

XPON Technologies Group Limited and Controlled Entities
Appendix 4D
Half-year report

1. Company details

Name of entity:	XPON Technologies Group Limited and Controlled Entities
ACN:	635 810 258
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

Reported	31 December 2022 \$000's	31 December 2021 \$000's		Change \$000's	Change %
Revenue from ordinary activities	8,874	6,162	Up	2,712	44%
Net loss from ordinary activities after tax attributable to the owners of XPON Technologies Group Limited	(3,487)	(3,665)	Down	178	5%
Net loss for the half-year attributable to the owners of XPON Technologies Group Limited	(3,487)	(3,665)	Down	178	5%

DIVIDENDS

XPON Technologies Group Limited has not paid, recommended or declared dividends for the half-year ended 31 December 2022 (31 December 2021: Nil).

3. Net tangible assets

	31-Dec-22 (cents)	31-Dec-21 (cents)
Net tangible assets per ordinary security	1.19	3.04

Derived by dividing the net assets less intangible assets attributable to equity holders of the Company by the total ordinary shares on 31 December 2022 (303,608,169) and 31 December 2021 (303,608,169) respectively.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

For all foreign entities, International Financial Reporting Standards have been used in compiling this report.

10. Audit qualification or review

This half-year was subject to review by the Company's auditors and the review report is attached as part of this _____ half _____ year _____ report.

11. Attachments

The Interim Report of XPON Technologies Group Limited for the half-year ended 31 December 2022 is attached.

12. Signed

Signed  _____

Date: 20 February 2023

Phillip Aris
Independent Non-Executive Chairman

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XPON Technologies Group Limited and Controlled Entities

ACN 635 810 258

Half-year Report - 31 December 2022

XPON Technologies Group Limited and Controlled Entities
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CORPORATE DIRECTORY

Directors

Matt Forman – Managing Director
and CEO
Phil Aris – Independent Non-
Executive Chairman
Tim Ebbeck – Independent Non-
Executive Director
Jodie Leonard – Non-Executive
Director

Registered Office

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22 Longland Street Newstead,
QLD,
4006 Australia
www.xpon.ai

Auditors

BDO Audit Pty Ltd
Level 10,12 Creek Street
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Australia
www.bdo.com.au

Company Secretary

Mark Licciardo
Mertons Corporate Services
www.mertons.com.au

Share Registry

Automic Group
Level 5, 126 Phillip Street, Sydney
NSW 2000
www.automicgroup.com.au

**XPON Technologies Group Limited and Controlled Entities
Directors' report
31 December 2022**

The directors submit the interim financial report of the Group for the half year ended 31 December 2022.

1. General information

Information on directors

The following persons were directors of XPON Technologies Group Limited and Controlled Entities during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Phil Aris – Independent Non-Executive Chairman
Matt Forman - Managing Director and CEO
Tim Ebbeck – Independent Non-Executive Director
Jodie Leonard – Independent Non-Executive Director (appointed 12 September 2022)

Company Secretary

Mark Licciardo - Mertons Corporate Services

Principal activities

XPON is a Cloud and MarTech company that provides corporate and mid-tier enterprises in Australia, New Zealand, the United Kingdom and Europe with proprietary platforms and managed service solutions for modernizing marketing and customer experience.

Proprietary platforms (Wondaris® and Holoscribe®) - enable businesses to create personalized and immersive digital experiences for consumers, powered by machine learning (ML) and artificial intelligence (AI).

Managed services - to support the rapid adoption of these platforms, as well as other MarTech, AdTech, big data analytics, and consumer-facing applications.

2. Operating results and review of operations for the year

The loss for the consolidated entity after providing for income tax amounted to \$3,487,405 (31 December 2021: \$3,665,101).

XPON Technologies Group Limited and Controlled Entities
Directors' report
31 December 2022

Review and Results of operations

	31 December 2022	31 December 2021	Movement % 31 December 2022 vs 31 December 2021
	\$	\$	
Revenue	8,874,525	6,162,214	44%
Cost of sales	(2,748,416)	(2,220,922)	24%
Gross profit \$	6,126,109	3,941,292	55%
Gross margin %	69%	64%	5 pts
Other income	106,668	15,741	578%
Operating expenses	(9,309,825)	(5,483,919)	70%
Adjusted operating EBITDA*	(3,077,048)	(1,526,886)	102%
IPO Transaction related expenses	-	(1,862,332)	-
Depreciation and Amortisation	(276,981)	(269,892)	3%
Financial expenses (net)	(122,074)	(24,385)	401%
Loss before income tax	(3,476,103)	(3,683,495)	(6%)

*Adjusted operating Earnings before Interest, Tax, Depreciation, Amortisation and IPO Transaction related costs is a non-IFRS disclosure. In the opinion of the Directors, the Group's adjusted operating EBITDA reflects the results generated from ongoing operating activities of the Group. The non-operating adjustments outlined above are considered to be non-cash and/or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result.

