

ACTIVEPORT GROUP LTD
ACN 636 569 634
NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 2:30 pm (WST)

DATE: Friday 5 August 2022

PLACE: Level 4, 46 Colin Street West Perth, Western Australia 6005

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting and accompanying Independent Expert's Report should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Independent Expert has concluded that each of the transactions the subject of Resolutions 1 and 2 of the Notice of Meeting are fair and reasonable to the non-associated Shareholders of the Company.

All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00 pm (WST) on 3 August 2022.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL FOR THE SERVICES AGREEMENT WITH RADIAN ARC LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to proceed with the Services Agreement, on the terms and conditions set out in the Explanatory Statement."

Short Explanation: The Company has entered into agreements with Radian Arc Limited, in which the Company has agreed to licence software under a services agreement and provide hardware under a lease agreement to Radian Arc. The Company and Radian Arc are related parties by virtue of the Executive Chairman of the Company, Peter Christie. Mr Christie is a director of Radian Arc and a substantial (10%) holder of both the Company and Radian Arc. Accordingly, the Company seeks Shareholder approval for the agreements and the issue of the Consideration in accordance with Listing Rule 10.1.

Independent Expert's Report:

Shareholders should carefully consider the Independent Expert's Report included with this Notice of Meeting, prepared by the Independent Expert for the purposes of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined that the transaction is **fair and reasonable** to the non-associated Shareholders.

A voting exclusion and prohibition statement applies to this Resolution. Please see below.

2. RESOLUTION 2 – APPROVAL FOR THE LEASE AGREEMENT WITH RADIAN ARC LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to proceed with the Lease Agreement, on the terms and conditions set out in the Explanatory Statement."

Short Explanation: The Company has entered into agreements with Radian Arc Limited, in which the Company has agreed to licence software under a services agreement and provide hardware under a lease agreement to Radian Arc. The Company and Radian Arc are related parties by virtue of the Executive Chairman of the Company, Peter Christie. Mr Christie is a director of Radian Arc and a substantial (10%) holder of both the Company and Radian Arc. Accordingly, the Company seeks Shareholder approval for the agreements and the issue of the Consideration in accordance with Listing Rule 10.1.

Independent Expert's Report:

Shareholders should carefully consider the Independent Expert's Report included with this Notice of Meeting, prepared by the Independent Expert for the purposes of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined that the transaction is **fair and reasonable** to the non-associated Shareholders.

A voting exclusion and prohibition statement applies to this Resolution. Please see below.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES AND CLASS G PERFORMANCE RIGHTS – LISTING RULE 7.1

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 2,175,000 Shares and 2,000,000 Class G Performance Rights on the terms and conditions set out in the Explanatory Statement."

A voting exclusion statement applies to this Resolution. Please see below.

Dated: 27 June 2022
By order of the Board

Jack Toby
Company Secretary

Voting Prohibition Statement

Resolution 1 – Approval for the Services Agreement with Radian Arc Limited

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Resolution 2 – Approval for the Lease Agreement with Radian Arc Limited

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (iii) a member of the Key Management Personnel; or
 - (iv) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the resolution set out below by or on behalf of the following persons:

Resolution 1 – Approval for the Services Agreement with Radian Arc Limited

Mr Peter Christie (or any of his associates) or any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity).

Resolution 2 – Approval for the Lease Agreement with Radian Arc Limited

Mr Peter Christie (or any of his associates) or any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity).

Resolution 3 – Ratification of prior issue of Shares and Class G Performance Rights

A person who participated in the issue or is a counterparty to the agreement being approved (namely Jason Mikronis, Philip Adams and Michael Hudson) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolutions listed above by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary at +61 8 6149 7550.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTIONS 1 AND 2 – APPROVAL FOR THE AGREEMENTS WITH RADIAN ARC LIMITED

The Independent Expert has concluded that each of the Agreements are fair and reasonable to the non-associated Shareholders of the Company. Further details are set out in the Independent Expert's Report at Schedule 1 of this Notice.

1.1 General Background

As announced on 4 April 2022, the Company entered into two agreements with Radian Arc Limited (ACN 641 847 396) (**Radian Arc**), a services agreement for software (**Services Agreement**), and a lease agreement for hardware (**Lease Agreement**) (together the, **Agreements**) to deliver orchestration software, private cloud infrastructure, and technical support services.

The Company and Radian Arc are related parties by virtue of the Executive Chairman of the Company, Peter Christie. Mr Christie is a director of Radian Arc and a substantial (10%) holder of both the Company and Radian Arc. Accordingly, Radian Arc is deemed to be a "related party" of the Company for the purpose of Listing Rule 10.1.1.

The Company anticipates the Agreements will lead to revenue potential of up to \$8.65 million over 5 years. The Agreements leverage the Company's existing resources with no additional capital being required. The Company is supporting Radian Arc's global customer base of major telecommunications providers.

Radian Arc provides a private cloud platform used for GPU-centric applications such as gaming, artificial intelligence, machine learning, engineering visualisation, and cloud-based mapping systems. Since 2020, the Company has been collaborating with Radian Arc to include the Company's software into Radian Arc's platform that already incorporates AMD's industry-leading cloud GPU technology. The Agreements extend the services that the Company already provides to Radian Arc to include software licensing, infrastructure and technical support as Radian Arc transitions its customers from delivery and testing into live production.

Resolution 1 seeks Shareholder approval for the purpose of Listing Rule 10.1 and all other purposes to enable the Company to enter into the Services Agreement with Radian Arc.

Resolution 2 seeks Shareholder approval for the purpose of Listing Rule 10.1 and all other purposes to enable the Company to enter into the Lease Agreement with Radian Arc.

1.2 Independent Expert's Report

Listing Rule 10.5.10 requires a notice of meeting containing a resolution to approve a transaction under Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report prepared by RSM Corporate Australia Pty Ltd (**Independent Expert**) (a copy of which is attached as Schedule 1 to this Notice)

sets out a detailed independent examination of the Agreements to enable non-associated Shareholders to assess the merits and decide whether to approve Resolutions 1 and 2. The Independent Expert has concluded that each of the Agreements the subject of Resolutions 1 and 2 are **fair and reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

1.3 Terms of the Services Agreement

The Services Agreement is comprised of a monthly engineering fee of USD\$50,000 (\$69,862) plus a support fee of USD\$4,000 (\$5,589) per nominated live system and a software license per virtual GPU (**vGPU**) of USD\$30 (\$41.92) per month for the first 5,000 vGPUs (based on the Reserve Bank of Australia's USD\$ exchange rate of 0.7157 on 2 June 2022). The license per vGPU scales down by volume to a weighted average of \$7.30 per vGPU per month when 100,000 vGPUs are deployed.

The Services Agreement is for a 5-year term that automatically renews for 24 months and can be terminated by the Company in an event of customer default including the appointment of an administrator, change of control and failure to pay.

1.4 Terms of the Lease Agreement

The Lease Agreement is for the delivery of up to \$2,000,000 of private cloud infrastructure, supplied incrementally in units comprising servers, switches and routers, typically up to \$60,000 each. Each unit of infrastructure is paid for in 18 monthly instalments including interest of 9% calculated on the outstanding balance at the time of payment.

The Lease Agreement is for a term of 18 months unless otherwise validly terminated in accordance with the Lease Agreement. The Lease Agreement can be terminated by the Company in an event of default including failure under the lease, misrepresentation, appointment of a receiver, suspension of payment, insolvency, the appointment of an administrator or winding up.

Radian Arc has the option to purchase all or some of the hardware at any time during the term of the agreement for an amount equal to the outstanding principal component for that hardware. The Company retains title to and has a registered Purchase Money Security Interest over all units of hardware until such time as the full payment is made for a unit at which time title of that unit transfers to Radian Arc.

1.5 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from:

- (a) a related party of the Company;
- (b) a subsidiary of the Company;
- (c) a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder in the Company;

- (d) an associate of a person referred to in Listing Rules 10.1.1 to 10.1.3; or
- (e) a person whose relationship to the entity or a person referred to in Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the transaction should be approved by Shareholders.

Mr Peter Christie is the Executive Chairman of the Company and is also a director of Radian Arc. Mr Peter Christie is a substantial (10%) holder of both the Company and Radian Arc as follows:

Company Name	Number of Shares Held	% Shareholding
ActivePort	43,568,260	17.5%
Radian Arc	10,800,000	13.68%

Accordingly, Radian Arc would be considered a related party for the purposes of ASX Listing Rule 10.1.

Substantial Asset

Under ASX Listing Rule 10.2, an asset is "substantial" if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest reviewed accounts given to ASX under the ASX Listing Rules (being for the half yearly reporting period ended 31 December 2021) were \$30,283,610. A substantial asset is therefore an asset of value greater than \$1,514,181 (5% of the above figure).

The amount payable under the Services Agreement and Lease Agreement is approximately \$8,380,000 and \$2,270,000 (including repayment of the principal and interest) respectively. These amounts in both agreements exceed the substantial asset figure of \$1,514,181.

Accordingly, the Agreements will be considered a "substantial" asset for the purposes of ASX Listing Rule 10.2 and the Company is required to seek Shareholder approval under ASX Listing Rule 10.1 for their disposal.

Requirement for Shareholder Approval

ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert has been asked to prepare a report, for the purpose of ASX Listing Rule 10.5.10, on whether the Agreements are fair and reasonable. **The Independent Expert has considered the Agreements and has concluded that each of the Agreements the subject of Resolutions 1 and 2 are fair and reasonable to Shareholders whose votes are not to be disregarded.**

1.6 Technical information required by ASX Listing Rule 10.5

Pursuant to and in accordance with ASX Listing Rule 10.5 the following information is provided in relation to Resolutions 1 and 2:

- (a) the Company is entering into the Agreements with Radian Arc;
- (b) the Company and Radian Arc are related parties by virtue of the Executive Chairman of the Company, Peter Christie. Mr Christie is a director of Radian Arc and a substantial (10%) holder of both the Company and Radian Arc. Accordingly, Radian Arc is deemed to be a "related party" of the Company and therefore falls within the category set out in ASX Listing Rule 10.1.1;
- (c) the purpose of the Services Agreement is to provide Radian Arc with software and support, extending the services that the Company already provides to Radian Arc as Radian Arc transitions its customers from delivery and testing into live production;
- (d) the purpose of the Lease Agreement to govern the Company's lease of up to \$2,000,000 of private cloud infrastructure, supplied incrementally in units comprising servers, switches and routers to Radian Arc as Radian Arc transitions its customers from delivery and testing into live production;
- (e) the consideration payable by Radian Arc is set out in Sections 1.3 and 1.4 above;
- (f) summaries of the material terms of the Agreements are set out in Sections 1.3 and 1.4 above;
- (g) the Company intends to use the funds received as consideration under the Agreements for ongoing operations, business growth and acquisitions;
- (h) an indicative timetable is set out at Section 1.9 below;
- (i) voting exclusion statements are included in this Notice; and
- (j) the Independent Expert's Report is included at Schedule 1 of the Notice.

1.7 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors (other than Mr Peter Christie who has a material personal interest in Resolutions 1 and 2), consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Agreements because the Agreements are on the same or better terms as the Company would otherwise have entered into with non-related parties and as such the giving of the financial benefit is on arm's length terms.

RSM Corporate Australia Pty Ltd in their Independent Expert's Report (see section below) has confirmed that the Agreements are on arm's length terms and has

considered the Agreements as '**fair and reasonable**'. Accordingly, the Company is not seeking shareholder approval under Chapter 2E of the Corporations Act.

1.8 Technical Information required by Listing Rule 14.1A

If Resolution 1 is passed, the Company will be able to proceed with the Services Agreement.

If Resolution 2 is passed, the Company will be able to proceed with the Lease Agreement.

If Resolution 1 is not passed, the Company will not proceed with the Services Agreement, and may be required to negotiate with Radian Arc.

If Resolution 2 is not passed, the Company will not proceed with the Lease Agreement, and may be required to negotiate with Radian Arc.

1.9 Indicative timetable

Event	Date
Announcement of the Agreements	4 April 2022
Dispatch of Notice of Meeting	1 July 2022
General Meeting to approve the Resolution	5 August 2022
Execution of the Agreements	5 August 2022

The above dates are indicative only and are subject to change at the board's discretion in accordance with the Corporations Act and ASX Listing Rules.

1.10 Board Recommendation

After carefully considering all aspects of the Agreements (including the advantages and disadvantages set out above), the Independent Expert's Report and the alternatives available (as set out above), each non-conflicted Director considers that the Agreements are in the best interests of Shareholders. Accordingly, each non-conflicted Director recommends that the Shareholders vote in favour of Resolutions 1 and 2.

Mr Peter Christie declines to make a recommendation to Shareholders in relation to Resolutions 1 and 2 due to his interest in the outcome of the resolutions by virtue of being a director of Radian Arc and a substantial (10%) holder of both the Company and Radian Arc. In order to manage any potential or perceived conflict of interest, Mr Peter Christie has abstained from making a recommendation and did not participate in the Board's consideration or vote in relation to Agreements.

The Directors (other than Mr Peter Christie) are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 1 and 2.

2. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES AND CLASS G PERFORMANCE RIGHTS – LISTING RULE 7.1

2.1 General

As announced on 19 April 2022, the Company entered into a binding term sheet to acquire from Mr Jason Mikronis (**Vendor**) 100% of the issued capital of Digital Immortality Pty Ltd (ACN 615 117 998) (trading as Future Broadband) (**Digital Immortality**) (**Acquisition Agreement**). A summary of the material terms of the Acquisition Agreement are set out below:

Consideration	<p>The Company agreed to pay the Vendor the following:</p> <p>(a) Initial Consideration: the issue of 2,175,000 Shares on completion of the Acquisition divided as to</p> <p>(i) 1,675,000 ordinary shares to the Vendor; and</p> <p>(ii) 500,000 ordinary shares to 2 key employees; and</p> <p>(b) Performance Consideration: the issue of 2,000,000 Class G Performance Rights.</p> <p>The Performance Rights fully vest if the total consolidated revenue target of \$3.2 million for Future Broadband for the financial year ending on 30 June 2023 (FY23 Revenue) is achieved.</p> <p>If FY23 Revenue is less than \$1 million, then no Performance Rights will vest.</p> <p>If FY23 Revenue is \$1 million or greater, then such proportion of the Performance Rights will vest as calculated by the amount that the FY23 Revenue exceeds the total revenue during the financial year ending on 30 June 2022 (FY22 Revenue) divided by the amount that AUD\$3.2 million exceeds FY22 Revenue to a maximum of 100%.</p>
Conditions Precedent	<p>Completion of the Acquisition Agreement was conditional upon the satisfaction or waiver of:</p> <p>(a) legal and technical due diligence to the satisfaction of the Company within 30 days following the execution date; and</p> <p>(b) the Company obtaining all necessary shareholder, regulatory and third-party approvals pursuant to the ASX Listing Rules, the <i>Corporations Act 2001</i> (Cth) and any other law necessary to complete the acquisition.</p>

The Conditions Precedent have been satisfied or waived.

Pursuant to the Acquisition Agreement, on 20 May 2022 the Company issued 2,175,000 Shares and 2,000,000 Class G Performance Rights to the Vendor (together, **Consideration Securities**).

2.2 ASX Listing Rules 7.1 and 7.1A

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval

of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Under Listing Rule 7.1A, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

The Company obtained approval to increase its limit to 25% at the annual general meeting held on 16 December 2021.

The Consideration Securities issued on 20 May 2022 within the Company's placement capacity under Listing Rule 7.1, and accordingly did not breach Listing Rule 7.1.

The issue of the Consideration Securities does not fit within any of the exceptions set out in Listing Rule 7.2 and, as it has not yet been approved by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date of issue of the Consideration Securities.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Consideration Securities.

Resolution 3 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Consideration Securities.

2.3 Technical information required by Listing Rule 14.1A

If Resolution 3 is passed, the Consideration Securities will be excluded in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Consideration Securities.

If Resolution 3 is not passed, the Consideration Securities will be included in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Consideration Securities.

2.4 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 3:

- (a) the Consideration Securities were issued to Jason Mikronis, Philip Adams and Michael Hudson;

- (b) 2,175,000 Shares were issued comprising:
- (i) 1,675,000 Shares issued to Jason Mikronis;
 - (ii) 250,000 Shares issued to Phillip James Adams; and
 - (iii) 250,000 Shares issued to Michael Kenneth Hudson.

The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (c) 2,000,000 Class G Performance Rights were issued to Jason Mikronis. The Class G Performance Rights issued were issued on the terms and conditions set out in Schedule 2;
- (d) the Consideration Securities were issued on 20 May 2022;
- (e) consideration for the 1,675,000 Shares issued to Jason Mikronis was the acquisition by the Company of 100% of the issued capital of Digital Immortality. The remaining Consideration Securities were issued as sign-on bonuses at a nil issue price. The Company has not and will not receive any other consideration for the issue of the Consideration Securities;
- (f) the purpose of the issue of the Consideration Securities was to satisfy the Company's obligations under the Acquisition; and
- (g) the Consideration Securities were issued to the Vendor under the Acquisition Agreement. A summary of the material terms of the Acquisition Agreement is set out in Section 2.1 above.

GLOSSARY

\$ means Australian dollars.

Acquisition means the Company's acquisition of Future Broadband as set out in Section 2.1.

Agreements means the Services Agreement and Lease Agreement between the Company and Radian Arc.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means ActivePort Group Ltd (ACN 636 569 634).

Consideration Securities has the meaning set out in Section 2.1.

Corporations Act means the *Corporations Act 2001* (Cth).

Digital Immortality means Digital Immortality Pty Ltd (ACN 615 117 998) (trading as Future Broadband).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Independent Expert Report means the Independent Expert's Report prepared by RSM Corporate Australia Pty Ltd which is attached to this Notice as Schedule 1.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or

indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Lease Agreement means the lease agreement for hardware between the Company and Radian Arc.

Listing Rules means the Listing Rules of ASX.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Performance Rights or **Class G Performance Rights** means the performance rights proposed to be issued to the Vendor on the terms and conditions set out in Schedule 2 of this Notice.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Radian Arc means Radian Arc Ltd (ACN 641 847 396).

Related Party means Mr Peter Christie, being the Executive Chairman of the Company and Radian Arc.

Section means a section of the Explanatory Statement.

Services Agreement means the services agreement for software and licences between the Company and Radian Arc.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

USD\$ means United States of America dollars.

Vendor has the meaning as set out in Section 2.1.

vGPU means a virtual GPU.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – INDEPENDENT EXPERT’S REPORT

For personal use only

ACTIVEPORT GROUP LTD

Financial Services Guide and Independent Expert's Report

June 2022

We have concluded that the Proposed Transaction – Services Agreement is Fair and Reasonable

We have concluded that the Proposed Transaction – Lease Agreement is Fair and Reasonable

FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination. If a complaint is received in advance of a shareholder meeting or other key date where shareholders or investors may be making decisions which are influenced by our report, we will make all reasonable efforts to respond to complaints prior to that date.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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RSM Corporate Australia Pty Ltd

Level 32, Exchange Tower,
2 The Esplanade Perth WA 6000
GPO Box R 1253 Perth WA 6844
T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9199

www.rsm.com.au

20 June 2022

The Directors
ActivePort Group Ltd
Level 4, 46 Colin Street
West Perth WA 6005

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of ActivePort Group Ltd ("ActivePort" or "the Company") to be held towards the end of July 2022, at which shareholder approval will be sought for (among other things) the Company to proceed with two agreements it has entered into with Radian Arc Limited ("Radian Arc").

1.2 On 4 April 2022, ActivePort announced that it had signed agreements with Radian Arc to deliver orchestration software, private cloud infrastructure and technical support services ("the Proposed Transactions"), comprising:

- A software and support agreement, which comprises a fixed monthly engineering fee of US\$50,000, monthly support fee of US\$4,000 per nominated live system and licence fee per virtual Graphics Processing Unit ("vGPU") of US\$30 per month ("Services Agreement"); and
- A leasing agreement, for the purchase and lease of private cloud infrastructure, primarily servers and other hardware, up to A\$2.0 million on 18-month leasing terms with 9% interest payable, at the end of which Radian Arc will acquire the hardware from ActivePort (Finance) Pty Ltd ("Lease Agreement"),

(together "the Agreements").

1.3 The Company is seeking shareholder approval for each of the Proposed Transactions for the purposes of ASX Listing Rule 10.1 on the basis that it involves financial agreements with a related party (by virtue of Peter Christie being Chairman and a significant shareholder in both Radian Arc and ActivePort).

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RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

1.4 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transactions are fair and reasonable to shareholders not associated with the Proposed Transactions ("Non-Associated Shareholders").

1.5 Our assessment of the Proposed Transactions is based on economic, market and other conditions prevailing at the date of this Report.

1.6 The request for approval of the Proposed Transactions is included as Resolutions 1 and 2 in the Notice. Resolutions 1 and 2 as extracted from the Notice and are included below for reference:

Resolution 1– Approval for the Service Agreement with Radian Arc Limited

"That, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to proceed with the Service Agreement, on the terms and conditions set out in the Explanatory Statement."

Resolution 2– Approval for the Lease Agreement with Radian Arc Limited

"That, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to proceed with the Lease Agreement, on the terms and conditions set out in the Explanatory Statement."

1.7 The Lease Agreement and Services Agreement are not inter-conditional. Accordingly, we have separately considered whether each of the Agreements is fair and reasonable to Non-Associated Shareholders in this report.

1.8 The ultimate decision whether to approve the Proposed Transactions should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transactions, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and conclusion

Services Agreement

Opinion

2.1 In our opinion, and for the reasons set out in Sections 8 and 9 of this Report, the Services Agreement is **fair and reasonable** to the Non-Associated Shareholders of ActivePort.

Approach

2.2 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to a related party or relevant substantial shareholder or any of its associates without the approval of holders of the entity's ordinary securities.

2.3 An asset is considered substantial "if its value; or the value of the consideration for it is, or in the ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX".

2.4 ASX Listing Rule 10.5.10 sets out the requirement for the inclusion of an independent expert's report opining on whether the transaction is fair and reasonable.

2.5 We have considered whether or not the Agreement is "fair" to the Non-Associated Shareholders by assessing and comparing:

- The value of the income to be received under the Agreement; with
- The value of capital expenditure and other direct costs to be expended by ActivePort in relation to the Agreement,

and, considered whether the Agreement is "reasonable" to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Agreement which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Agreement.

2.6 Further information of the approach we have employed in assessing whether the Agreement is "fair" and "reasonable" is set out at Section 4 of this Report.

Fairness

2.7 Our assessed values of the income to be received and expenses to be incurred by ActivePort under the Services Agreement are summarised in the table and figure below.

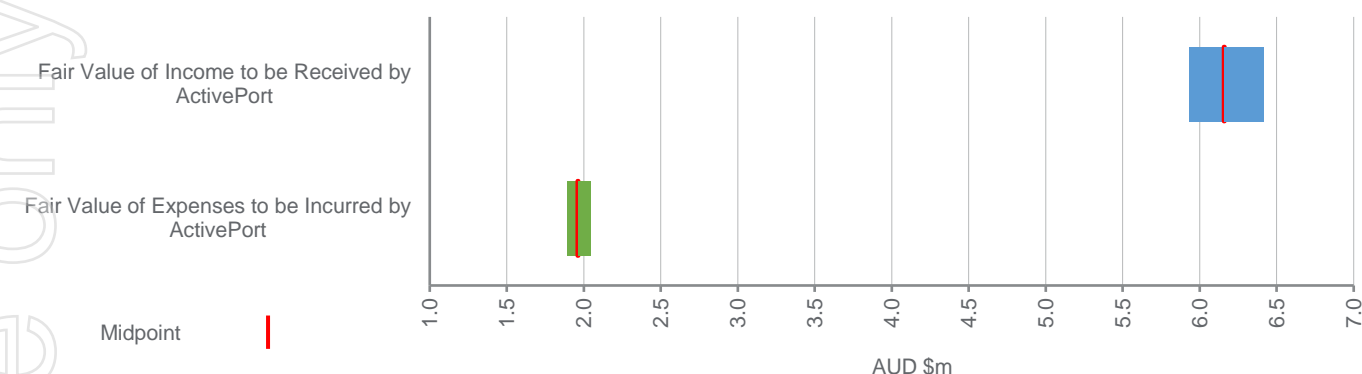
Table 1 Assessment of Fairness - Services Agreement

AUD \$m	Low	High	Midpoint
Fair Value of Income to be Received by ActivePort – Services Agreement	5.93	6.41	6.16
Fair Value of Expenses to be Incurred by ActivePort – Services Agreement	1.89	2.04	1.96

Source: RSM Analysis

2.8 We have summarised the values included in the table above in the chart below.

Figure 1 Fairness Graphical Representation - Services Agreement



Source: RSM Analysis

2.9 The chart above indicates that the range of values for the income to be received by ActivePort under the Services Agreement exceeds the range of values for the expenses to be incurred, based on a Discounted Cash Flow approach (i.e. in present value terms). The income which is expected to be generated by ActivePort from the Services Agreement is greater than the financial outlay over the term of the Services Agreement.

2.10 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of ASX Listing Rule 10.1, we therefore consider the Services Agreement to be **fair** to the Non-Associated Shareholders of ActivePort.

Reasonableness

2.11 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to vote for the proposal. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.12 If the Proposed Transaction does not proceed the Company will continue to provide its core business activities.

2.13 The key advantages of the Proposed Transaction in relation to the Services Agreement are:

Table 2 Key advantages of the Proposed Transaction – Services Agreement

Advantage	Details
The Proposed Transaction is fair	The Proposed Transaction is fair to the Non-Associated Shareholders
Strategic benefit – access to telco customers	The Services Agreement provides ActivePort with access to the telecommunication customers of Radian Arc, who are also the target customers for its own suite of products. Therefore, the Services Agreement has the potential to accelerate opportunities to provide ActivePort products and services to its target customer base.
Consistent with core business activities	The Services Agreement provides ActivePort with the opportunity to provide its core business activity of engineering, delivering and supporting network and cloud orchestration products which it offers to the market as a whole.

Source: RSM Analysis

2.14 The key disadvantages of the Proposed Transaction in relation to the Services Agreement are:

Table 3 Key disadvantages of the Proposed Transaction – Services Agreement

Disadvantage	Details
Opportunity Cost – Resources	ActivePort is providing Radian Arc support services over an initial term of five years under the Services Agreement. The provision of these support services will see five current staff of ActivePort dedicated to fulfilling the terms of the Services Agreement, with additional staff being hired as necessary. These dedicated staff could otherwise have been employed to continue developing ActivePort's own suite of products.

Source: RSM Analysis

2.15 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction in relation to the Services Agreement is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior alternative, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of ActivePort.

Lease Agreement

Opinion

2.16 In our opinion, and for the reasons set out in Sections 10 and 11 of this report, the Lease Agreement is **fair and reasonable** to the Non-Associated Shareholders of ActivePort.

Approach

2.17 We have followed the same approach in assessing whether the Lease Agreement is “fair” and “reasonable” as for the Services Agreement, as outlined in paragraphs 2.2 to 2.6.

Fairness

2.18 Our assessed values of the income to be received and expenses to be incurred by ActivePort under the Lease Agreement are summarised in the table and figure below.

