NUIX LIMITED AND CONTROLLED ENTITIES

APPENDIX 4D AND CONSOLIDATED INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2020

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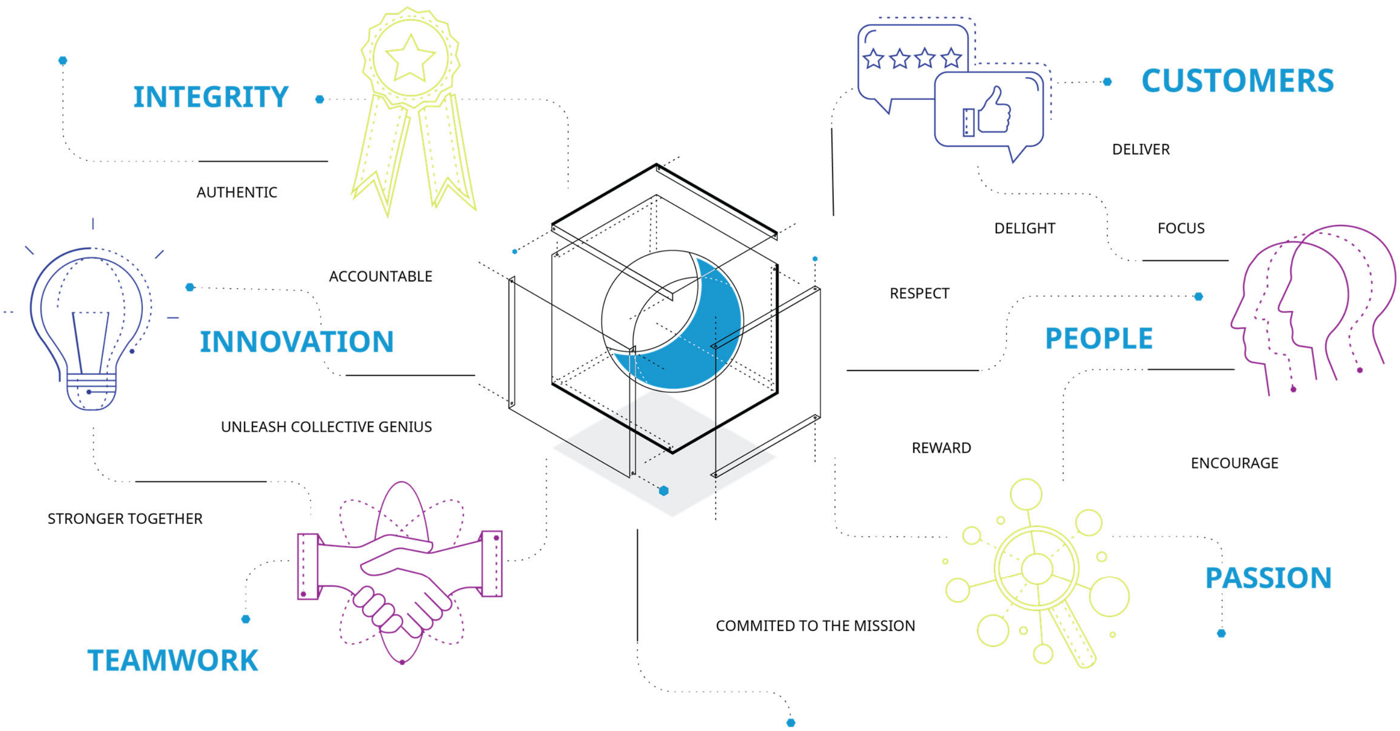

FINDING TRUTH IN A DIGITAL WORLD

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ASX APPENDIX 4D

DIRECTORS' REPORT

CONSOLIDATED INTERIM FINANCIAL REPORT

ASX Appendix 4D

Results for Announcement to Market

Six months ended 31 December		1H FY21 $000's	1H FY20 $000's
Revenue from ordinary activities	Down 3.9%	85,326	88,784
(Loss) / profit from ordinary activities after tax attributable to members	Down 214.4%	(16,565)	14,479
Net (loss) / profit for the period attributable to members	Down 214.4%	(16,565)	14,479

Dividends
It is not proposed that dividends be paid for the half-year ended 31 December 2020 (31 December 2019: Nil)

Explanation of results
Please refer to the Review of Operations included in the Directors' Report for explanation of the results.