Revenue

For the half year ended 31 December 2022, the Group's Revenue was \$8,874,525, representing a 44% increase over the previous corresponding six-month period (31 December 2021: \$6,162,214). The increase in revenue is derived organically from net new customers landed and net existing customers expanded the number of products and services during the reporting period with XPON. The organic growth is aligned with the Group's growth strategy.

Gross profit and margin

The Group saw an increase in the gross profit of 55% to \$6,126,109 (31 December 2021: \$3,941,292) and gross margin expanded by 5 pts, reaching 69% for the half year ended 31 December 2022 in comparison with 64% at the prior corresponding period. These increases are assisted by operating leverage achieved from scale benefits with some minor impact from lower usage fees.

Operating expenses

Total operating expense was \$9,309,825, representing an increase of 70% increase over the previous corresponding six-month period (31 December 2021: \$5,483,919).

XPON Technologies Group Limited and Controlled Entities
Directors' report
31 December 2022

The operating expenses is consistent with the Group's objective to build scale and expand globally driven by the Group's growth strategies:

- Maintaining organic growth momentum while achieving target of cashflow break-even in FY24;
- Ongoing product development against the Group roadmap to extend integrations and the Wondaris ecosystem;
- Strategic investment in people and operations to support scaling of the business;
- Continued focus on product and customer mix to accelerate gross margin expansion;
- Continued focus on developing sales and marketing capability to accelerate the Group pipeline and land new customers;
- Steadily increasing customer revenue retention, and continuing to execute on its land and expand strategy with its customers; and
- Leveraging Google channel partnership to further validate new customer segments for the Wondaris ecosystem.

Financial Position

On 31 December 2022, the Group had net assets of \$8,710,275 (June 2022: \$11,847,353), including cash of \$6,980,698 (June 2022: \$8,236,634).

The Group believes it is well positioned to drive organic growth and achieve the target of cashflow break-even in FY24 with the current cash balance.

3. Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

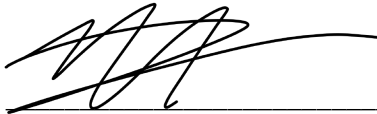
The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2022 has been received and can be found on page 5 of the interim financial report.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the directors



Phil Aris



Matt Forman

20 February 2023

**XPON Technologies Group Limited and Controlled Entities
Auditor's independence declaration**



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DECLARATION OF INDEPENDENCE BY L G MYLONAS TO THE DIRECTORS OF XPON TECHNOLOGIES GROUP LIMITED

As lead auditor for the review of XPON Technologies Group Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of XPON Technologies Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'L G Mylonas', is written over a horizontal line.

L G Mylonas
Director

BDO Audit Pty Ltd

Brisbane, 20 February 2023

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XPON Technologies Group Limited and Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

		Consolidated	
		31	31
	Note	December	December
		2022	2021
		\$	\$
Revenue from contracts with customers	4	8,874,525	6,162,214
Cost of sales		<u>(2,748,416)</u>	<u>(2,220,922)</u>
Gross profit		<u>6,126,109</u>	<u>3,941,292</u>
Other income	4	106,668	15,741
Expenses			
IT and Facilities expenses		(559,665)	(270,393)
Employee benefits expense		(5,691,571)	(3,275,641)
Superannuation expense		(403,805)	(243,223)
Depreciation and amortisation expense		(276,981)	(269,892)
Contractor expenses		(420,823)	(585,294)
Other expenses	5	(1,462,289)	(554,676)
Finance costs		(122,074)	(24,385)
Sales and Marketing expenses		(771,672)	(554,692)
IPO transaction related costs		<u>-</u>	<u>(1,862,332)</u>
Loss before income tax (expense)/benefit		(3,476,103)	(3,683,495)
Income tax (expense)/benefit		<u>(11,302)</u>	<u>18,394</u>
Loss after income tax (expense)/benefit for the half-year		(3,487,405)	(3,665,101)
Other comprehensive income			
Items that will be reclassified to profit or loss			
Exchange differences on translating foreign controlled entities		<u>(53,350)</u>	<u>(34,367)</u>
Other comprehensive income for the half-year, net of tax		<u>(53,350)</u>	<u>(34,367)</u>
Total comprehensive income for the half-year		<u>(3,540,755)</u>	<u>(3,699,468)</u>
		Cents	Cents
Basic earnings per share	14	(1.15)	(1.53)
Diluted earnings per share	14	(1.15)	(1.53)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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XPON Technologies Group Limited and Controlled Entities
Consolidated statement of financial position
As at 31 December 2022

