilities					
Trade and other payables	-	-	-	1,872,709	1,872,709
Loans payables	-	872,313	499,460	-	1,371,773
Lease liabilities	-	124,527	1,176,022	-	1,300,549
	<u>-</u>	<u>996,840</u>	<u>1,675,482</u>	<u>1,872,709</u>	<u>4,545,031</u>

NEXION GROUP LTD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 YEAR ENDED 30 JUNE 2021

Note 34: Commitments and contingencies

The Group has the following capital (hire-purchase) commitments:

Motor Vehicles

The Group entered into two finance leases for two vehicles to be used in the business. The capital commitments in relation to these vehicles is as follows:

	2021 \$	2020 \$
Not longer than 1 year	30,105	32,125
Longer than 1 year and not longer than 5 years	39,245	71,372
Longer than 5 years	-	-
Total minimum lease payments	69,350	103,497
Less: amounts representing finance charges	(6,265)	(17,897)
Present value of minimum lease payments	63,085	85,600

Equipment finance for IT property, plant and equipment

The Group has four equipment finance loans as at 30 June 2021. The capital commitments in relation to these finance loans are as follows:

	2021 \$	2020 \$
Not longer than 1 year/ period	189,516	170,418
Longer than 1 year and not longer than 5 years	473,448	569,061
Longer than 5 years	-	-
Total minimum lease payments	662,964	739,479
Less: amounts representing finance charges	(84,051)	(113,248)
Present value of minimum lease payments	578,913	626,231

The Group has no contingent liabilities.

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NEXION GROUP LTD
DIRECTORS' DECLARATION
30 JUNE 2021

In the Directors' opinion:

- (a) the consolidated financial statements and notes set out on pages 34 to 78 are in accordance with the Corporations Act 2001, including:
- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Director

Dated this the 31st August 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
NEXION GROUP LTD****Report on the Audit of the Financial Report****Opinion**

We have audited the financial report of Nexion Group Ltd (the "Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit 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 (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following matters described to be Key Audit Matters to be communicated in our report.

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Key Audit Matters
How the matter was addressed in the audit
Revenue recognition

The Group's revenue amounted to \$2,179,507 (refer to Note 5 to the financial statements) during the financial year ended 30 June 2021. Note 1 to the financial statements describes the accounting policies applicable to the revenue from contracts with customers, noting that the revenue from the different product categories is recognised in the period when the service is rendered or when the access is facilitated.

Accounting for revenue recognition was a key audit matter due to the:

- significance of revenue to understanding the financial results for users of the financial report;
- complexity involved in applying the requirements of AASB 15 given the number of contracts with customers with bespoke terms and conditions, including in relation to recurring service fees and one time set up fees; and
- judgement required by the Group in applying the requirements of AASB 15, such as:
 - ✓ identifying the performance obligations under its contracts with customers;
 - ✓ determining the transaction price, considering the terms in the contracts relating to recurring service fees and one time set up fees; and
 - ✓ the method of allocating the transaction price in the contract to the performance obligations.

Inter alia, our audit procedures included the following:

- Assessed whether the Group's accounting policies were in accordance with the requirements of AASB 15 Revenue from Contracts with Customers;
- Evaluated the judgements made by the management in applying the accounting policy by obtaining an understanding of the revenue streams and considering the terms and conditions of a sample of contracts;
- Tested on a sample basis, revenue transactions by agreeing revenue recognised during the year to the signed customer contract and other relevant supporting documents and verified that the revenue is recognised when the performance obligation has been satisfied;
- Performed cut-off procedures to ensure that revenue is recognised in the correct period;
- Tested the completeness of credit notes issued post year-end;
- Tested accounts receivable by requesting confirmations, on a sample basis, from the Group's customers and by reconciling cash payments received after year-end against accounts receivable balance at year-end; and
- Evaluated the adequacy of the disclosures in respect of revenue recognition with the criteria prescribed by the applicable standard.

Accounting for convertible notes

During the financial year, the Group issued 6,500 convertible notes at an issue price of \$187 (refer to Note 21 to the financial statements). The convertible notes have a face value of \$1,215,500 before costs of \$175, with a maturity date of 30 June 2021 and an annual interest of 8% per annum.

On 2 February 2021, the convertible notes were converted into 7,596,888 ordinary shares.

Accounting for convertible note was a key audit matter due to:

- the complexity involved in assessing whether to account for the convertible notes as equity, a liability or a combination of both;
- measurement at initial recognition of the individual components of the liability based on the terms and conditions of the agreement and the significant judgment in determining the fair value of the separate components of the liability; and

Inter alia, our audit procedures included the following:

- Obtained an understanding of and assessed the terms and conditions of the convertible note agreement to determine if the convertible note is to be accounted for as equity, liability or a combination of both;
- Considered the appropriateness of the valuation methodology against the requirements of the relevant Australian Accounting Standards;
- Considered the reasonableness of the inputs to the valuation; and
- Assessed the adequacy of the disclosures in the accordance with the applicable accounting standards.