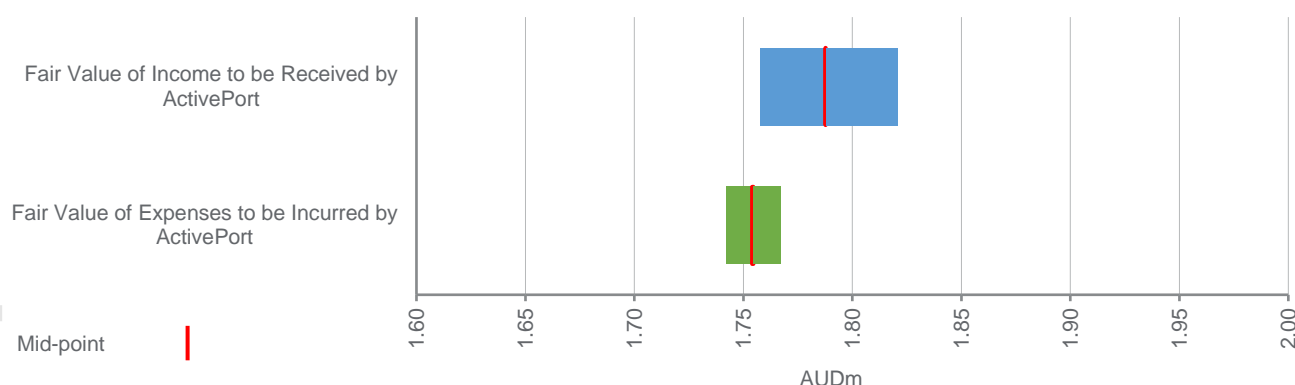
Table 4 Assessment of Fairness - Lease Agreement

AUD \$m	Low	High	Midpoint
Fair Value of Income to be Received by ActivePort – Lease Agreement	1.76	1.82	1.79
Fair Value of Expenses to be Incurred by ActivePort – Lease Agreement	1.74	1.77	1.75

Source: RSM Analysis

2.19 We have summarised the values included in the table above in the chart below.

Figure 2 Fairness Graphical Representation - Lease Agreement



Source: RSM Analysis

2.20 The chart above indicates that the range of values for the income to be received by ActivePort under the Lease Agreement overlaps with the range of values for the expenses to be incurred, based on a Discounted Cash Flow approach (i.e. in present value terms). Our midpoint value for the income to be received by ActivePort is greater than the midpoint value for the expenses to be incurred.

2.21 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of ASX Listing Rule 10.1, we therefore consider the Proposed Transaction in relation to the Lease Agreement to be **fair** to the Non-Associated Shareholders of ActivePort.

Reasonableness

2.22 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to vote for the proposal. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.23 If the Proposed Transaction does not proceed the Company will continue to operate its core business activities.

2.24 The key advantages of the Proposed Transaction in relation to the Lease Agreement are:

Table 5 Key advantages of the Proposed Transaction – Lease Agreement

Advantage	Details
The Proposed Transaction is fair	The Proposed Transaction is fair to the Non-Associated Shareholders
Return on Cash Reserves	ActivePort is deploying its cash reserves to fund the acquisition of the hardware which is the subject of the 18-month Lease Agreement with Radian Arc. If ActivePort had not entered into the Lease Agreement, the cash reserves may have been utilised to pursue alternative investments, such as the receipt of interest from being held in a bank account. The terms of the Lease Agreement provide for repayment of the principal and interest at a rate of 9% per annum, this exceeds the current interest rate on 24-month retail term deposits of approximately 3.50% per annum. Therefore, the Lease Agreement provides a return on ActivePort cash reserves that exceeds the returns which could have been made from holding the funds in a term deposit over a similar period.
Acceleration of revenues under the Services Agreement	The Lease Agreement with Radian Arc relates to the equipment required to provide services to the telco customers and expedites the lead time on generating revenues compared to Radian Arc obtaining alternative sources of debt or equity funding. This results in a shorter lead time for ActivePort to commence deriving revenue from the Services Agreement.
Secured interest over hardware	The Company retains title to and has a registered Purchase Money Security Interest over all units of hardware until such time as full payment is made for each unit.
Income exceeds expenses in absolute terms	Whilst the assessment of fairness was undertaken adopting a Discounted Cash Flow approach, in absolute terms the income to be received by ActivePort over the 18-month term of the Lease Agreement is greater than the capital and other costs expended.

Source: RSM Analysis

2.25 The key disadvantages of the Proposed Transaction in relation to the Lease Agreement are:

Table 6 Key disadvantages of the Proposed Transaction - Lease Agreement

Disadvantage	Details
Opportunity Cost – Cash Reserves	If ActivePort had not entered into the Lease Agreement to Radian Arc, its cash reserves used to fund the initial acquisition of the hardware could have been utilised to pursue alternative investments such as to expedite advancements in core business activities, to fund acquisitions of complementary businesses or to pursue the development of a new product offering.
Change in nature of activities	ActivePort is a software development company, not an equipment hire company. Therefore resources will be employed to manage the terms of the equipment hire, which is a non-core activity of the Business. We understand that ActivePort expect one full time staff member will be required to manage the Lease Agreement over its 18-month term.

Source: RSM Analysis

- 2.26 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction in relation to the Lease Agreement is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior alternative, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of ActivePort.

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3. Summary of Proposed Transactions

Overview

3.1 As announced on 4 April 2022, ActivePort has signed two agreements with Radian Arc to deliver orchestration software, private cloud infrastructure and technical support services.

3.2 The parties subject to the Proposed Transactions are:

- ActivePort Group Limited;
- ActivePort (Finance) Pty Ltd (a 100% subsidiary of ActivePort); and
- Radian Arc Limited

(together, “the Parties”).

3.3 Radian Arc provides a private cloud platform which is used for Graphic Processing Unit (“GPU”) centric applications including: gaming, artificial intelligence, machine learning, engineering visualisation and cloud-based mapping systems.

3.4 ActivePort has been collaborating with Radian Arc since 2020 to include ActivePort’s software in the Radian Arc platform.

3.5 The two new agreements extend the services ActivePort provides to Radian Arc to include software licensing, infrastructure, and technical support.

3.6 The Proposed Transactions comprise the following agreements:

- The Services Agreement between ActivePort and Radian Arc; and
- The Lease Agreement between ActivePort Finance and Radian Arc.

Services Agreement

3.7 Under the Services Agreement ActivePort will provide software and support to Radian Arc for the delivery of virtual GPUs (“vGPU”) and nominated live systems.

3.8 The fees under the Services Agreement include:

- A monthly engineering fee of US\$50,000;
- A support fee of US\$4,000 per nominated live system; and
- A software licence per virtual GPU where the price per vGPU scales dependent on the number of vGPUs licensed. The price per vGPU for the first 5,000 vGPUs is US\$30 per month which scales down to a weighted average of \$7.30 per vGPU per month when 100,000 vGPUs are deployed.

3.9 As disclosed in the 4 April 2022 announcement, 11 systems with a total capacity for 352 vGPUs were initially planned for delivery and production. At the date of this Report, these 11 systems have been installed with a further 25 systems ordered. ActivePort expects that as more systems are deployed and virtual GPU capacity is added, revenues to ActivePort should increase.

3.10 The Services Agreement initially runs for a 5-year term with a 24-month renewal period and can be terminated by ActivePort in the event of customer default.

Lease Agreement

- 3.11 The Lease Agreement is for the delivery of private cloud infrastructure to Radian Arc with a value up to A\$2,000,000.
- 3.12 The private cloud infrastructure will be supplied incrementally in units comprising of servers, switches and routers which are typically valued up to A\$60,000 each.
- 3.13 Under the Lease Agreement, each unit of infrastructure is paid over 18 monthly instalments with annual interest of 9% calculated on the outstanding balance at the time of payment.
- 3.14 Radian Arc has the option to purchase all or some of the hardware at any time during the term of the Lease Agreement for an amount equal to the outstanding principal component for that hardware. However, until full payment is made for a unit, ActivePort retains title to and has a registered Purchase Money Security Interest ("PMSI") over all units of hardware.
- 3.15 The Lease Agreement can be terminated by ActivePort in an event of default.

Key conditions of the Proposed Transactions

- 3.16 Completion of the Proposed Transactions are subject to and conditional upon ActivePort obtaining all necessary regulatory approvals and obtaining shareholder approval pursuant to Listing Rule 10.1.

Rationale for the Proposed Transactions

- 3.17 ActivePort has been collaborating with Radian Arc since 2020 to incorporate ActivePort's software into the Radian Arc platform.
- 3.18 The Agreements will extend the services that ActivePort already provides to Radian Arc as Radian Arc transitions its customers from delivery and testing into live production.
- 3.19 ActivePort has disclosed that the Agreements are anticipated to leverage ActivePort's existing resources with no additional capital being required.

4. Scope of the Report

ASX Listing Rules

- 4.1 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a substantial shareholder, a related party or any of its associates without the approval of holders of the entity's ordinary securities.
- 4.2 Peter Christie is Chairman and a significant shareholder in both Radian Arc (13.68%) and ActivePort (17.5%), and therefore is deemed to be a related party.
- 4.3 An asset is considered substantial "if its value; or the value of the consideration being paid or received by the entity for it is, or in the ASX's opinion is 5% or more of the equity interest of the entity as set out in the latest financial statements given to the ASX". The A\$2.0 million of funding to be provided under the Lease Agreement and the expected income under the Services Agreement of approximately A\$6.0 million both represent more than 5% of the reported net assets of ActivePort as at 31 December 2021 and therefore are considered to be substantial assets.
- 4.4 ASX Listing Rule 10.10 states that the notice for the shareholders' meeting required under ASX Listing Rule 10.5 must include a report on the transaction from an independent expert. The report must state whether, in the expert's opinion, the transaction is fair and reasonable to the Non-Associated Shareholders.
- 4.5 Accordingly, ActivePort Group Limited is to hold a meeting of its Shareholders where it will seek approval for the Proposed Transactions and the Company has engaged RSM to prepare a report which sets out our opinion as to whether the Proposed Transactions are fair and reasonable to Non-Associated Shareholders.

Basis of evaluation

- 4.6 In determining whether the Proposed Transactions are "fair" and "reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.7 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.8 RG 111 states that the expert's report should focus on:
- the issues facing the security holders for whom the report is being prepared; and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.9 RG 111 states that in relation to a related party transactions the expert's assessment of fair and reasonable should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is "fair" and "reasonable".
- 4.10 Consistent with the guidelines in RG 111, in assessing whether the Proposed Transactions are fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
- whether the value of the consideration being received by ActivePort is less than the value of costs being incurred by ActivePort to service the Agreements – fairness; and
 - a review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transactions – reasonableness.
- 4.11 The other significant factors to be considered include:
- the future prospects of the Company if the Proposed Transactions do not proceed; and
 - any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transactions proceeding.

5. Profile of ActivePort

Background

- 5.1 ActivePort is an Australian listed public company incorporated on 2 October 2019 as Vserv Federation Ltd. ActivePort changed its name to ActivePort Group Ltd on 20 November 2020.
- 5.2 ActivePort Group (which prior to listing consisted of ActivePort Group Ltd and ActivePort Pty Ltd) expanded via the acquisition of Vizstone Pty Ltd, Starboard IT Pty Ltd and Global Edge Network Limited and successfully listed on the ASX on 18 October 2021. On 19 April 2022, the Company announced the acquisition of Digital Immortality Pty Ltd trading as Future Broadband, in a 100% scrip acquisition.
- 5.3 ActivePort is an Australian software company that engineers, delivers and supports a network and cloud orchestration product. ActivePort software lets customers manage all their cloud hosting and networking technology end-to-end, from one single screen. Using ActivePort's unique software, customers can create network connections, deliver cloud services, and manage their data at a local, national or global scale.
- 5.4 The Company's core asset, the ActivePort software, is used to orchestrate network connectivity from the "Virtual Edge" of the network at a customer's premises to data and Cloud services. A connection made using ActivePort software is called a "Port" and the Company charges a licence fee for use of its software and a per-port, per-month fee to enable revenue growth as the customer increases its scale
- 5.5 ActivePort has also created a set of network access points into data centres at strategic locations around the world. Customers use these points of presence ("PoPs") to make software defined wide area network (SD-WAN) connections from their premises into third-party carrier networks for global data transit and Cloud connectivity. ActivePort sells access to these PoPs on a "per dollars per gigabit per second basis".
- 5.6 The ActivePort software allows users to create, configure, monitor, and manage network services and Cloud services on a global scale. Some of the benefits of the ActivePort software include being device agnostic, cloud centric and network independent.

Directors

- 5.7 The directors of ActivePort as at the date of this Report are summarised in the table below.

Table 7 Directors of ActivePort

Director	Title	Summary
Peter Christie	Executive Chairman	<p>Mr Peter Christie has over 30 years of experience in the IT industry working across different information technology fields from enterprise application software down through middleware, servers, operating systems, networks, and data centres.</p> <p>Mr Christie has expertise across many different aspects of the IT industry including software development, global network management and enterprise systems implementation.</p>
Karim Nejaim	Executive Director and Chief Executive Officer	<p>Mr Karim Nejaim has over 25 years of experience in telecommunications, most recently at Telstra, where he was Executive Director - Product Engineering until June 2020. Previously, Mr Nejaim held positions of Director Global Enterprise Product Engineering and Director Network Services and Facilities.</p> <p>Mr Nejaim has also held several senior executive roles at Optus and the broader SingTel group, in particular Group Vice President, IP Core Engineering, Vice President, Converged Services Engineering and Head of Strategy and Planning for the Networks Division.</p>

Director	Title	Summary
Chris Daly	Non-Executive Director	<p>Mr Chris Daly has over 30 years of management and supervisory experience in businesses operating in the contracting, fabrication, sales, equipment rental and construction sectors.</p> <p>Mr Daly also has experience in managing businesses with a focus on financial management, job costing, business processes and safety and standards accreditation.</p>
Kathryn Soares	Executive Director	<p>Ms Kathryn Soares is an information technology business owner and manager with over 30 years of experience in delivering ICT solutions across multiple industry sectors.</p> <p>Ms Soares started her career with Platinum Technology in Chicago before moving to Sun Microsystems in Melbourne. In 2009, Ms Soares established Vizstone, a Perth based ICT provider looking after the Energy Market.</p>

Source: Company

Financial information of ActivePort

5.8 The information in the following section provides a summary of the financial performance and position of ActivePort extracted from the financial statements of the Company.