		Consolidated	
		31	30 June
	Note	December	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		6,980,698	8,236,634
Trade and Other Receivables	7	4,998,583	4,822,966
Contract assets	9	528,076	-
Other assets		386,250	258,629
Total current assets		<u>12,893,607</u>	<u>13,318,229</u>
Non-current assets			
Property, plant and equipment		138,459	208,046
Right-of-use assets		215,306	530,101
Intangible assets		4,307,405	4,416,911
Deferred tax		753,031	730,584
Other assets		86,306	54,779
Total non-current assets		<u>5,500,507</u>	<u>5,940,421</u>
Total assets		<u>18,394,114</u>	<u>19,258,650</u>
Liabilities			
Current liabilities			
Trade and Other Payables	8	7,578,553	5,432,116
Borrowings		22,504	22,957
Lease liabilities		63,911	112,193
Employee benefits		610,902	480,807
Current tax liabilities		34,457	-
Contract liabilities	9	1,095,643	702,965
Total current liabilities		<u>9,405,970</u>	<u>6,751,038</u>
Non-current liabilities			
Borrowings		39,360	48,429
Lease liabilities		174,149	457,818
Employee benefits		64,360	154,012
Total non-current liabilities		<u>277,869</u>	<u>660,259</u>
Total liabilities		<u>9,683,839</u>	<u>7,411,297</u>
Net assets		<u>8,710,275</u>	<u>11,847,353</u>
Equity			
Issued Capital	10	21,796,430	21,796,430
Reserves	11	1,558,881	1,208,554
Accumulated losses		(14,645,036)	(11,157,631)
Total equity		<u>8,710,275</u>	<u>11,847,353</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

XPON Technologies Group Limited and Controlled Entities
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Ordinary Shares \$	Foreign Currency Translation Reserves \$	General Reserves \$	Employee Option Reserves \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2021	8,060,230	35,979	490,931	358,451	(4,856,339)	4,089,252
Loss after income tax benefit for the half-year	-	-	-	-	(3,665,101)	(3,665,101)
Other comprehensive income for the half-year, net of tax	-	(34,367)	-	-	-	(34,367)
Total comprehensive income for the half-year	-	(34,367)	-	-	(3,665,101)	(3,699,468)
<i>Transactions with owners in their capacity as owners:</i>						
Transaction costs	(986,240)	-	-	-	-	(986,240)
Shares issued during the half year	14,142,545	-	-	-	-	14,142,545
Share-based payments	-	-	-	329,123	-	329,123
Transfers from general reserve to equity on milestone event	333,335	-	(333,335)	-	-	-
Balance at 31 December 2021	21,549,870	1,612	157,596	687,574	(8,521,440)	13,875,212

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

XPON Technologies Group Limited and Controlled Entities
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Ordinary Shares \$	Foreign Currency Translation Reserves \$	General Reserves \$	Employee Option Reserves \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2022	21,796,430	29,806	157,596	1,021,152	(11,157,631)	11,847,353
Loss after income tax expense for the half-year	-	-	-	-	(3,487,405)	(3,487,405)
Other comprehensive income for the half-year, net of tax	-	(53,350)	-	-	-	(53,350)
Total comprehensive income for the half-year	-	(53,350)	-	-	(3,487,405)	(3,540,755)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 12)	-	-	-	310,354	-	310,354
Share Appreciation Rights (note 12)	-	-	-	93,323	-	93,323
Balance at 31 December 2022	21,796,430	(23,544)	157,596	1,424,829	(14,645,036)	8,710,275

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

XPON Technologies Group Limited and Controlled Entities
Consolidated statement of cash flows
For the half-year ended 31 December 2022