- measurement subsequent to initial recognition including the fair value measurement at balance date.

Measurement of share-based payments

During the financial year, the Group issued performance rights to its key management personnel and employees and options to advisors (refer to Note 10 to the financial statements).

The Group performed calculations to record the related share-based payment expense in accordance with AASB 2 *Share-based Payment* in the consolidated statement of profit or loss and other comprehensive income.

Measurement of share-based payments was a key audit matter due to the complex and judgmental estimates used in determining the fair value of the share-based payments.

Inter alia, our audit procedures included the following:

- Reviewed the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements;
- Reviewed management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used in assessing the valuation inputs focusing on the Group's interpretation of grant date, vesting dates and vesting conditions;
- Assessed the allocation of the share-based payment expense over the relevant vesting period; and
- Assessed the adequacy of the disclosures in the accordance with the applicable accounting standards.

Going concern basis of accounting

The financial statements have been prepared on a going concern basis as discussed in Note 1 to the financial statements.

The Group had incurred net loss after tax of \$4,138,951 and net operating cash outflows of \$3,183,060 for the financial year ended 30 June 2021. As at 30 June 2021, the Group had cash and cash equivalents of \$4,850,088.

The going concern assumption is considered to be a key audit matter as the Group is reliant on the existing cash reserves and future profitability of the Group to cover its operations.

Inter alia, our audit procedures included the following:

- Assessed the cash flow requirements of the Group on budgets and forecasts;
- Understand what forecast expenditure is committed and what could be considered discretionary;
- Considered the liquidity of existing assets on the balance sheet;
- Performed analysis in relation to key assumptions mainly sales revenue growth, and incorporating the impact of events that have occurred subsequent to the balance sheet date but prior to the date of signing of financial statements; and
- Assessed the adequacy of the disclosures in the accordance with the applicable accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.



Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 31 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Nexion Group Ltd for the year ended 30 June 2021 complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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
31 August 2021

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NEXION GROUP LTD
 ADDITIONAL INFORMATION
 CURRENT AS AT 18 AUGUST 2021

ANALYSIS OF HOLDINGS OF SHARES, RIGHTS AND OPTIONS IN THE COMPANY

	Quoted Ordinary Shares		Options expiring 31 January 2024	
	Number of holders	% of shares held	Number of holders	% of options held
1 — 1,000	17	0.00%	0	0.00%
1,001 — 5,000	396	1.05%	0	0.00%
5,001 — 10,000	234	1.80%	0	0.00%
10,001 — 100,000	416	12.84%	1	1.66%
100,001 — AND OVER	111	84.31%	10	98.34%
Total number of holders	1,174	100.00%	11	100.00%
Holdings of less than a marketable parcel	197			

	Class A Performance Rights		Class B Performance Rights	
	Number of holders	% of rights held	Number of holders	% of rights held
1 — 1,000	0	0.00%	0	0.00%
1,001 — 5,000	0	0.00%	0	0.00%
5,001 — 10,000	0	0.00%	0	0.00%
10,001 — 100,000	1	1.00%	1	1.00%
100,001 — AND OVER	5	99.00%	5	99.00%
Total number of holders	6	100.00%	6	100.00%

REGISTERED OFFICE OF THE COMPANY

'Building C' Level 2
 355 Scarborough Beach Road
 Osborne Park WA 6017
 Tel: +61-1300-436-110

STOCK EXCHANGE LISTING

Quotation has been granted for all ordinary shares on the Australian Securities Exchange. The State Office of Australian Securities Exchange in Perth, Western Australia has been designated the Home Branch of Global Energy Ventures Ltd.

There are no current on-market buy-back arrangements for the Company.

SHARE REGISTRY

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NEXION GROUP LTD
ADDITIONAL INFORMATION
CURRENT AS AT 18 AUGUST 2021

The registers of shares and options of the Company are maintained by:-

Computershare Registry Services Pty Ltd

Level 11

172 St Georges Terrace

Perth, Western Australia 6000

Tel: +61 1300 787 272

Fax: +61 (8) 9323 2033

COMPANY SECRETARY

The name of the Company Secretary is Jack Hugh Toby.

TAXATION STATUS

Nexion Group Ltd is taxed as a public company.