5.9 The auditor of ActivePort, Nexia Australia, has issued an unqualified audit opinion on the financial statements for the year ended 30 June 2021 and an unqualified review conclusion on the financial statements for the six month period ended 31 December 2021.

Financial performance

5.10 The following table sets out a summary of the financial performance of ActivePort for the years ended 30 June 2020, 30 June 2021 and six month period ended 31 December 2021 extracted from the audited financial statements of the Company.

Table 8 ActivePort historical financial performance

\$'000s	FY20 Audited	FY21 Audited	HY22 Reviewed
Revenue	-	426	4,673
Cost of goods sold	-	(70)	(3,222)
Gross profit	-	356	1,451
Other income	75	25	2
Distribution and marketing expenses	(3)	(6)	(44)
Research and development expenses	-	(35)	(9)
Administration expenses	(62)	(514)	(1,023)
Employee benefits expense	(561)	(2,378)	(3,481)
Depreciation and amortisation	(5)	(21)	(235)
Other expenses	(2)	(48)	(41)
Operating loss	(559)	(2,622)	(3,379)
Finance income	-	6	9
Finance costs	-	(64)	(96)
Loss before income tax expense	(559)	(2,680)	(3,466)
Income tax	-	-	-
Net loss for the period	(559)	(2,680)	(3,466)

Source: Company Financials

5.11 ActivePort recorded a net loss after income tax of \$3.47m in HY22, a net loss after income tax of \$2.68m in FY21 and a net loss after income tax of \$559k for FY20.

5.12 ActivePort began revenue generating activities after its IPO on 18 October 2021 with the acquisition of Vizstone Pty Ltd, Starboard IT Pty Ltd and Global Edge Network Limited. The large growth in revenue to \$4.67m for HY22 relates to these acquisitions and the following developments in ActivePort's SD-WAN Orchestration business:

- the deployment of software to 20 local channel partners in the APAC region;
- the deployment of software to 10 global telecommunications companies world-wide; and
- progressing software sales agreements with customers in 11 countries.

5.13 Revenue for HY22 consisted of \$1.88m from rendering of services, \$2.18m from hardware sales and \$617k from other income.

5.14 The expenses primarily relate to the costs of goods and services of \$3.22m, administration expenses of \$1.02m and employee expenses of \$3.48m.

Financial position

5.15 The table below sets out a summary of the financial position of ActivePort as at 30 June 2021 and 31 December 2021 extracted from the financial statements of the Company.

Table 9 ActivePort historical financial position

\$'000s	Ref.	31-Dec-21 Reviewed	30-Jun-21 Audited
Current Assets			
Cash and cash equivalents	5.17	8,209	987
Trade and other receivables		4,060	814
Total Current Assets		12,270	1,801
Non-Current Assets			
Property, plant and equipment		97	101
Right of use asset		40	52
Goodwill	5.18	23,706	8,745
Financial assets at amortised cost		-	240
Intangible assets	5.22	1,888	100
Total Non-current Assets		25,731	9,238
Total Assets		38,001	11,039
Current Liabilities			
Trade and other payables		4,362	1,276
Borrowings	5.23	889	247
Lease liabilities		25	26
Provisions		499	69
Deferred tax liability		306	-
Total Current Liabilities		6,081	1,618
Non-current Liabilities			
Borrowings	5.23	1,621	1,623
Lease liabilities		15	27
Total Non-current Liabilities		1,637	1,650
Total Liabilities		7,717	3,268
Net Assets		30,284	7,771

Source: Company Financials

- 5.16 At 31 December 2021 ActivePort had net assets of \$30.3m primarily comprised of goodwill on recent acquisitions and a working capital surplus of \$6.2m.
- 5.17 Cash and cash equivalents at 31 December 2021 included \$0.5 million held on term deposit.
- 5.18 A provisional Purchase Price Allocation (PPA) under AASB 3 – Business Combinations was included in the interim financial statements for the acquisition of Global Edge Ltd, Vizstone Pty Ltd and Starboard IT Pty Ltd with the majority of the purchase consideration applied to goodwill as at 31 December 2021. ActivePort will undertake a full evaluation of the identifiable intangible assets acquired by its balance date of 30 June 2022.
- 5.19 On 9 August 2021, the Company issued 39,287,515 ordinary shares as consideration for the acquisition of 100% of Global Edge Network Limited (“Global Edge”). The goodwill of \$8,519,680 represents the intangible asset value derived by the excess of consideration paid over the net assets acquired. The acquired business contributed a loss after tax of \$19,957 to the consolidated entity for the period from 9 August 2021 to 31 December 2021.
- 5.20 On 27 September 2021, the Company issued 15,625,000 ordinary shares in the Company as consideration for the acquisition of 100% of Vizstone Pty Ltd (“Vizstone”). The goodwill of \$4,313,740 represents the intangible asset value derived by the excess of consideration paid over the net assets acquired. The acquired business contributed revenues of \$3,000,105 and profit after tax of \$9,945 to the consolidated entity for the period from 27 September 2021 to 31 December 2021.
- 5.21 On 27 September 2021, the Company issued 17,500,000 ordinary shares in the Company as consideration for the acquisition of 100% of Starboard IT Pty Ltd (“Starboard”). The goodwill of \$3,047,381 represents the intangible asset value derived by the excess of consideration paid over the net assets acquired. The acquired business contributed revenues of \$1,257,518 and profit after tax of \$132,593 to the consolidated entity for the period from 27 September 2021 to 31 December 2021.
- 5.22 Intangible assets relate to developed and purchased software.
- 5.23 Borrowings comprise loans from related parties and incur interest at varying rates between 6% and 10% per annum.

Capital structure

5.24 ActivePort has 247,489,993 ordinary shares on issue. The top 20 shareholders of ActivePort as at 4 April 2022 are set out below.

Table 10 ActivePort Top 20 shareholders

Rank	Name	Total Units	% Units
1	Herdsmen Lake Capital Asia Pte Ltd **	39,000,000	15.76%
2	Mr Grant Alan Farrow <G Farrow Family A/C>	17,942,880	7.25%
2	Mr Mark Scott Middleton + Ms Andrea Jane Middleton <Middleton Family A/C>	17,942,880	7.25%
4	Pine Street Pty Ltd <Pine Street Super Fund A/C>	11,000,000	4.44%
5	Smart Capital Investments Pty Ltd	7,914,885	3.20%
6	Pine Street Pty Ltd <Pine Street A/C>	7,100,000	2.87%
7	101lc Pty Ltd(Acn 137 541 372)	6,921,875	2.80%
8	Leonie May Lin Chan <Chan Family A/C>	6,921,875	2.80%
9	Certane Ct Pty Ltd <Richlink High-Tech Invest>	6,828,326	2.76%
10	Mr Michael Patrick Glynn <Mg Family Investment A/C>	6,332,780	2.56%
11	Mr Steven John Kelly + Ms Fiona Jane Macphail <Orange Yalis Family A/C>	5,833,334	2.36%
12	Harlly Pty Ltd <Hulme Family A/C>	5,833,333	2.36%
13	Mr Timothy James Wilson <Wilson Family A/C>	5,833,333	2.36%
14	Professional Consulting Pty Ltd <Ajr Super Fund A/C>	4,919,655	1.99%
15	Herdsmen Lake Capital Pty Ltd **	4,318,260	1.74%
16	Mr Stacey Radford	2,000,000	0.81%
17	Cs Third Nominees Pty Limited <Hsbc Cust Nom Au Ltd 13 A/C>	1,894,560	0.77%
17	Nelson Consulting Group Pty Ltd <Sanur Lifestyle A/C>	1,885,625	0.76%
17	Illum Pty Ltd	1,875,000	0.76%
20	Claude L Daly & Sons Pty Ltd <Chris Daly Family A/C>	1,842,660	0.74%
	Total Top 20 Shareholding	164,141,261	66.32%
	Others	83,348,732	33.68%
	Total issued capital	247,489,993	100.00%

** Entities associated with Mr Peter Christie

Source: Company

5.25 ActivePort has 3,150,000 share options on issue with varying exercise prices between \$0.25 and \$0.35, and a further 9,811,475 issued as part of the capital raising fee on IPO with an exercise price of \$0.40 before September 2024.

5.26 On 13 August 2021, ActivePort issued 23,727,400 Performance Rights to key management personnel which vest based on achievement of various revenue milestones of the Company.

5.27 A further 2,000,000 Performance Rights were issued to the vendor of Future Broadband on 20 May 2022 which vest based on achievement of future revenue milestones of Future Broadband.

Share price performance

5.28 The figure below sets out a summary of ActivePort closing share prices and traded volumes for the period 20 October 2021 to 4 April 2022.

Figure 3 ActivePort daily closing share price and traded volumes



Source: S&P Capital IQ/ ASX

5.29 In the 6 month period since being listed on the ASX and prior to ActivePort's announcement of the Proposed Transactions with Radian Arc on 4 April 2022, 31.97 million ActivePort Shares were traded. Over the total trading days prior to the announcement, 13% of ActivePort's Shares were traded indicating that it is not a particularly liquid stock.

5.30 During this period, ActivePort's Shares traded at between \$0.20 and \$0.115 per Share, with the most significant trading day being 4.3m Shares on 20 October 2021. Significant announcements made by the Company over this period are summarised below.

Table 11 Significant announcements made by ActivePort

Ref	Date	Commentary
1	20-Oct-21	ActivePort raised \$12 million via IPO, lists on the ASX and announces new business plan
2	8-Nov-21	ActivePort announces the release of ActivePort Compute, the Company's private cloud orchestration software solution for high-performance, GPU centric computing
3	18-Nov-21	ActivePort announces total revenue of \$2.49m for 1Q22 up 49% on previous corresponding quarter.
4	27-Jan-22	ActivePort releases Quarterly Activities report reporting a 74% revenue growth from 1Q22
5	4-Apr-22	Active Port announces agreements with Radian Arc to deliver private cloud orchestration

Source: ASX

6. Profile of Radian Arc

Background

- 6.1 Radian Arc has a global customer base of major telco providers. Radian Arc's platform provides an infrastructure-as-a-service (IaaS) platform for cloud gaming, artificial intelligence and machine learning applications inside telecommunication networks.
- 6.2 Radian Arc's teams across the USA, Australia, Central Europe, Malaysia, Singapore and Japan offer telecom operators a GPU-based edge computing platform without the need for capital expenditure, facilitating low latency and improved economics for value-added services and the monetization of 5G investments.
- 6.3 GPU technology is designed to accelerate compute-intensive tasks such as interactive gaming, machine learning, engineering visualisation and map rendering. Given the combined power and efficiency of 5G and GPU edge, Radian Arc aims to deliver a high-quality content and cloud-gaming experience to consumers at a lower cost to telecom operators.
- 6.4 The new services provided by ActivePort to Radian Arc will include software licensing, infrastructure, and technical support as Radian Arc transitions its customers from delivery and testing, into live production.

Directors

- 6.5 The Directors of Radian Arc are John Bell, Peter Christie, David Cook and Xavier Kris.
- 6.6 Peter Christie is the Chair of the Board at Radian Arc; he is also Chair of the Board at ActivePort.

Ownership and History

- 6.7 Radian Arc was incorporated on 18 June 2020 as an unlisted public company.
- 6.8 Peter Christie holds a beneficial interest in 13.68% of the 78,950,003 Radian Arc shares on issue.

Financial Information

- 6.9 The Financial Statements for the year ended 30 June 2021, being the first reporting period from incorporation on 18 June 2020, were audited by Moore Australia Audit (WA) who provided an unqualified audit opinion.
- 6.10 The entity recorded a net loss of A\$965,000 in the initial trading period, of which \$397,000 related to share-based payment expenses for the issue of Performance Rights which vest based on revenue milestones for the business.
- 6.11 The reported net assets of Radian Arc at 30 June 2021 were A\$1.15 million and a further capital raise of A\$1.1 million was undertaken in November 2021.

7. Valuation approach

Valuation methodologies

7.1 In assessing the Fair Market Value of the income and expenditures of ActivePort under the Proposed Transactions, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

Basis of Valuation

7.2 In assessing the value of the income and expenditures of ActivePort under the two Agreements we have utilised the DCF methodology.

7.3 Our valuation methodology was selected on the following basis:

- We have been provided with spreadsheets detailing the expected quantum and timing of cash flows associated with the Lease Agreement (“Lease Spreadsheet”), and a 5-year forecast of the revenues and staff costs expected under the Services Agreement (“Services Spreadsheet”). Accordingly, we consider we have a reasonable basis from which to undertake a DCF valuation in relation to each of the Agreements.
- Given we are considering the incomes expected to be received under the Agreements against the expenditures to be incurred under the Agreements, the FME methodology or an asset-based approach is not considered appropriate.

8. Fairness Assessment – Services Agreement

8.1 As stated at paragraph 7.2, we have assessed the value of the income to be received and expenses to be incurred by ActivePort as part of the Proposed Transaction in relation to the Services Agreement using the DCF methodology.