Note	Consolidated	
	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	9,420,389	5,551,742
Payments to suppliers and employees (inclusive of GST)	(10,597,123)	(6,833,142)
Interest received	11,319	10,991
Interest and other costs of finance paid	(8,180)	(24,385)
Government grant	76,685	68,835
Net cash used in operating activities	<u>(1,096,910)</u>	<u>(1,225,959)</u>
Cash flows from investing activities		
Payment for intangible asset	(4,200)	(18,086)
Purchase of property, plant and equipment	(51,771)	(54,731)
Payment of deferred consideration on Internetrix acquisition	-	(189,114)
Net cash used in investing activities	<u>(55,971)</u>	<u>(261,931)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	12,500,000
Transaction costs relating to issue of equity	-	(986,241)
Proceeds from borrowings	-	1,110,000
Repayment of borrowings	(10,984)	(7,907)
Principal repayments of lease liabilities	<u>(38,721)</u>	<u>(52,238)</u>
Net cash provided by/(used in) financing activities	<u>(49,705)</u>	<u>12,563,614</u>
Net increase/(decrease) in cash and cash equivalents	(1,202,586)	11,075,724
Cash and cash equivalents at the beginning of the financial half-year	8,236,634	1,722,045
Effects of exchange rate changes on cash and cash equivalents	<u>(53,350)</u>	<u>(34,377)</u>
Cash and cash equivalents at the end of the financial half-year	<u>6,980,698</u>	<u>12,763,392</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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XPON Technologies Group Limited and Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 1. Basis of Preparation

The interim financial report covers XPON Technologies Group Limited ('the Company') and its controlled entities ('the Group'). XPON Technologies Group Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

- The principal activities of the Company for the half-year ended 31 December 2022 was the provision of: software enabled managed services to help companies manage business-critical marketing platforms, adtech, ML / AI and cloud technologies;
- agile cloud-native software solutions with our unique IP that helps corporate & enterprise clients build and modernise customer-facing applications and products; and
- a next-generation data platform for marketers that centralizes customer & marketing data, supercharging it with AI for automated activation.

Each of the entities within the Group prepares its financial statements based on the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 20 February 2023.

Comparatives are consistent with prior years unless otherwise stated.

This condensed consolidated interim financial report for the reporting period ending 31 December 2022 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2022, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The financial statements have been prepared on an accrual basis and are based on historical costs.

Significant accounting policies adopted in the preparation of these financial statements are consistent with prior reporting periods unless otherwise stated.

XPON Technologies Group Limited and Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 2. Significant changes in the current reporting period

Although global market conditions have affected market confidence and consumer spending patterns, the group remains well-placed to grow revenues through ongoing product innovation and continuous investment in sales and marketing capabilities. It has sufficient working capital to service its operating activities and the execution of the Group's growth strategy with the target of achieving cashflow break-even by 2024.

The financial position and performance of the Group were particularly affected by the following events and transactions during the six months to 31 December 2022:

- a significant increase in revenue, cost of sales, and operating expenses as a result of business expansion;
- an increase in other expenses is consistent with the Group's growth strategy;
- the Group's cash balance ending 31 December 2022 remained strong at \$6,980,698, which places the Group in a good position to maintain normal operation and strive for strategic focuses;
- Trade and other payables increased by 40% consistent with the Group's growth strategy to retain existing customers and expand the number of solutions used by them as well as selling existing solutions to new customers. The increase is mainly related to growth in providing Google marketing and cloud services to both existing and new customers.

For a detailed discussion about the Group's performance and financial position please refer to our review of operations in the Directors' Report.

Note 3. New and amended standards adopted by the Group

The Group has adopted all standards which became effective for the first time at 1 July 2022, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group

Note 4. Revenue from contracts with customers and Other Income

Revenue from contracts with customers

	Consolidated	
	31	31
	December	December
	2022	2021
	\$	\$
- Licenses	2,775,950	1,776,434
- Managed Services	5,298,241	3,086,189
- Project Management Services	28,623	585,366
Total revenue from licenses, managed services and project management services	8,102,814	5,447,989
Revenue from other sources		
- Usage fees	771,711	714,225
Total Revenue from contracts with customers	8,874,525	6,162,214

XPON Technologies Group Limited and Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 4. Revenue from contracts with customers and Other Income (continued)