VOTING RIGHTS

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

TOTAL NUMBER OF SECURITIES ON ISSUE

Security Description	Number on issue
Quoted Ordinary Shares	63,683,506
Restricted Ordinary Shares	47,609,955
Options expiring 31 January 2024 and exercisable at \$0.40	6,038,702
Class A Performance Rights	4,383,664
Class B Performance Rights	5,096,908

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

	Number of Shares	Percentage of Total
Read Tech Pty Ltd <Read Tech A/C>	11,998,217	10.78%
Kingsley International Pty Ltd <Kingsley International A/C>	11,851,694	10.65%
Cheque Raise Pty Ltd	10,196,175	9.16%
Herdsmen Lake Capital Asia Pte Ltd	4,942,585	4.44%
HSBC Custody Nominees (Australia) Limited	4,741,385	4.26%
PBC Investments Pty Limited <Pbc Super Fund A/C>	3,850,000	3.46%
KG Venture Holdings Pty Ltd <Kg Venture Holdings A/C>	3,398,725	3.05%
Clyde Bank Holdings (Aust) Pty Ltd <Cave Unit A/C>	3,000,000	2.70%
Pine Street Pty Ltd <Pine Street Super A/C>	2,930,000	2.63%
Bearay Pty Limited <Brian Clayton S/F A/C>	2,119,375	1.90%

NEXION GROUP LTD
 ADDITIONAL INFORMATION
 CURRENT AS AT 18 AUGUST 2021

Claude L Daly & Sons Pty Ltd <Chris Daly Family A/C>	1,751,175	1.57%
Clayclan Pty Ltd <Clayton Clan Super Fund A/C>	1,610,000	1.45%
Hamish Hughes	1,511,194	1.36%
Bynas Trading Pty Ltd <Bynas A/C>	1,500,000	1.35%
Wymond Investments Pty Ltd <Dee Why Sales P/L S/F A/C>	1,467,150	1.32%
Citicorp Nominees Pty Limited	1,401,666	1.26%
AH Super Pty Ltd <The Ah Super Fund No 3 A/C>	1,144,720	1.03%
Mr Michael Charles Stone	689,563	0.62%
Somers Property Pty Ltd <Somers Property A/C>	689,487	0.62%
Wiserange Investments Pty Ltd <Socab Trading A/C>	685,384	0.62%
	<u>71,478,495</u>	<u>64.23%</u>

HOLDERS OF OPTIONS EXPIRING ON 31 JANUARY 2024 AND EXERCISABLE AT \$0.40 WITH A HOLDING OF 20% OR MORE:

	Number of Options	Percentage of Total
Pine Street Pty Ltd <Pine Street A/C>	2,934,832	48.60%
	<u>2,934,832</u>	<u>48.60%</u>

HOLDERS OF CLASS A PERFORMANCE RIGHTS EXPIRING 29 JANUARY 2025 WITH A HOLDING OF 20% OR MORE

	Number of Rights	Percentage of Total
Read Tech Pty Ltd <Read Tech Trust A/C>	1,534,282	35.00%
Kingsley International Pty Ltd <Kingsley International Trust A/C>	1,534,282	35.00%
	<u>3,068,564</u>	<u>70.00%</u>

HOLDERS OF CLASS B PERFORMANCE RIGHTS EXPIRING 30 JANUARY 2025 WITH A HOLDING OF 20% OR MORE

	Number of Rights	Percentage of Total
Read Tech Pty Ltd <Read Tech Trust A/C>	1,783,918	35.00%
Kingsley International Pty Ltd <Kingsley International Trust A/C>	1,783,918	35.00%
	<u>3,567,836</u>	<u>70.00%</u>

On 20 November 2020, Nexion Group Ltd (“NNG” or “Company”) issued 4,383,664 Class A Performance Rights and 5,096,908 Class B Performance Rights (together “Performance Rights”).

NEXION GROUP LTD
ADDITIONAL INFORMATION
CURRENT AS AT 18 AUGUST 2021

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 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.

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
17-Feb-21	Kingsley International Pty Ltd and Paul Glass	11,851,694
17-Feb-21	Read Tech Pty Ltd and Kevin Read	11,998,217
17-Feb-21	Cheque Raise Pty Ltd	10,196,175

RESTRICTED SECURITIES

Description	Number of Shares
Ordinary Shares subject to escrow restriction until 18 February 2023	47,609,955
Options expiring 31 January 2024 subject to escrow restriction until 18 February 2023	6,038,702
Class A Performance Rights subject to escrow restriction until 18 February 2023	4,383,664
Class B Performance Rights subject to escrow restriction until 18 February 2023	5,096,908

Use of cash and assets readily convertible to cash

During the period between admission to the ASX on 16 February 2021 and 30 June 2021, the company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. This statement is made pursuant to listing rule 4.10.19.