Income - Discounted cash flow valuation

8.2 We have assessed the present value of the income to be received by ActivePort as part of the Proposed Transaction in relation to the Services Agreement to be in the range of \$5.93 million to \$6.41 million, with a midpoint value of \$6.16 million, based on the discounted cash flow valuation methodology, as summarised in the table below.

Table 12 Assessed Fair Value of Income to be Received by ActivePort – Services Agreement

AUD \$m	Low	High	Midpoint
Fair Value of Income to be Received by ActivePort – Services Agreement	5.93	6.41	6.16

Source: RSM Analysis

8.3 Our assessment has been based on the forecasts provided to us by ActivePort, which set out revenue projections under the Services Agreement.

8.4 We have performed an analysis of the forecasts prepared by ActivePort management, including:

- Considering whether the revenue streams included in the Services Spreadsheet are appropriate having regard to the Services Agreement;
- Reviewing the basis of the underlying assumptions; and
- Conducting independent research on certain economic inputs such as exchange rates and the discount rate applicable to the future cash flows associated with the Agreements.

Income - Key assumptions

8.5 The key assumptions adopted in ActivePort's cash flow projections, and the adjustments we have made, are discussed below. We note that, where appropriate, we have omitted commercially sensitive information from this Report.

Foreign Exchange

8.6 The monthly engineering fee, support fee and software licence fee in the Services Agreement are stated in USD.

8.7 We have converted USD payments to Australian dollar ("AUD") terms using our forecast exchange rate assumptions as shown below.

Table 13 Forecast nominal AUD/USD Exchange Rates as at 12 May 2022

Nominal	2022	2023	2024	2025	2026
AUD/USD	0.6886	0.6878	0.6829	0.6759	0.6533
USD/AUD	1.4522	1.4539	1.4643	1.4795	1.5307

Source: Refinitiv Eikon and RSM Analysis

8.8 In deriving the exchange rates shown above, we have considered forecasts provided by Refinitiv Eikon, a financial analysis platform.

Revenue

8.9 Under the Services Agreement, ActivePort will receive income from Radian Arc as follows:

- A monthly engineering fee of US\$50,000;
- A support fee of US\$4,000 per nominated live system per month; and
- A software license fee of US\$30 per vGPU per month for the first 5,000 vGPUs, with this fee scaling down as the volume increases (to a weighted average of A\$7.30 per vGPU per month when 100,000 vGPUs have been deployed).

8.10 As at the date of this report, there are 11 revenue-generating systems in-situ, with a further 25 ordered. Whilst it is likely that more systems will become operational, our valuation assumes a maximum of 11 systems will go live over the 5-year term of the Services Agreement, and is therefore conservative from the perspective of assessing fairness

8.11 Based on the current 11 live systems, the Company expects that up to 352 vGPUs will be deployed over the life of the Services Agreement.

Cashflow timing

8.12 We have assumed the cash flow timings to occur at mid-year for discounting purposes.

Discount rate

8.13 The discount rate we have selected allows for both the time value of money and the risks attached to the future cash flows. We have assessed the appropriate weighted average cost of capital ("WACC") which should be applied to the forecast cashflows.

8.14 We have adopted a discount rate in the range of 10.5% (low) and 14.0% (high) with a midpoint of 12.3% in assessing the present value of the forecast cash inflows expected to be received by ActivePort under the Services Agreement, as set out in Appendix E.

Expenses - Discounted cash flow valuation

8.15 We have assessed the present value of the expenses to be incurred by ActivePort as part of the Proposed Transaction in relation to the Services Agreement to be in the range of \$1.89 million to \$2.04 million, with a midpoint value of \$1.96 million, based on the discounted cash flow valuation methodology, as summarised in the table below.

Table 14 Assessed Fair Value of Expenses to be Incurred by ActivePort – Services Agreement

AUD \$m	Low	High	Midpoint
Fair Value of Expenses to be Incurred by ActivePort – Services Agreement	1.89	2.04	1.96

Source: RSM Analysis

8.16 Our assessment has been based on the forecasts provided to us by ActivePort, which set out the staff costs under the Services Agreement.

8.17 We have performed an analysis of the forecasts prepared by ActivePort management, including:

- Confirming with ActivePort management the direct costs associated with the Services Agreement; and
- Conducting independent research on certain economic inputs such as exchange rates, the wages growth index and the discount rate applicable to the future cash flows associated with the Agreements.

Expenses - Key assumptions

8.18 The key assumptions adopted in ActivePort's cash flow projections, and the adjustments we have made, are discussed below. We note that, where appropriate, we have omitted commercially sensitive information from this Report.

Direct Staffing Costs

8.19 Management has provided us with estimates of direct staffing costs related to staff costs involved with undertaking software integration and support under the Services Agreement.

8.20 We have applied an escalation factor to the staff salary costs based on the wages growth assumptions as shown below.

Table 15 Forecast wages growth as at 1 April 2022

YoY%	2022	2023	2024	2025	2026
Wage Price Index increase	2.75%	3.25%	3.25%	3.25%	3.25%

Source: Department of the Treasury and RSM Analysis

8.21 In deriving the wage growth forecasts above, we have taken the Department of the Treasury's forecast to 2024, then assumed the growth in the index would remain constant over 2025 and 2026.

8.22 We note that should the number of live systems increase beyond a certain point, the number of staff required to provide support to Radian Arc's customers would need to grow. However, based on discussions with ActivePort management, we understand that any increase in direct staffing costs would be offset by the increase in revenue from the additional systems.

Cashflow timing

8.23 We have assumed the cash flow timings to occur at mid-year for discounting purposes.

Discount rate

8.24 The discount rate we have selected allows for both the time value of money and the risks attached to the future cash flows. We have assessed the appropriate WACC which should be applied to the forecast cashflows.

8.25 We have adopted a discount rate in the range of 10.5% (low) and 14.0% (high) with a midpoint of 12.3% in assessing the present value of the forecast cash outflows expected to be incurred by ActivePort under the Services Agreement, as set out in Appendix E.

Is the Services Agreement Fair to Non-Associated Shareholders?

8.26 In order to assess whether the Proposed Transaction in relation to the Services Agreement is fair to the Non-Associated Shareholders of ActivePort, we have compared:

- The present value of the income to be received under the Services Agreement; with
- The present value of capital expenditure and other direct costs to be expended by ActivePort in relation to the Services Agreement.

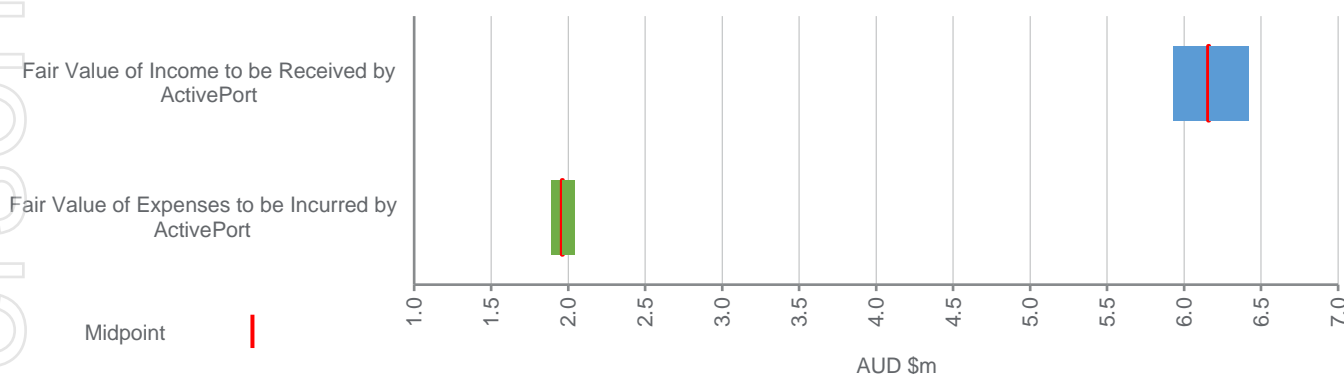
8.27 A comparison of these values is set out below.

Table 16 Fairness Assessment – Services Agreement

AUD \$m	Low	High	Midpoint
Fair Value of Income to be Received by ActivePort – Services Agreement	5.93	6.41	6.16
Fair Value of Expenses to be Incurred by ActivePort – Services Agreement	1.89	2.04	1.96

Source: RSM Analysis

Figure 4 Fairness graphical representation – Services Agreement



Source: RSM Analysis

8.28 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with ASX Listing Rule 10.1, we consider the Proposed Transaction in relation to the Services Agreement to be **fair** to the Non-Associated Shareholders of ActivePort as the range of values for the income to be received by ActivePort under the Services Agreement exceeds the range of values for the expenses to be incurred.

9. Reasonableness Assessment – Services Agreement

9.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction in relation to the Services Agreement, we have given consideration to:

- The future prospects of ActivePort if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future prospects of ActivePort if the Proposed Transaction does not proceed

9.2 If the Proposed Transaction in relation to the Services Agreement does not proceed, then the Company will continue operating its core business and would have additional staffing resources to utilise for core business activities.

Trading in ActivePort shares following the announcement of the Proposed Transactions

9.3 Set out below is the trading performance of ActivePort following the announcement of the Proposed Transactions on 4 April 2022.

Table 17 ActivePort Share Price Post Announcement



Source: RSM Analysis

9.4 Immediately prior to the announcement of the Transaction on 4 April 2022, ActivePort was trading at \$0.13 on 1 April 2022. This reduced to \$0.12 following the announcement on 4 April 2022. The share price trended upwards to a maximum of \$0.145 on 22 April 2022 following the announcement of the acquisition of Future Broadband. Since the announcement of the acquisition of Future Broadband on 22 April 2022 the share price has trended down to \$0.095 as at 8 June 2022.

9.5 As at 8 June 2022 ActivePort's 30 and 60 Day VWAP is \$0.12 which is broadly comparable to the share price at announcement date. The 10 and 5 Day VWAP to 8 June 2022 reduces to \$0.10 reflecting the reduction in the share price falling from \$0.12 on 6 June 2022 to \$0.10 on 7 and 8 June 2022. We therefore do not consider that any meaningful conclusions can be drawn from the post-announcement share trading of ActivePort.

Advantages and disadvantages

9.6 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction in relation to the Services Agreement proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

9.7 The key advantages of the Proposed Transaction in relation to the Services Agreement are:

Table 18 Key advantages of the Proposed Transaction – Services Agreement

Advantage	Details
The Proposed Transaction is fair	The Proposed Transaction is fair to the Non-Associated Shareholders
Strategic benefit – access to telco customers	The Services Agreement provides ActivePort with access to the telecommunication customers of Radian Arc, who are also the target customers for its own suite of products. Therefore, the Services Agreement has the potential to accelerate opportunities to provide ActivePort products and services to its target customer base.
Consistent with core business activities	The Services Agreement provides ActivePort with the opportunity to provide its core business activity of engineering, delivering and supporting network and cloud orchestration products which it offers to the market as a whole.

Source: RSM Analysis

Disadvantages of approving the Proposed Transaction

9.8 The key disadvantages of the Proposed Transaction in relation to the Services Agreement are:

Table 19 Disadvantages of the Proposed Transaction – Services Agreement

Disadvantage	Details
Opportunity Cost – Resources	ActivePort is providing Radian Arc support services over an initial term of five years under the Services Agreement. The provision of these support services will see five current staff of ActivePort dedicated to fulfilling the terms of the Services Agreement, with additional staff being hired as necessary. These dedicated staff could otherwise have been employed to continue developing ActivePort's own suite of products.

Source: RSM Analysis

Conclusion on Reasonableness

9.9 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction in relation to the Services Agreement is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior alternative, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of ActivePort.

9.10 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

10. Fairness Assessment – Lease Agreement

10.1 As stated at paragraph 7.2, we have assessed the value of the income to be received and expenses to be incurred by ActivePort as part of the Proposed Transaction in relation to the Lease Agreement using the DCF methodology.

Income - Discounted cash flow valuation

10.2 We have assessed the present value of the income to be received by ActivePort as part of the Proposed Transaction in relation to the Lease Agreement to be in the range of \$1.76 million to \$1.82 million with a midpoint of \$1.79 million, based on the discounted cash flow valuation methodology, as summarised in the table below.

Table 20 Assessed Fair Value of Income to be Received by ActivePort – Lease Agreement

AUD \$m	Low	High	Midpoint
Fair Value of Income to be Received by ActivePort – Lease Agreement	1.76	1.82	1.79

Source: RSM Analysis

10.3 Our assessment has been based on the forecasts provided to us by ActivePort, which set out the interest and principal repayment schedules under the Lease Agreement.

10.4 We have performed an analysis of the forecasts prepared by ActivePort management, including:

- Considering whether the repayment schedules in the Lease Spreadsheet are in line with the terms of the Lease Agreement;
- Reviewing the basis of the underlying assumptions; and
- Conducting independent research on certain economic inputs such as exchange rates and the discount rate applicable to the future cash flows associated with the Agreements.

Income - Key assumptions

10.5 The key assumptions adopted in ActivePort's cash flow projections, and the adjustments we have made, are discussed below. We note that, where appropriate, we have omitted commercially sensitive information from this Report.

Foreign Exchange

10.6 Some of the hardware to be procured under the Lease Agreement is priced in US dollars ("USD"), with the corresponding interest and principal repayments calculated in USD.

10.7 We have converted USD payments to Australian dollar ("AUD") terms using our forecast exchange rate assumptions as shown below.