The information should be read in conjunction with the consolidated Annual Financial Report of Nuix Limited for the year ended 30 June 2020. This report should also be read in conjunction with any public announcements made by Nuix in accordance with the continuous disclosure requirements arising under the Corporations Act and ASX Listing Rules.

Other Information

Net Tangible Assets ('NTA') backing[1]

As at 31 December	2020 $000's	2019 $000's
NTA	65,542	4,538
Number of shares (thousands)	317,305	265,401
NTA per share (cents)	20.7	1.7

[1] Net Tangible Assets have been calculated as net assets, adjusted for intangible assets and deferred taxes.

Entities of the group

There were no entities over which control had been gained or lost during the period (31 December 2019: nil). The group has no interests in associates or joint ventures.

Dividend reinvestment plan

Nuix Limited has not implemented a dividend reinvestment plan.

Directors' Report

The Directors present their report on the consolidated entity (hereafter referred to as 'Nuix' or 'Group') consisting of Nuix Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors and Company Secretary

The following persons were directors of Nuix Limited during the half-year and up to the date of this report:

- Jeffrey Bleich (Non-Executive Director, appointed as Chairman on 18 November 2020)
- Daniel Phillips (Non-Executive Director, resigned as Chairman on 18 November 2020)
- Rodney Graeme Vawdrey (Executive Director)

The following people were directors of Nuix Limited from the beginning of the half-year until their resignation on 18 November 2020:

- David Standen (Non-Executive Director)
- Roy Frank Grady (Non-Executive Director)
- Mark Warren de Ambrosis (Non-Executive Director)
- Anthony Castagna (Non-Executive Director)

The following people were appointed directors of Nuix Limited on 18 November 2020, and remain in office as at the date of this report:

- Susan Thomas (Non-Executive Director)
- Iain Robert Lobban (Non-Executive Director)

Stephen Doyle and Brian Krupczak resigned as Company Secretaries, and Michael Egan was appointed Company Secretary on 18 November 2020.

Review of Operations

1. Business overview and update

1.1 Our assets and capabilities

Nuix's key assets are:

- Its range of software applications that enable organisations to make fact-based decisions from structured, semi-structured and unstructured data; and
- The extensive knowledge of its global team of industry experts.

Our software, built around the Nuix Engine, enables users to search, correlate, analyse and report data on massive scale and in hundreds of formats.

1.2 Business and industry overview

Organisations are finding themselves unprepared to investigate, manage, secure, de-risk and utilise the massive amounts of data they hold. This poses commercial, competitive and legal risks. Nuix technology is perfectly positioned to help organisations:

- Manage the data;
- Comply with legal and regulatory obligations;
- Reduce losses that result from external and insider data breaches; and
- Exploit the data to create value.

Directors' Report (continued)

1.3 Our growth strategy

We plan to make our software a ubiquitously available platform for solving global risk, compliance and security challenges. The key elements of our strategy are briefly outlined below:

Extend our technological capabilities

We intend to continue to invest heavily in our product development efforts to deliver additional features and solutions that address existing customer needs and new end-markets. We focus on attracting and retaining thought leaders and engineering talent who can expand the Nuix core engine into adjacent product and technology areas that enable organisations to further investigate, secure and unlock the value of their data.

Drive incremental revenue from existing customers

We will continue to cultivate incremental sales from our existing customers through increased use of our software. This will be achieved by additional deployments and new use cases in processing, investigation and analysis of data.

Develop products that enable organisations in adjacent markets to use our software in different ways

We believe there is a significant opportunity to leverage our core engine into new solutions that help organisations investigate, manage, secure and unlock the value of their data in specific markets and use cases. Training and certification services (across our range of solutions) and partner-led consulting services (notably in Governance Risk and Compliance, cybersecurity and insider threat management) are growing opportunities.