	Consolidated	Consolidated
	31	31
	December	December
	2022	2021
	\$	\$
Other Income		
- R&D refund	76,685	-
- Other income	29,983	15,741
	<u>106,668</u>	<u>15,741</u>
Total Other Income	106,668	15,741

Note 5. Other expenses

	Consolidated	Consolidated
	31	31
	December	December
	2022	2021
	\$	\$
Consulting and Accounting expenses	350,990	267,015
Insurance and Travel expenses	308,529	79,250
Compliance expenses	346,164	-
Other expenses	456,606	208,411
	<u>1,462,289</u>	<u>554,676</u>

Note 6. Operating Segments

Identification of reportable operating segments

The Group has determined that it only has one operating segment. The operating segment identified is based on the internal reports that are received and used by the chief operating decision-maker in assessing performance and determining the allocation of resources. All significant operating decisions are based upon the analysis of the Group as one segment.

The financial results from the segment are equivalent to the financial statements of the group as a whole.

Note 7. Trade and Other Receivables

	Consolidated	Consolidated
	31	30 June
	December	2022
	2022	2022
	\$	\$
Trade receivables	5,029,157	4,946,649
Other receivables	-	26,317
Less: Allowance for expected credit losses	(30,574)	(150,000)
	<u>4,998,583</u>	<u>4,822,966</u>
Total current trade and other receivables	4,998,583	4,822,966

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XPON Technologies Group Limited and Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 7. Trade and Other Receivables (continued)

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Impairment of trade receivables

	Consolidated	
	31	
	December	30 June
	2022	2022
	\$	\$
Opening balance	150,000	-
Additional impairment loss recognised	44,739	150,000
Amounts written off as uncollectible	(164,165)	-
	<u>30,574</u>	<u>150,000</u>
Closing balance	30,574	150,000

The Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates are based on the payment profiles (using a provision matrix) of sales over a period of 3 years before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information including macroeconomic factors that affect the ability of the customers to settle the receivables.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are over 1 year past due, whichever occurs first.

Note 8. Trade and Other Payables

	Consolidated	
	31	
	December	30 June
	2022	2022
	\$	\$
Trade payables	6,223,558	3,810,572
GST payable	381,956	298,846
Accruals and other payables	973,039	1,322,698
	<u>7,578,553</u>	<u>5,432,116</u>
Total Trade and Other Payables	7,578,553	5,432,116

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

XPON Technologies Group Limited and Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 9. Contract Assets and Contract Liabilities

(a) Contract assets

	Consolidated	
	31	30 June
	December	2022
	2022	2022
	\$	\$
Licenses	193,245	-
Managed services	334,831	-
	<u>528,076</u>	<u>-</u>

The contract assets balance representing the group has provided services ahead of the agreed payment schedules for customer service contracts.

(b) Contract liabilities

	Consolidated	
	31	30 June
	December	2022
	2022	2022
	\$	\$
Licenses	1,055,839	472,711
Managed services	26,666	45,600
Project services	13,138	184,654
Total contract liabilities	<u>1,095,643</u>	<u>702,965</u>

The balance of contract liability is for clients that pay in advance of services being delivered. The movement of contractor liability relates to the timing of contract renewals as well as new clients paying up front as per payment terms.

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XPON Technologies Group Limited and Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 10. Issued Capital

	Consolidated	
	31	
	December	30 June
	2022	2022
	\$	\$
303,608,169 Ordinary shares	22,536,110	22,536,110
Share issue costs net of deferred tax	<u>(739,680)</u>	<u>(739,680)</u>
Total	<u>21,796,430</u>	<u>21,796,430</u>

No additional shares were issued during the period. The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

Note 11. Reserves

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

	Consolidated	
	31	
	December	30 June
	2022	2022
	\$	\$
Foreign currency translation reserve	(23,544)	29,806

(b) General reserve

The general reserve records funds set aside for future business acquisition payments, which are to be settled via share issue.

	Consolidated	
	31	
	December	30 June
	2022	2022
	\$	\$
General reserve	157,596	157,596

(b) Employee option reserve

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised, the amount in the share option reserve is transferred to share capital.

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XPON Technologies Group Limited and Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 11. Reserves (continued)

	Consolidated	
	31	30 June
	December	2022
	2022	2022
	\$	\$
Employee option reserve		
Opening balance	1,021,152	358,451
Share based payment expense (note 12(a))	310,354	662,701
Share Appreciation Rights expense (note 12(b))	93,323	-
Total Employee option reserve	<u>1,424,829</u>	<u>1,021,152</u>

Note 12. Share based payments and Share Appreciation Rights (SAR's)

(a) Employee Option Plan

The share based payment expense recognised during the half year is disclosed below and is included within the 'Employee benefits expense' category within the consolidated statement of profit or loss and other comprehensive income. No additional options were awarded or forfeited during the half.