Table 21 Forecast nominal AUD/USD Exchange Rates as at 12 May 2022

Nominal	2022	2023	2024	2025	2026
AUD/USD	0.6886	0.6878	0.6829	0.6759	0.6533
USD/AUD	1.4522	1.4539	1.4643	1.4795	1.5307

Source: Refinitiv Eikon and RSM Analysis

10.8 In deriving the exchange rates shown above, we have considered forecasts provided by Refinitiv Eikon, a financial analysis platform.

Revenue

10.9 Under the Lease Agreement, ActivePort will receive income from Radian Arc in the form of interest and principal repayments on hardware purchases made by ActivePort up to a maximum of \$2,000,000. The repayments will be paid over 18 monthly instalments from the purchase of each unit of infrastructure, with 9% per annum interest calculated on the outstanding balance each month.

Cashflow timing

10.10 We have assumed the cash flow timings to occur at mid-year for discounting purposes.

Discount rate

10.11 The discount rate we have selected allows for both the time value of money and the returns which would be expected by providers of funding. We note that the Lease Agreement is akin to a financing agreement with underlying security taken over the funded assets, however the funds which are to be deployed in the Lease Agreement were raised from equity providers in the Company's initial ASX listing. Therefore, we consider it appropriate to apply the Company's WACC to the forecast cashflows as this takes into account the intended purpose of those funds.

10.12 We have adopted a discount rate in the range of 10.5% (low) and 14.0% (high) with a midpoint of 12.3% in assessing the present value of the forecast cash inflows expected to be received by ActivePort under the Lease Agreement, as set out in Appendix E.

Expenses - Discounted cash flow valuation

10.13 We have assessed the value of the expenses to be incurred by ActivePort as part of the Proposed Transaction in relation to the Lease Agreement to be in the range of \$1.74 million to \$1.77 million with a midpoint of \$1.75 million, based on the discounted cash flow valuation methodology, as summarised in the table below.

Table 22 Assessed Fair Value of Expenses to be Incurred by ActivePort – Lease Agreement

AUD \$m	Low	High	Midpoint
Fair Value of Expenses to be Incurred by ActivePort – Lease Agreement	1.74	1.77	1.75

Source: RSM Analysis

10.14 Our assessment has been based on the forecasts provided to us by ActivePort, which set out the capital expenditure amounts and staff costs to be funded under the Lease Agreement.

10.15 We have performed an analysis of the forecasts prepared by ActivePort management, including:

- Considering whether the capital expenditure amounts in the Lease Spreadsheet fall under the A\$2,000,000 cap under the terms of the Lease Agreement;
- Confirming with ActivePort management the direct costs associated with the Lease Agreement; and
- Conducting independent research on certain economic inputs such as exchange rates, the wages growth index and the discount rate applicable to the future cash flows associated with the Agreements.

Expenses - Key assumptions

10.16 The key assumptions adopted in ActivePort's cash flow projections, and the adjustments we have made, are discussed below. We note that, where appropriate, we have omitted commercially sensitive information from this Report.

Foreign Exchange

10.17 Some of the hardware to be procured under the Lease Agreement is priced in US dollars.

10.18 We have converted USD payments to AUD terms using our forecast exchange rate assumptions as set out in Table 21.

Capital Expenditure

10.19 Under the Lease Agreement, ActivePort will procure and purchase hardware up to a maximum of A\$2.0 million in aggregate. The total projected expenditure in the model is A\$1.8 million.

Direct Staffing Costs

10.20 Management has provided us with estimates of direct staffing costs related to the procurement, delivery and tracking of hardware under the Lease Agreement.

10.21 We have applied an escalation factor to the staff salary costs based on the wages growth assumptions as shown below.

Table 23 Forecast wages growth as at 1 April 2022

YoY%	2022	2023	2024	2025	2026
Wage Price Index increase	2.75%	3.25%	3.25%	3.25%	3.25%

Source: Department of the Treasury and RSM Analysis

10.22 In deriving the wage growth forecasts above, we have taken the Department of the Treasury's forecast to 2024, then assumed the growth in the index would remain constant over 2025 and 2026.

Insurance Costs

10.23 Under the Lease Agreement, ActivePort has the obligation to procure adequate insurance in respect of transporting the purchased hardware to Radian Arc. We have included the insurance premium amount in our assessment of ActivePort's expenditures.

Cashflow timing

10.24 We have assumed the cash flow timings to occur at mid-year for discounting purposes.

Discount rate

10.25 As noted above, we have applied the Company's WACC to the forecast cashflows.

10.26 We have adopted a discount rate in the range of 10.5% (low) and 14.0% (high) with a midpoint of 12.3% in assessing the present value of the forecast cash outflows expected to be incurred by ActivePort in relation to the Lease Agreement, as set out in Appendix E.

Is the Lease Agreement Fair to Non-Associated Shareholders?

10.27 In order to assess whether the Proposed Transaction in relation to the Lease Agreement is fair to the Non-Associated Shareholders of ActivePort, we have compared:

- The present value of the income to be received under the Lease Agreement; with
- The present value of capital expenditure and other direct costs to be expended by ActivePort in relation to the Lease Agreement.

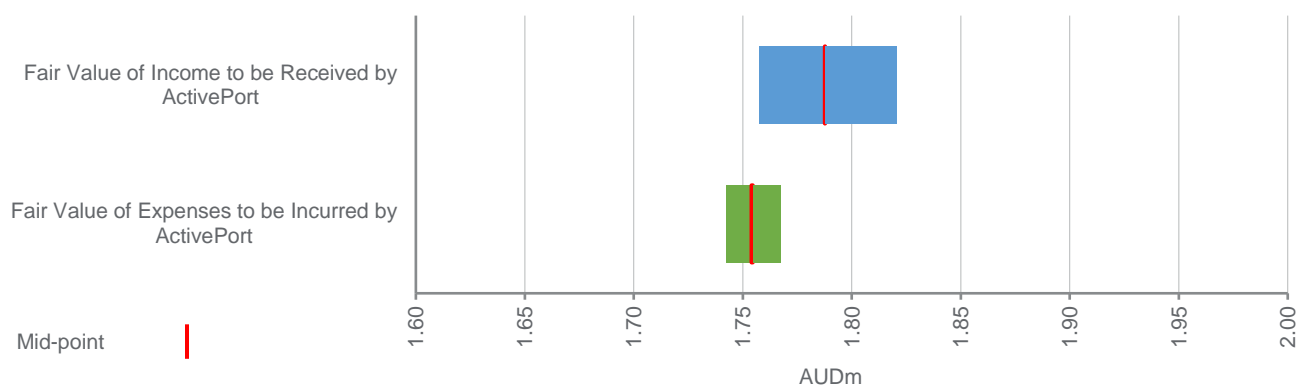
10.28 A comparison of these values is set out below.

Table 24 Fairness Assessment – Lease Agreement

AUD \$m	Low	High	Midpoint
Fair Value of Income to be Received by ActivePort – Lease Agreement	1.76	1.82	1.79
Fair Value of Expenses to be Incurred by ActivePort – Lease Agreement	1.74	1.77	1.75

Source: RSM Analysis

Figure 5 Fairness graphical representation – Lease Agreement



Source: RSM analysis

10.29 The chart above indicates that the range of values for the income to be received by ActivePort under the Lease Agreement overlap with the range of values for the expenses to be incurred, based on a Discounted Cash Flow approach (i.e. in present value terms). Our midpoint value for the income to be received by ActivePort is greater than the midpoint value for the expenses to be incurred.

10.30 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with ASX Listing Rule 10.1, we consider the Proposed Transaction in relation to the Lease Agreement to be **fair** to the Non-Associated Shareholders of ActivePort.

11. Reasonableness Assessment – Lease Agreement

11.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction in relation to the Lease Agreement, we have given consideration to:

- The future prospects of ActivePort if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future prospects of ActivePort if the Proposed Transaction does not proceed

11.2 If the Proposed Transaction in relation to the Lease Agreement does not proceed, then the Company will continue operating its core business and would have:

- additional funds of A\$2 million to deploy to other opportunities;
- additional staffing resources to utilise for core business activities; but
- a longer time horizon to the deployment of its software product suite to its target customers.

Trading in ActivePort shares following the announcement of the Proposed Transaction

11.3 The trading performance of ActivePort shares following the announcement of the Proposed Transaction is detailed in paragraphs 9.3 to 9.5 above in the Reasonableness considerations for the Services Agreement. We did not draw any meaningful conclusions from the post-announcement share trading of ActivePort.

Intended use of funds utilised in Lease Agreement

11.4 The ActivePort Prospectus released in October 2021 raised A\$12 million. The Prospectus disclosed its intended use of funds based on a minimum subscription of A\$10 million and a maximum of A\$15 million as follows:

Table 25 Intended use of Funds Raised in Prospectus

	Minimum Subscription	Maximum Subscription
AUD million	\$10 million	\$15 million
Business Growth & Acquisitions	1.5	2.0
Global Sales Team Development	2.8	5.8
Product Engineering & Technical Support	2.0	3.0
Capital Raise & Listing Costs	0.8	1.1
Administrative Costs	0.4	0.4
Working Capital	2.6	2.8
Total	10.0	15.0

Source: October 2021 Prospectus of ActivePort

11.5 Management has advised that the funds to acquire the hardware the subject of the Lease Agreement were obtained in the Capital Raise associated with the Prospectus and comprise part of the funds allocated to Global Sales Team Development. The two Agreements together provide ActivePort with direct access to a customer base which would otherwise have been targeted via the expansion of the Company's global sales team.

Advantages and disadvantages

11.6 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction in relation to the Lease Agreement proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

11.7 The key advantages of the Proposed Transaction in relation to the Lease Agreement are:

Table 26 Key advantages of the Proposed Transaction – Lease Agreement

Advantage	Details
The Proposed Transaction is fair	The Proposed Transaction is fair to the Non-Associated Shareholders.
Return on Cash Reserves	ActivePort is deploying its cash reserves to fund the acquisition of the hardware which is the subject of the 18-month Lease Agreement with Radian Arc. If ActivePort had not entered into the Lease Agreement, the cash reserves may have been utilised to pursue alternative investments, such as the receipt of interest from being held in a bank account. The terms of the Lease Agreement provide for repayment of the principal and interest at a rate of 9% per annum, this exceeds the current interest rate on 24-month retail term deposits of approximately 3.50% per annum. Therefore, the Lease Agreement provides a return on ActivePort cash reserves that exceeds the returns which could have been made from holding the funds in a term deposit over a similar period.
Acceleration of revenues under the Services Agreement	The Lease Agreement with Radian Arc relates to the equipment required to provide services to the telco customers and expedites the lead time on generating revenues compared to Radian Arc obtaining alternative sources of debt or equity funding. This results in a shorter lead time for ActivePort to commence deriving revenue from the Services Agreement.
Secured interest over hardware	The Company retains title to and has a registered Purchase Money Security Interest over all units of hardware until such time as full payment is made for each unit.
Income exceeds expenses in absolute terms	Whilst the assessment of fairness was undertaken adopting a Discounted Cash Flow approach, In absolute terms, the income to be received by ActivePort over the 18-month term of the Lease Agreement is greater than the capital and other costs expended.

Source: RSM Analysis

Disadvantages of approving the Proposed Transaction

11.8 The key disadvantages of the Proposed Transaction in relation to the Lease Agreement are:

Table 27 Disadvantages of the Proposed Transaction – Lease Agreement

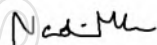
Disadvantage	Details
The Proposed Transaction is not fair	The Proposed Transaction is not fair to the Non-Associated Shareholders
Opportunity Cost – Cash Reserves	If ActivePort had not entered into the Lease Agreement to Radian Arc, its cash reserves used to fund the initial acquisition of the hardware could have been utilised to pursue alternative investments such as to expedite advancements in core business activities, to fund acquisitions of complementary businesses or to pursue the development of a new product offering.
Change in nature of activities	ActivePort is a software development company, not an equipment hire company. Therefore resources will be employed to manage the terms of the equipment hire, which is a non-core activity of the Business. We understand that ActivePort expect one full time staff member will be required to manage the Lease Agreement over its 18-month term.

Conclusion on Reasonableness

- 11.9 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction in relation to the Lease Agreement is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior alternative, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of ActivePort.
- 11.10 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD



Nadine Marke
Director



Justin Audcent
Director



APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors. Nadine Marke and Justin Audcent are directors of RSM Corporate Australia Pty Ltd. Both Nadine Marke and Justin Audcent are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of ActivePort Group Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report. We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Nadine Marke, Justin Audcent, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$25,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether the Company receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

Disclosure of Supplementary Report

The Proposed Transactions were originally contained within one Resolution in the Notice of Meeting. On 31 May 2022, we issued our signed Report to the Company based on the single resolution with a Fair and Reasonable opinion. Subsequent to this date, the Proposed Transactions were restated into two resolutions and we were requested to update our Report accordingly.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- ActivePort Group Limited – Board of Directors Circular Resolution;
- ActivePort Group Limited – audited Financial Statements for the Financial Year ended 30 June 2021;
- ActivePort Group Limited – reviewed Financial Statements for the Half Year ended 31 December 2021;
- ActivePort Group Limited – Share Registry;
- ASIC;
- ASX announcements of ActivePort Group Limited;
- Discussions with Directors, Management and staff of ActivePort Group Limited;
- Drafts and final copies of the Notice of Meeting;
- Radian Arc Limited – Equipment Lease Schedules;
- Radian Arc Limited – Models;
- Radian Arc Limited – audited Financial Statements for the Financial Year ended 30 June 2021;
- Reserve Bank of Australia;
- Lease Agreement between ActivePort and Radian Arc Limited;
- Services Agreement between ActivePort and Radian Arc Limited;
- Refinitiv Eikon Database; and
- S&P Capital IQ database.

