

31 October 2023

Quarterly Activities Report

For the quarter ending 30 September 2023

ActivePort Group Ltd (“**ActivePort**” or “**the Company**” or “**Group**”), (**ASX:ATV**) continued deploying its software to telco’s globally for Cloud Orchestration and made significant progress expanding use into Core Orchestration to increase recurring revenue.

Following our scale-up capital raise early in the quarter, the team set about accelerating new business with telco’s globally and achieved substantial success that will flow through to revenue in the coming quarters as we begin to bill for our software in these new accounts.

Our partner, Radian Arc Pty Ltd (**Radian Arc**) closed a significant deal that will see ActivePort deploy its Cloud Orchestration software across what promises to be one of the largest cloud gaming deployments ever attempted anywhere in the world. This new project is the catalyst for the R&D team to create version 2.0 of our AMD-based GPU orchestration solution that will refine latency and significantly increase throughput per server.¹

Our R&D team completed the second version of our integration with the Megaport Virtual Edge for up-coming release with the official launch of the Global Edge Network-as-a-Service (NaaS) platform. The R&D team also delivered our Configuration Builder module that extends ActivePort’s reach from the Wide Area Network (WAN) domain to the Local Area Network (LAN) domain. These two new products extend ActivePort’s revenue earning capacity beyond its current scope.

Business Highlights:

- **Outstanding support for our capital raise saw total commitments exceed the minimum for a total of \$2.5M raised.**
- **A strong sales pipeline delivered a number of new software sales opportunities in India, South America, Middle East, Indonesia and Malaysia.**
- **R&D completed major new features including integration to the Megaport Virtual Edge, delivery of the LAN-side Config Builder and development of our version 2.0 GPU orchestration solution.**
- **Our managed services and ISP businesses continued to deliver reliable recurring revenue and strong gross margins.**

Overall ActivePort delivered a sound result for Q1 as it continued to close new business with telco’s globally that will use ActivePort’s unique orchestration software to automate customer access to their core networks.

Business Overview

ActivePort is experiencing unprecedented demand for its network orchestration software from the telecommunications sector. The pipeline of new projects continues to grow and revenue from existing customers is forming a strong and rapidly growing recurring revenue foundation for the company.

ActivePort is focussing its efforts on two channels to market for the software business, its direct sales to the telecommunications sector and its channel sales via the recently launched self-service portal www.globaledge.network.

Notes:

1. This project is delivered under the terms of the contract previously announced between Radian Arc and ActivePort.

Use of funds reconciliation

Pursuant to Listing Rule 4.7C2, the Company confirms that during the period since listing on the ASX on 20th October 2021, its expenditure incurred is in line with the Use of Funds as set out in its Prospectus, with a summary as shown in the table below:

	Funds allocated under the Prospectus	Funds expended to 30 September 2023
Use of Funds under Prospectus		
Business growth and acquisitions	1,700,000	1,861,014
Global sales development	4,200,000	2,670,071
Product engineering and tech support	2,400,000	8,380,304
Capital raising and listing costs	870,000	951,000
Administration and other corporate costs	375,000	524,000
Working capital	2,595,000	2,361,000
Add: Receipts from Customers		8,066,582
Less: Other costs between admission and 30 September 2023		8,299,988
Add: Receipts from borrowings		1,736,000
Add: R&D Tax Incentive		2,348,000
Add: Receipts from issue of shares		2,175,207
Net funds expended between admission and 30 September 2023		10,721,589

Since listing the Company has invested more heavily in product and feature development to enhance its service offering to customers. As shown in the above table, the additional investment in product and feature development has mainly been funded by using funds previously allocated to global sales development, as well as with cash receipts from customers.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates reflected in item 6.1 of the Appendix 4C for this quarter comprises fees, salary and superannuation for Directors.

About ActivePort Group Ltd

ActivePort is an Australian company delivering network orchestration software solutions, tailored to the global telecommunications and information technology sectors. The company derives revenue from three business units; the ActivePort orchestration software, the Global Edge network-as-a-service portal www.globaledge.network and general IT managed services.