Grow our user and partner ecosystem to target new use cases, drive operational leverage and deliver additional targeted, higher value solutions

Our user community includes advisory firms, litigation support vendors, corporations, government and law enforcement agencies. We believe this eco system can provide significant operating leverage to extend our software's functionality to new use cases. We will continue to invest in Original Equipment Manufacturer ('OEM') and strategic relationships that enable new channels to market and extend our integration with third-party products. In addition, we expect that OEM vendors and managed service providers will invest in and create customised application functionality based on our core engine.

Acquire and productise knowledge to deliver repeat engagements

Through our thought-leadership and partner ecosystem, we will deliver targeted solutions to early adopters who solve the most complex unstructured data problems and create products and solutions to be resold to industry verticals.

Deliver world-class customer service

We are determined to continue to delight our customers with our passionate can-do customer service culture.

1.4 Significant changes in the state of affairs

The Company completed an initial public offering ('IPO' or the 'Offer') of its shares, whereby 51,904,161 new shares were issued by the Company and 127,574,983 shares were offered by existing shareholders at an offer price of $5.31 per share.

The Company was admitted to the Official List of ASX Limited on 4 December 2020.

In relation to the Offer, the Company performed the following transactions:

- Issued 51,904,161 new shares at $5.31 each;
- Cancelled 38,961,508 existing options to acquire shares of the Company;

Directors' Report (continued)

- Incurred $45,409,000 of costs related to the offer, $1,014,000 related to listing fees and $2,637,000 related to the sale process explored by Nuix as an alternative to the offer; and
- Granted options and performance rights as detailed in the Prospectus.

There were no other significant changes to the state of affairs of the Group during the half-year.

2. Review of financial performance

Nuix has delivered solid financial results for 1H FY21 and is well positioned to achieve its full year FY21 guidance. Table 1 contains a high-level view of Nuix's financial results. A detailed analysis of this performance is provided below.

Table 1: Financial highlights

	1H FY21 $000's STATUTORY	1H FY21 $000's PRO FORMA	1H FY20 $000's PRO FORMA	VARIANCE PRO FORMA
Revenue	85,326	85,326	88,784	(3,458)
Cost of goods sold	(9,202)	(9,202)	(9,445)	243
Gross profit	**76,124**	**76,124**	**79,339**	**(3,215)**
Operating expenses	(80,490)	(44,549)	(48,766)	4,217
EBITDA	(4,366)	31,575	30,573	1,002
EBIT	(19,137)	16,804	17,287	(483)
NPAT [1]	**(16,565)**	**9,492**	**11,930**	**(2,438)**

[1] Table 2 reconciles statutory and pro forma NPAT for 1H FY21 and prior comparative period.

2.1 Solid financial results

2.1.1 NPAT result

Statutory loss after tax was $16,565,000, as against the pro forma result being a profit after tax of $9,492,000. The pro forma adjustments for 1H FY21 are reconciled back to the statutory result in Table 2 below.

The main contributors to the lower net profit after tax on a pro forma basis compared to the prior period, are realised and unrealised foreign exchange losses in the current period of $3,001,000 and higher amortisation charges resulting from an additional year's worth of capitalised development costs of $1,485,000; offset by lower tax expenses of $893,000 and the $1,002,000 higher EBITDA result in the current period.

Directors' Report (continued)

Table 2: Pro forma adjustments to statutory results and comparable prior period

	1H FY21 $000's	1H FY20 $000's
Statutory net (loss) / profit after tax	(16,565)	14,479
Incremental public company costs [1]	(2,980)	(3,600)
Corporate actions [2]	2,637	-
Net finance costs [3]	-	-
Offer costs [4]	33,291	-
Share-based payment expense [5]	2,993	-
Tax impact [6]	(9,884)	1,051
Net profit after tax	9,492	11,930

[1] Reflects incremental public company costs: Nuix's estimate of the incremental annual costs that Nuix will incur as a result of being a listed company. These costs include director's fees, ASX listing fees, share registry costs, audit and legal fees, directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual report costs and other public company costs. The adjustment for 1H FY21 reflects the inclusion of estimated costs on a pro rata basis for five months, being such period before Nuix was a listed company.