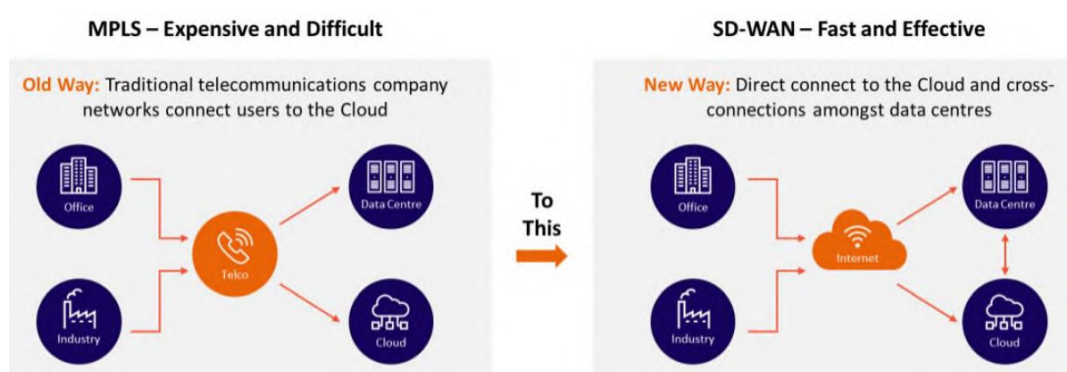
C. INDUSTRY OVERVIEW

Telecommunications Industry

ActivePort operates in the enterprise networking sector of the Telecommunications Industry. ActivePort sells its software to telecommunications carriers (“Telcos”), internet service providers (“ISPs”) and enterprise customers.

As the internet has become pervasive, faster, cheaper and more reliable, enterprise networking has been able to transition from Telco-centric Multiprotocol Label Switching (“MLPS”) networks (data forwarding technology that controls the flow of network traffic) to Cloud-centric SD-WAN networks. SD-WAN allows customers to control their network usage, bandwidth, prioritisation, and security independently of the underlying hardware. ActivePort’s software is designed to facilitate this transition to new technologies.

Figure 6 Networking Illustration



The use of cloud hosting services and cloud-based network management is expected to continue growing, allowing businesses to obtain these as services rather than making capital investments in their own equipment and data storage.

Growth over the past five years

The Australian Telecommunications industry and the Cloud Hosting sub-sector has performed strongly over the past five years.

Outsourcing has become a key aspect of many modern businesses, which has provided strong support for industry operators. More businesses have been seeking out industry services as computers and smartphones have become increasingly widespread and sophisticated, and data processing has grown in complexity.

Rising domestic internet traffic, and the expanding volume and availability of data have all driven industry revenue growth over the past five years.

The COVID-19 pandemic has also accelerated many of these trends by increasing demand for remote working environments and business web platforms, particularly due to domestic and international travel restrictions.

Industry Outlook

Industry revenue is projected to grow over the next five years, as corporate and government entities continue outsourcing their data processing and web hosting requirements.

IBISWorld shows a forecast annualised increase in revenue of 7.7% over the five years through 2026-27, to \$2.9 billion.

This trend has primarily been driven by the COVID-19 pandemic, which has resulted in firms investing heavily in the cloud and remote working capabilities. An anticipated recovery of the economy following the COVID-19 pandemic will support business confidence and increase demand for industry services. Industry operators will therefore be able to demand higher fees by offering specialised and made-to-order services.

Communications processes are also rapidly transforming, increasing demand for web hosting services for mobile applications. The growing online connectivity and businesses' greater understanding of the cost-saving opportunities of IT outsourcing.

However, rising cybersecurity concerns could limit the rate at which corporations move their operations to cloud servers, restricting domestic revenue growth. Increasing regulations, such as the Telecommunications and Other Legislation Amendment (Assistance and Access) Act 2018 (TOLA), have made some firms concerned about the safety of data hosted on Australian servers and transferred on Australian communications channels, further restricting growth.

An anticipated recovery of the economy following the COVID-19 pandemic will support business confidence and increase demand for industry services. Ongoing trends such as increased outsourcing and price competition in the web hosting segment are anticipated to result in profit margins remaining largely stable over the next five years.

Online Gaming Industry

Radian Arc provides an infrastructure-as-a-service platform for running cloud gaming, artificial intelligence and machine learning applications inside telecommunication carrier networks.

The February 2022 IBISWorld Online Video Game Sales in Australia industry report indicates that there has been considerable growth in the industry over the past five years. IBISWorld discloses that video games historically were targeted at the teenage market, however their target audience has gradually expanded due to the diverse range of gaming titles. This includes a larger proportion of female gamers and a rise in the average age of gamers. Additionally, the COVID-19 pandemic has encouraged consumers to increasingly participate in at-home recreational activities amid ongoing lockdowns and restrictions over the past three years, boosting industry demand.

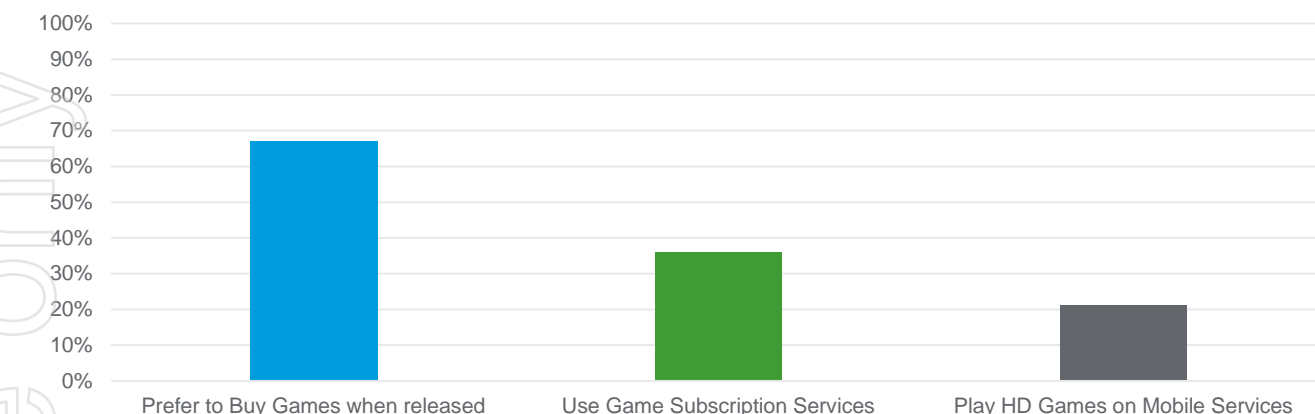
The Interactive Games and Entertainment Association provided the Digital Australia 2022 report titled 'Connected by Games' ("Digital Australia Report"). This report discloses that in 2005, 76% of Australian households had at least 1 device on which to play video games, the Digital Australia Report further discloses that this number had increased to 92% of Australian households in 2021.

The IBISWorld industry report further discloses that in 2019 Google launched a new cloud gaming service, Stadia. Stadia is comparable to subscription services such as Netflix and removes the need for a console, allowing users to stream games instantly through a subscription-based model. Cloud Gaming services such as Stadia are threatening to disrupt the traditional model used by Sony and Microsoft which largely require outright purchases to access games.

Cloud gaming platforms run the software required to play online video games from a remote data centre. Therefore, all the graphics and sounds are streamed to the consumer's monitor through the internet, rather than being generated by the user's personal computer or gaming console. Cloud gaming will therefore allow consumers to experience playing high-quality video games without the need to purchase expensive gaming hardware.

The Digital Australia Report discloses that as of the date of the report, 67% of Australian players still prefer to buy games when they are released and 36% of Australians use game subscription services.

Figure 7 Digital Australia - Preferred Access to Games



Source: Digital Australia Report

The Communication Report 2019 released by the Australian Communications and Media Authority disclosed that cloud-based technologies are opening up new markets and opportunities for both Australian telecommunication providers and new entrants. Further it was disclosed that the Australian market for cloud gaming was expected to increase 119 per cent, from \$3.6 million in 2019 to \$7.9 million in 2021.

In 2021, PriceWaterhouseCoopers released its 2021 Australian Entertainment and Media Outlook report ("PWC Report") which detailed that the interactive games and esports industry is forecasted to grow significantly over the period 2020 to 2025. The PWC report disclosed that they expect the total interactive games and esports revenue in Australia to grow from \$3.41 billion in 2020 to \$4.9 billion in 2025.

Radian Arc operates in Australia but targets international telecommunications carriers who don't have the existing infrastructure to support the current demand and predicted growth for online cloud gaming.

D. VALUATION METHODOLOGIES

We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

Market based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- the quoted price for listed securities; and
- industry specific methods.

The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based methods

Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow;
- capitalisation of future maintainable earnings.

The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Asset based methods

Asset based methodologies estimate the Fair Market Value based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

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E. DISCOUNT RATE ASSESSMENT

The WACC represents the weighted rate of return required by providers of both debt and equity to compensate for the time value of money and the perceived risk of the associated cash flows. The discount rates required by providers of both debt and equity are weighted in proportion to the optimal proportions of debt and equity.

The WACC is calculated as follows:

$$WACC = [Re \times E/V] + [Rd \times (1 - tc) \times D/V]$$

Where:

WACC = post tax weighted average cost of capital

Re = required rate of return on equity capital

E = market value of equity capital

V = market value of debt and equity capital (D + E)

Rd = required rate of return on debt capital

D = market value of debt capital

tc = corporate tax rate

Required Rate of Return on Equity Capital (Re)

The Capital Asset Pricing Model (CAPM) can be used to estimate the cost of equity, being the required rate of return or cost of equity of a business.

The CAPM determines the cost of equity by the following formula:

$$Re = Rf + \beta(Rm - Rf) + \alpha$$

The components of the formula are as follows:

Re = Required return on equity;

Rf = Risk free rate of return;

Rm = the expected return from a market portfolio;

β = Beta, a measure of the systematic risk of a stock; and

α = specific company risk premium.

Risk Free Rate

The risk free rate of return compensates investors for the time value of money.

The Australian Government 5 Year bond rate is widely used and is an accepted benchmark for the risk free return. We have used the 5-year bond rate as this provides the best match against the timeframe of the cash flows being valued.

The Australian Government 5 Year bond rate as at 27 May 2022 was 2.98% (Source: Capital IQ).

Market rate (Rm)

This represents the risk in holding the market portfolio of investments. The term $(R_m - R_f)$ represents the additional return required, above the risk free rate, to hold the market portfolio of investments. $(R_m - R_f)$ is known as the Equity Market Risk Premium.

There are a number of studies around the Equity Market Risk Premium EMRP with, generally, most estimates falling within a range of 6% to 8%.

Using our professional judgement, RSM has adopted an Equity Market Risk Premium $(R_m - R_f)$ of 6.5%.

Beta (β)

The beta coefficient measures the systematic risk of a company compared to the market as a whole. A beta of 1 indicates that the company's risk is comparable to that of the market. A beta greater than 1 represents higher than market risk and a beta below 1 represents lower than market risk.

In assessing beta, we have considered the betas for companies comparable to ActivePort (Column A). The equity betas are adjusted to remove the effect of company specific debt levels resulting in an ungeared beta (Column B). The ungeared betas are then "regeared" based upon an assessment the average industry gearing ratio and the assessed optimal capital structure which is discussed in more detail below (Column C).

The table below sets out the equity beta analysis in relation to the comparable companies.

Table 28 Equity Beta Analysis

Beta Calculation						Column A	Column B	Column C	
Name	Exchange Ticker	Market Cap	Net Debt	Enterprise Value	Total Debt	Levered Beta (CAPIQ)	Unlevered Beta	Regeared Beta	Tax Rate
ActivePort Group Ltd	ASX:ATV	28.71	(5.66)	23.05	2.55	2.54	2.39	2.59	30%
Data#3 Limited	ASX:DTL	754.77	(38.07)	716.70	26.53	1.02	1.00	1.08	30%
Spirit Technology Solutions Ltd	ASX:ST1	31.91	18.11	50.02	28.54	0.79	0.48	0.52	30%
Field Solutions Holdings Limited	ASX:FSG	98.64	(10.65)	87.99	4.80	0.47	0.45	0.49	30%
Superloop Limited	ASX:SLC	391.55	70.58	462.13	87.48	1.53	1.33	1.44	30%
Tessarent Limited	ASX:TNT	169.85	19.34	189.20	33.90	1.57	1.38	1.49	30%
NEXION Group Ltd	ASX:NNG	8.61	(1.11)	7.50	2.82	0.93	0.76	0.82	30%
Comms Group Limited	ASX:CCG	34.33	(0.68)	33.64	1.54	2.28	2.21	2.40	30%
Megaport Limited	ASX:MP1	1,124.60	(83.02)	1,041.58	21.61	1.01	0.99	1.08	30%
Netlinkz Limited	ASX:NET	163.30	(6.10)	157.34	1.28	1.01	1.01	1.09	30%
Min		8.61	(83.02)	7.50	1.28	0.47	0.45	0.49	30%
Mean		280.63	(3.73)	276.91	21.10	1.32	1.20	1.30	30%
Median		130.97	(3.38)	122.67	13.20	1.02	1.00	1.09	30%
Max		1,124.60	70.58	1,041.58	87.48	2.54	2.39	2.59	30%

Source: Capital IQ

We have adopted a range of 1.00 to 1.20 as the unlevered beta in our assessment of the appropriate WACC.

Specific company risk, size premium and country risk premium (α)

In considering the appropriate WACC for ActivePort, we have considered the specific risks in the Radian Arc Project which are not experienced by the listed comparable companies and are therefore not reflected in the reported betas or implied multiples derived from publicly available market data.

We have specifically considered the risk inherent with the size of ActivePort and Radian Arc. Using our professional judgement and with reference to the 'The Size Premium: Australian Evidence' Business Valuation research paper published by Macquarie University, we have adopted a specific company risk factor of 1.18% to 3.69% for ActivePort.