For more information, please visit www.activeport.com.au

Investor relations

ActivePort Group Ltd

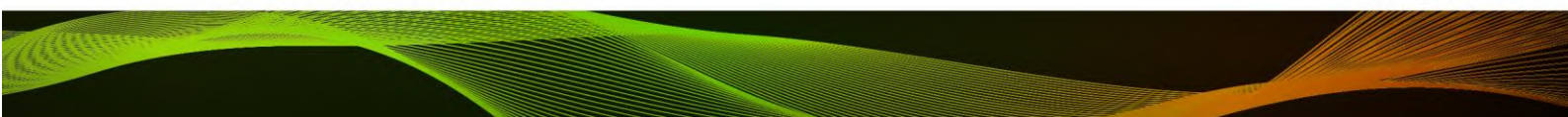
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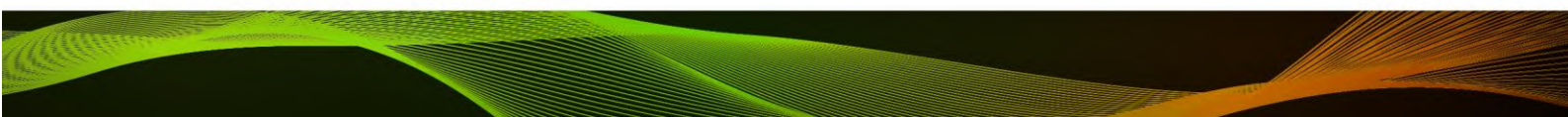


ActivePort Group Ltd

Level 28, 140 St Georges Terrace, Perth WA 6000

ABN: 24 636 569 634

This announcement has been authorised for release by the Board of ActivePort Group Ltd.



Appendix 4C

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

Name of entity

ACTIVEPORT GROUP LTD

ABN

24 636 569 634

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,489	3,489
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,557)	(2,557)
(c) advertising and marketing	(18)	(18)
(d) leased assets	(7)	(7)
(e) staff costs	(1,908)	(1,908)
(f) administration and corporate costs	(529)	(529)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(13)	(13)
1.6 Income taxes paid	(6)	(6)
1.7 Government grants and tax incentives	-	-
1.8 Other (refer to note 6)	-	-
1.9 Net cash from / (used in) operating activities	(1,547)	(1,547)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property (refer to note 6)	(405)	(405)

	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(405)	(405)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,350	2,350
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(175)	(175)
3.5	Proceeds from borrowings	5	5
3.6	Repayment of borrowings	(7)	(7)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) ¹	-	-
3.10	Net cash from / (used in) financing activities	2,173	2,173

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,473	1,473
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,547)	(1,547)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(405)	(405)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,173	2,173
4.5	Effect of movement in exchange rates on cash held	(35)	(35)
4.6	Cash and cash equivalents at end of period	1,659	1,659

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,659	1,473
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,659	1,473

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(199)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>The amount at 6.1 relates to fees (including superannuation, where applicable) paid to the Directors (including for their executive roles, where applicable).</p>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	1,862	1,862
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	100	71
7.4 Total financing facilities	1,962	1,933
7.5 Unused financing facilities available at quarter end		29
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
	<ol style="list-style-type: none"> 1. A \$100,000 unsecured principal and interest line of credit facility with Prospa Advance Pty Ltd. The interest rate is 0.077% daily rate at the Disclosure Date. 2. Total short-term R&D tax credit loan facility of \$1.392M provided by Mitchell Asset Management based on 80% of expected FY2023 R&D tax refund with interest rate at 14% per annum. 	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,547)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,659
8.3 Unused finance facilities available at quarter end (item 7.5)	29
8.4 Total available funding (item 8.2 + item 8.3)	1,688
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.09
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	<p>Answer: No. The Company has achieved substantial recent success in developing a strong sales pipeline with a number of new software sales opportunities progressed in India, South America, Middle East, Indonesia and Malaysia. Consequently, we expect a significantly higher level of revenue receivables to be received in cash during the coming quarter.</p>