(b) Share Appreciation Rights

During the 2022 annual general meeting, shareholders approved the grant of 2,569,196 Share Appreciation Rights (SAR) to the managing director and non-executive directors under XPON's Omnibus Incentive Plan (OIP).

The Board has determined that for the purpose of calculating the number of SARs to be granted, the SAR value is \$0.1077, based on a Monte Carlo Simulation (MCS) valuation methodology.

Input		Values at Valuation Date
i.	Underlying share price	\$0.150
ii.	Exercise price	60-day VWAP prior to exercise
iii.	Term	5.00 yrs
iv.	Risk-free rate	3.445%
v.	Dividend yield	nil
vi.	Volatility (rounded)	82%
vii.	Base Price	\$0.159
viii.	Grant Date	24-Oct-22

SARs are rights to receive an award from the Company which may be satisfied by the issue and/or transfer of shares (equity settlement), cash payment (cash settlement), or a combination of both, as determined by the Board, subject to the satisfaction and/or waiver of vesting conditions.

The award is calculated by reference to an increase in the share price from a base price as determined by the Board prior to the grant of the SAR, and the 60 trading day volume-weighted average price per share traded on ASX immediately preceding the time that the performance hurdles and/or other conditions are satisfied and/or waived.

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XPON Technologies Group Limited and Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 12. Share based payments and Share Appreciation Rights (continued)

Each SAR confers an entitlement to receive shares – subject to meeting certain conditions. Furthermore, a holding lock will be applied to any shares issued upon exercise of the proposed SARs by Mr Forman prior and to 30 June 2025.

There were no SARs granted in prior years and none of the SARs had vested as at 31 December 2022.

The performance conditions attached to the Share Appreciation Rights are as follows:

Grant date	Total SARs Granted	With performance conditions	Without performance conditions	Performance Conditions															
24-Oct-22	983,361	-	983,361	No performance conditions															
24-Oct-22	1,585,835	1,585,835	-	<p>The SARs will vest at the determination of the Board after release of audited financial results for FY24 on satisfaction of the following Vesting Conditions:</p> <ul style="list-style-type: none"> • Mr Forman remains in employment at the Vesting Date; and • Achievement of Compound Annual Growth Rate (CAGR) of Annualised Recurring Revenue (ARR) per the Vesting Scale below <table border="1"> <thead> <tr> <th>CAGR</th> <th>ARR</th> <th>SARs Vesting</th> </tr> </thead> <tbody> <tr> <td>30%</td> <td></td> <td>50%</td> </tr> <tr> <td>40%</td> <td></td> <td>75%</td> </tr> <tr> <td>45%</td> <td></td> <td>100%</td> </tr> <tr> <td colspan="3">Pro-rata linear vesting between the scales.</td> </tr> </tbody> </table>	CAGR	ARR	SARs Vesting	30%		50%	40%		75%	45%		100%	Pro-rata linear vesting between the scales.		
CAGR	ARR	SARs Vesting																	
30%		50%																	
40%		75%																	
45%		100%																	
Pro-rata linear vesting between the scales.																			
Total	2,569,196	1,585,835	983,361																

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Share options issued to staff during half-year	310,354	329,123
Share appreciation rights	93,323	-
Total	403,677	329,123

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

XPON Technologies Group Limited and Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 14. Earnings per share

	Consolidated	
	31	31
	December	December
	2022	2021
	\$	\$
Loss after income tax	<u>(3,487,405)</u>	<u>(3,665,101)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>303,608,169</u>	<u>239,549,085</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>303,608,169</u>	<u>239,549,085</u>
	Cents	Cents
Basic earnings per share	(1.15)	(1.53)
Diluted earnings per share	(1.15)	(1.53)

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XPON Technologies Group Limited and Controlled Entities
Directors' declaration
31 December 2022


The directors of the Company declare that:

1. The interim financial statements and notes, as set out on pages 6 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Phil Aris



Matt Forman

20 February 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of XPON Technologies Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of XPON Technologies Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO


L G Mylonas
Director

Brisbane, 20 February 2023

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