Required rate of return on debt (Rd)

The rate of return required by providers of debt includes a risk premium over and above the risk-free rate that reflects the debt risk that is specific to the business being valued. This risk effectively represents the risk of default on payments.

In assessing an appropriate debt premium, we have considered a number of factors including:

- the AUD 5 Year Corporate Bond Rates as at 27 May 2022;
- the gearing levels adopted for the purposes of calculating the WACC; and
- the prevailing economic conditions as at the date of this report.

We have adopted a risk premium of 461 basis points over the 3-month Bank Bill Swap Rate (“BBSW”). Based on the 3-month BBSW as at 27 May 2022 of 1.13%, this equates to a pre-tax cost of debt of 5.74%.

Capital structure or Gearing Level (D/V)

The capital structure or gearing level adopted for the purposes of undertaking the valuation should generally reflect the level of debt that can be reasonably sustained by any company operating in a particular industry as opposed to the actual capital structure adopted by the business.

The optimal capital structure of a business is driven by two main considerations:

- the tax benefits of debt finance i.e. the deductibility of interest payments for the purposes of assessing corporate tax liabilities; and
- the financial risk to equity holders i.e. the risk of financial distress as a result of over-gearing.

In assessing the optimal capital structure of ActivePort, we have considered the following:

- the gearing levels of comparable companies in the Software industry;
- the level of debt sustainable by the forecast earnings and cash flows of the Agreements; and
- the 5 year life of the Agreement (in the absence of any extensions to the Agreements).

For the purposes of this valuation we have assessed the optimal net debt to equity ratio (D/V) as 10.0% (resulting in D/E of 11.11%).

Corporate tax rate (tc)

We have utilised the Australian Base Rate Entity corporate tax rate of 25.0% (Source: ATO).

Assessment of WACC

Based on the assumptions set out above, we have assessed the appropriate WACC to be in the range of 10.5% and 14.0%, with a midpoint of 12.3%, as set out in the table below:

Table 29 Assessment of WACC

WACC	Min	Midpoint	Max
Beta:			
Unlevered Beta	1.00	1.10	1.20
Marginal Tax Rate	25%	25%	25%
Target Capital Structure:			
Debt	10.00%	10.00%	10.00%
Equity	90.00%	90.00%	90.00%
D/E	11.11%	11.11%	11.11%
Levered Beta	1.08	1.19	1.30
Cost of Equity:			
Risk Free Rate	2.98%	2.98%	2.98%
Market Risk Premium	6.50%	6.50%	6.50%
Alpha (Specific Premium)	1.18%	2.44%	3.69%
Cost of Equity	11.20%	13.16%	15.12%
Cost of Debt:			
Risk Free Rate	1.13%	1.13%	1.13%
Margin	4.61%	4.61%	4.61%
Pre-tax Cost of Debt	5.74%	5.74%	5.74%
Post-tax Cost of Debt	4.31%	4.31%	4.31%
WACC (Post Tax, Nominal)	10.51%	12.28%	14.04%

Source: RSM Calculations

F. GLOSSARY OF TERMS

Term or Abbreviation	Definition
A\$ or AUD	Australian dollar
Act	Corporations Act 2001 (Cth)
ActivePort, ATV, The Company	ActivePort Group Limited – ACN: 636 569 634
AFCA	Australian Financial Complaints Authority
AMCA Report	Australian Communications and Media Authority Communication report 2018 - 2019
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
BBSW	3-month Bank Bill Swap Rate
Company	ActivePort Group Limited
Control basis	As assessment of the Fair Value of an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
DCF	Discounted Cash Flow
Digital Australia Report	The Interactive Games and Entertainment Association Digital Australia 2022 report titled 'Connected by Games'
Directors	Directors of the Company
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Market Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FSG	Financial Services Guide
Global Edge	Global Edge Network Limited
GPU	Graphics Processing Unit
IER	This Independent Expert Report
ISPs	Internet service providers
Lease Agreement	A leasing agreement, for the purchase and lease of private cloud infrastructure, primarily servers and other hardware, up to \$2.0 million on 18-month leasing terms with 9% interest payable, at the end of which Radian Arc will acquire the hardware from ActivePort
MLPS	Multiprotocol Label Switching
Non-Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
Option or Options	Unlisted options to acquire Shares with varying vesting conditions
Proposed Transactions	Agreements signed between the Company and Radian Arc to deliver orchestration software, private cloud infrastructure and technical support services
PMSI	Purchase money security interest

PWC Report	The PriceWaterhouseCoopers 2021 Australian Entertainment and Media Outlook Report
Radian Arc	Radian Arc Limited – ACN 641 847 396
Report, IER	This Independent Expert's Report prepared by RSM
Resolution	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RSM Control Premium Study 2021	RSM study on 605 takeovers and schemes of arrangements involving companies listed on the ASX over the 15.5 years ended 31 December 2020
RSM Corporate Australia Pty Ltd, RSM, We, Us, Ours	RSM Corporate Australia Pty Ltd ABN 82 050 508 024
Services Agreement	Software and support agreement, which comprises a fixed monthly engineering fee, support fee per nominated live system and licence fee per virtual Graphics Processing Unit
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Share	Ordinary fully paid share in the capital of the Company
Shareholder	A holder of Share
Starboard	Starboard IT Pty Ltd
Telcos	Telecommunications Carriers
The Agreements	The Services Agreement and the Lease Agreement
The Parties	ActivePort and Radian Arc
US\$ or USD	United States dollar
vGPU	Virtual Graphics Processing Unit
Vizstone	Vizstone Pty Ltd
VWAP	Volume weighted average share price

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RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

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SCHEDULE 2 – TERMS AND CONDITIONS OF CLASS G PERFORMANCE RIGHTS

The terms and conditions of the Class G Performance Rights are set out below:

(a) **Key Term**

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.

(b) **Vesting Conditions**

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

Where the FY23 Revenue is:

- (i) less than AUD\$1 million then no Class G Performance Rights will vest; or
- (ii) 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 on 30 June 2022 (**FY22 Revenue**) divided by the amount that AUD\$3.2 million exceeds FY22 Revenue to a maximum of 100%.

For example, if the FY23 Revenue exceeds the FY22 Revenue by 50% of the amount that AUD\$3.2 million exceeds the FY22 Revenue, then 50% of the Class G Performance Rights will vest. If the FY23 exceeds AUD\$3.2 million only 100% of the Class G Performance Rights will vest.

(**Vesting Calculation**).

(c) **Independent Verification**

A Performance Right Vesting Condition will only be achieved, or achieved as a percentage of its target, after the Company's independent external auditor, either:

- (i) verifies that based on Company's audited accounts and as required, the audited accounts of any subsidiaries acquired by the Company; or
- (ii) provides another form of verification acceptable to ASX confirming that the relevant Vesting Condition has been met or achieved as a percentage of its target.

(d) **Notification to holder**

The Company shall notify the holder in writing when Performance Rights vest and the number of Performance Rights that have vested.

(e) **Exercise**

Subject to paragraph (m) and to paragraph (n) and to paragraph (o), after being notified when Vesting for a class of Performance Rights has occurred, the holder is entitled to give a written notice or separate written notices to the Company that it wishes to exercise the vested Performance Rights that have vested in whole or in part, setting out the number of Performance Rights to be exercised at that particular time (**Exercise Notice**). If the Exercise Notice is for a part exercise of the Performance Rights, the balance of the Performance Rights held can be the subject of separate Exercise Notices that can be given by the holder in the future. Upon the receipt by the Company of the Exercise Notice, the holder will be issued one fully paid ordinary share in the capital of the Company (**Share**) for each exercised Performance Right.

(f) **Lapse of a Performance Right**

Each Performance Right will automatically lapse upon the earlier to occur of:

- (i) 31 May 2024;
- (ii) if the relevant Vesting Condition attached to a class of Performance Rights has not been achieved by the relevant Deadline, then the relevant Performance Rights will automatically lapse. For the avoidance of doubt, a Performance Right will not lapse in the event the relevant Vesting Condition is met before the relevant Vesting Deadline and the Shares the subject of an Exercise Notice are deferred in accordance with paragraph (q) below; and
- (iii) the holder ceasing to be an officer (and employee, if applicable) of the Company, unless otherwise determined by the Board at its absolute discretion.

(g) **Consideration**

The Performance Rights will be issued for nil consideration and no consideration will be payable upon the issue of Shares pursuant to an Exercise Notice.

(h) **Share ranking**

All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other existing Shares.

(i) **Application to ASX**

The Performance Rights will not be quoted on ASX. The Company must apply for official quotation of a Share issued pursuant to an Exercise Notice on the ASX within the time period required by the Listing Rules.

(j) **Timing of issue of Shares on Conversion**

Within five (5) Business Days after the date that the Company receives an Exercise Notice, the Company will:

- (i) issue the number of Shares required by the Exercise Notice;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the Exercise Notice.

If a notice delivered under paragraph (j)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(k) Transfer of Performance Rights

The Performance Rights are not transferable.

(l) Participation in new issues

A Performance Right does not entitle a holder (in their capacity as a holder of a Performance Right) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

(m) Reorganisation of capital

If at any time the issued capital of the Company is reconstructed, all rights of a holder will be changed in a manner consistent with the applicable Listing Rules and the Corporations Act at the time of reorganisation.

(n) Adjustment for bonus issue

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares or other securities which must be issued on the conversion of a Performance Right will be increased by the number of Shares or other securities which the holder would have received if the holder had converted the Performance Right before the record date for the bonus issue.

(o) Dividend and voting rights

The Performance Rights do not confer on the holder an entitlement to vote (except as otherwise required by law) or receive dividends.

(p) Change in control

Subject to paragraph (q), upon:

- (i) a bona fide takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and:

- (A) having received acceptances for not less than 50.1% of the Company's Shares on issue; and
- (B) having been declared unconditional by the bidder; or
- (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
- (iii) in any other case, a person obtains Voting Power (as defined in the Corporations Act) in the Company that the Board (which for the avoidance of doubt will comprise those Directors immediately prior to the person acquiring that Voting Power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board,

then, to the extent that any Performance Rights have not vested when such bid has been made or such orders have been granted (as the case may be), all Performance Rights will automatically vest on an accelerated basis and be deemed to have been exercised, unless the holder gives a written notice to the Company that it chooses not to exercise the Performance Rights in which case the Performance Rights will lapse.

(q) **Deferral of conversion if resulting in a prohibited acquisition of Shares**

If the issue of a Share pursuant to an Exercise Notice would result in any person being in contravention of section 606(1) of the Corporations Act (**General Prohibition**) then the exercise of that Performance Right shall be deferred until such later time or times that the exercise of that Performance Right would not result in a contravention of the General Prohibition. In assessing whether an exercise of a Performance Right would result in a contravention of the General Prohibition:

- (i) holders may give written notification to the Company if they consider that the exercise of a Performance Right may result in the contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the exercise of a Performance Right will not result in any person being in contravention of the General Prohibition;
- (ii) the Company may (but is not obliged to) by written notice to a holder request a holder to provide the written notice referred to in paragraph (q)(i) within 7 days if the Company considers that the exercise of a Performance Right may result in a contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the exercise of a Performance Right will not result in any person being in contravention of the General Prohibition.

(r) **No rights to return of capital**

A Performance Right does not entitle the holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

(s) **Rights on winding up**

A Performance Right does not entitle the holder to participate in the surplus profits or assets of the Company upon winding up.

(t) **Amendments required by ASX**

The terms of the Performance Rights may be amended as necessary by the board of Directors in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.

(u) **No other rights**

A Performance Right gives the holder no rights other than those expressly provided by these terms and conditions and those provided at law where such rights at law cannot be excluded by these terms.

(v) **Subdivision 83A-C**

The Performance Rights will be issued under a scheme to which Subdivision 83A-C of the *Income Tax Assessment Act 1997* specifically applies (subject to the conditions in that Act).

**PROXY FORM
ACTIVEPORT GROUP LIMITED
ACN 636 569 634**

GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 2:30 pm (WST), on 5 August 2022 at Level 4, 46 Colin Street West Perth, Western Australia 6005, and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1 and 2 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 2 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval for the Services Agreement with Radian Arc Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval for the Lease Agreement with Radian Arc Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of Prior Issue of Shares and Class G Performance Rights – Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail

in relation to this Proxy Form: YES ☐ NO ☐

Instructions for completing Proxy Form

1. **Appointing a proxy**

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

2. **Direction to vote**

A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.

3. **Compliance with Listing Rule 14.11**

In accordance with Listing Rule 14.11, if you hold Shares on behalf of another person(s) or entity/entities or you are a trustee, nominee, custodian or other fiduciary holder of the Shares, you are required to ensure that the person(s) or entity/entities for which you hold the Shares are not excluded from voting on resolutions where there is a voting exclusion. Listing Rule 14.11 requires you to receive written confirmation from the person or entity providing the voting instruction to you and you must vote in accordance with the instruction provided.

By lodging your proxy votes, you confirm to the Company that you are in compliance with Listing Rule 14.11.

4. **Signing instructions:**

- **Individual:** Where the holding is in one name, the Shareholder must sign.
- **Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.
- **Power of attorney:** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- **Companies:** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.

5. **Attending the Meeting**

Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

6. **Lodgement of Proxy Form**

Proxy forms can be lodged by completing and signing the enclosed Proxy Form and returning by:

- (i) post to Activeport Group Limited, Level 4, 46 Colin Street West Perth, Western Australia 6005;
- (ii) facsimile to the Company on facsimile number +61 8 6149 7555;
- (iii) hand delivering to Level 4, 46 Colin Street West Perth, Western Australia 6005; or
- (iv) email to the Company Secretary at jack.toby@ActivePort.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.