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, The Company expects to raise a further \$150,000 (subject to shareholder approval) pursuant to the capital raising announced on 18 August 2023. The Company is also expecting its FY23 R&D tax refund in the December quarter and intends to secure a new loan against the expected FY24 R&D activities to date. The Company is also in negotiations with key debtors of the business for settlement of outstanding amounts.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, the Company has various sources of funding to meet its business objectives.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

9. Additional Disclosure

Performance Rights

ActivePort Group Ltd (“ATV” or “Company”) had 6,658,980 Class D Performance Rights, 2,219,660 Class E Performance Rights and 2,219,660 Class F Performance Rights (together “Performance Rights”) on issue. All Class D, E and F Performance Rights expire on 31 October 2023. On vesting, each Performance Right converts into one ordinary share in the Company.

The Performance Rights shall vest, subject to the Vesting Calculation, when the following vesting conditions have been achieved:

- **Class D Performance Rights:** the Company achieving a Total Pro-forma Revenue during the financial year ending on 30 June 2023 of at least 135% of the total ActivePort consolidated revenue for the financial year ending on 30 June 2022 (**FY23 Deadline**);
- **Class E Performance Rights:** the vesting condition for some or all of the Class D Performance Rights is achieved and the value of the ActivePort contracted recurring consolidated revenue is at least 50% of the value of the Total Pro-forma Revenue counted towards the Class D Performance Rights Vesting Condition; and
- **Class F Performance Rights:** the vesting condition for some or all of the Class D Performance Rights is achieved and at least 30% of the Class E contracted recurring revenue is derived directly from use of ActivePort software,

(each a **Vesting Condition**).

Where the Total Pro-forma Revenue achieved by the FY23 Deadlines as a percentage of the respective comparison revenue target is:

- less than 135% of the previous financial year’s total reported revenue - no Performance Rights will vest; or
- 135% or more of the previous financial year’s total reported revenue, then such proportion (limited to a maximum of 100%) of the Class A and Class D Performance Rights will vest pro-rata to the amount by which the Total Pro-forma Revenue achieved exceeds 135% of the total ActivePort consolidated revenue for the previous financial year, as a percentage of 135% of the total ActivePort consolidated revenue for the previous financial year. For the purposes of the calculation pursuant to this paragraph; the Total Pro-forma Revenue applied to the Class D Performance Rights Vesting Condition and vesting conditions that are dependent of the Class D vesting condition, is limited to a maximum of \$75,000,000 (**Vesting Calculation**).

Total Pro-forma Revenue for a financial year for Class D to F Performance Rights means the total consolidated revenue for that financial year of ActivePort Group Ltd plus the pre-acquisition revenue for that financial year of any subsidiaries acquired during that financial year.

No Class D, E or F Performance Rights have vested or been converted or cancelled during the quarter. On 13 October 2023, the 6,658,980 Class D Performance Rights partially achieved their vesting hurdles, resulting in the issue of 80,267 ordinary shares. The remaining Class D Performance Rights and all Class E and Class F Performance Rights lapsed and were cancelled on 13 October 2023.

On 20 May 2022, ATV issued 2,000,000 Class G Performance Rights. All Class G Performance Rights expire on 31 May 2024. On vesting, each Performance Right converts into one ordinary share in the Company.

For Class G Performance Rights, **Adjusted Revenue** means total consolidated revenue excluding one-off or extraordinary revenue items; revenue received in the form of government grants, allowances, rebates or other hand-outs and revenue that has been “manufactured” to achieve the Vesting Condition. **Total Revenue** for a financial year means the Adjusted Revenue for that financial year of Digital Immortality Pty Ltd (ACN 615 117 998) (Digital Immortality) for that financial year, excluding subsidiaries of Digital Immortality that were acquired for consideration provided by ActivePort Group Ltd (ACN 636 569 634) (ActivePort) or subsidiaries of ActivePort other than Digital Immortality.

The Class G Performance Rights shall vest, subject to the Class G Vesting Calculation, where Total Revenue during the financial year ending 30 June 2023 (**FY23 Revenue**) is at least AUD\$3.2 million.

Where Future Broadband’s FY23 Revenue is:

- Less than AUS \$1 million, no Class G Performance Rights will vest; or
- AUD\$1 million or greater, then such proportion (limited to a maximum of 100%) of the Class G Performance Rights will vest as calculated by the amount that the FY23 Revenue exceeds the

total revenue during the financial year ending 30 June 2022 (**FY22 Revenue**) divided by the amount that FY23 Revenue exceeds FY22 Revenue to a maximum of 100%.
(**Vesting Calculation**)

No Class G Performance Rights have vested or been converted or cancelled during the quarter. On 13 October 2023, the 2,000,000 Class G Performance Rights partially achieved their vesting hurdles, resulting in the issue of 624,800 ordinary shares. The remaining Class G Performance Rights lapsed and were cancelled on 13 October 2023.

Deferred Consideration Shares

The consideration for the acquisitions of Starboard IT Pty Ltd ("**Starboard**") and Vizstone Pty Ltd ("**Vizstone**") included various tranches of ordinary shares in ActivePort Group Ltd to be issued based on the financial performance in financial years ended 30 June 2021, 2022 and 2023 ("FY21, FY22 and FY23") of each company ("**Deferred Consideration Shares**"). No Deferred Consideration Shares were issued based on the financial performance of the Acquisitions for FY21.

Deferred Consideration Shares for the Starboard acquisition

The consideration payable by the Company for the Starboard Acquisition includes the following Deferred Consideration Shares comprising fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

- The number of ActivePort shares, with a deemed issue price of \$0.20, equivalent to 1x revenue valuation for any revenue invoiced in FY21 by Starboard which exceeds \$3,500,000 – **Starboard Tranche 1 Consideration**
- The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000 – **Starboard Tranche 2 Consideration**

$$\frac{\text{Starboard's FY22 revenue} - (\text{Starboard's FY21 revenue} \times 1.1) \times 1}{\text{The higher of 80\% of ActivePort's 3 month VWAP (April to June 2022) and } \$0.08}$$

- On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:
 - 80% of the Company's 3-month VWAP (April to June 2023); and
 - \$0.08 – **Starboard Tranche 3 Consideration**, (together "**the Starboard Consideration**")

The Company may, in its sole discretion, opt to satisfy a percentage, up to 100%, of the Tranche 1, 2, and/or 3 Consideration in cash.

No Deferred Consideration Shares for the Starboard acquisition have been issued during the quarter.

On 17 October 2023, the Company determined that the FY23 hurdles had not been met. Consequently, no deferred consideration shares for the acquisition of Starboard would be issued for the financial year ended 30 June 2023 and the deferred consideration obligation for the acquisition of Starboard was terminated.

Deferred Consideration Shares for the Vizstone acquisition

The consideration payable by the Company for the Vizstone Acquisition includes the following Deferred Consideration Shares comprising fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

- The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000 – **Vizstone Tranche 1 Consideration**:

$$\frac{\text{Vizstone's FY22 revenue} - (\text{Vizstone's FY21 revenue} \times 1.1) \times 1}{\text{The higher of 80\% of ActivePort's 3 month VWAP (April to June 2022) and } \$0.08}$$

The higher of 80% of ActivePort's 3 month VWAP (April to June 2022) and \$0.08

- On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:
 - 80% of the Company's 3-month VWAP (April to June 2023); and
 - \$0.08 – **Vizstone's Tranche 2 Consideration**, (together "**the Vizstone Consideration**")

The Company may, in its sole discretion, opt to satisfy a percentage, up to 100%, of the Tranche1 and/or 2, Vizstone Consideration in cash.

No Deferred Consideration Shares for the Vizstone acquisition have been issued during the quarter.

On 17 October 2023, the Company determined that the FY23 hurdles had not been met. Consequently, no deferred consideration shares for the acquisition of Vizstone would be issued for the financial year ended 30 June 2023 and the deferred consideration obligation for the acquisition of Vizstone was terminated.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2023

Authorised by: The Board.

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.