[2] Removes non-recurring transaction costs arising from corporate actions: specifically the costs of a sale process explored by Nuix as an alternative to the offer in 1H FY21

[3] Removes net finance costs: as the offer proceeds have not been used to pay down existing debt facilities during the period, no adjustment has been made vis a vie finance costs

[4] Removes one off offer costs: total transaction fees related to the offer were $45,409,000 of which $13,132,000 (before tax) is directly attributable to the issue of new shares by Nuix, and has been recognised directly in equity. The remaining $32,277,000 (before tax) relates to the sale of shares by the selling shareholders and is treated as an expense (within General and Administration). In addition to the costs related to the offer are the costs related with the listing fees, which are also included in this pro forma adjustment.

[5] Removes share-based payment expense: these adjustments removes share-based payment expenses in respect of existing options that were cancelled on completion.

[6] Tax impact of the above adjustments: these adjustments reflect the net tax impact of the pro forma adjustments at the relevant tax rates on the deductible amounts.

2.1.2 EBITDA result

Nuix's pro forma EBITDA result of $31,575,000, up 3.3% per cent against the 1H FY20 pro forma result, reflects consistent gross margins, with reduced total operating costs.

Table 3: EBITDA result

	1H FY21 $000's STATUTORY	1H FY21 $000's PRO FORMA	1H FY20 $000's PRO FORMA	VARIANCE PRO FORMA
Revenue	85,326	85,326	88,784	(3,458)
Cost of goods sold	(9,202)	(9,202)	(9,445)	243
Gross profit	**76,124**	**76,124**	**79,339**	**(3,215)**
Gross margin %	*89.2%*	*89.2%*	*89.4%*	*(0.2%)*
Sales and distribution	(23,841)	(23,841)	(30,893)	7,052
Research and development	(5,457)	(5,457)	(2,362)	(3,095)
General and administrative [1]	(51,192)	(15,251)	(15,511)	260
EBITDA	**(4,366)**	**31,575**	**30,573**	**1,002**

[1] General and administrative expenses include share-based payments

Directors' Report (continued)

Revenues

Revenues were broadly in line with expectations for the half, albeit suffering from a $2,400,000 foreign exchange headwind compared to the budgeted AUD/USD foreign exchange rate. As a result of the propensity for enterprise software businesses to have deals close in the last week or month of a given quarter, the impact of the strong Australian Dollar in December 2020 has had a substantial impact on revenues recognised on licences booked in 1H FY21.

During the half, there was a continuation of the trend for customers migrating from on-premise software licencing to consumption based licencing. This trend has the impact of reducing licencing revenue in the short term, as revenue recognition changes from an upfront recognition to over time recognition. This is illustrated in Note 5 to the financial statements where the proportion of over time revenue recognition has increased relative to point in time revenue recognition.

Software revenue metrics

Software companies like Nuix operate on many of the same performance metrics as traditional companies, such as revenue and cash flow. However, understanding the performance of software companies and being able to benchmark them is assisted by an understanding of specific non-GAAP metrics. The primary software revenue metric we use is Annualised Contract Value.

Annualised Contract Value ('ACV')

ACV of $162m is slightly ahead of the prior comparable period ($157m), however consistent with the statutory revenue result, has been impacted by the unfavourable exchange rate applied to December 2020 revenues and order slippage around balance date. The ACV achieved in 1H FY21 has been driven by continued strong new subscription based ACV; and renewals and customer retention shown through an improvement in churn and continued willingness by customers to enter into multi-year deals.

The composition of ACV amongst subscription and other revenue streams is illustrated below:

Directors' Report (continued)

Definition and basis of preparation

ACV is an adjusted, non-IFRS measure and does not represent Total Revenue in accordance with AAS or Nuix's accounting policies or cash receipts from customers.

ACV is used by Nuix to assess the total contract value of its software contracts on an annualized basis (removing fluctuations from MYD contracts in Nuix's Total Revenue which results from its revenue recognition policies).

The calculation of ACV at the end of the relevant financial period adjusts Total Revenue to account for: A) Revenue generated from Subscription Licences with a term of 12 months or more, as well as Consumption Licences which exists at the end of the relevant financial period as if those contracts' revenues were generated (and recognised) in each financial year on a straight-line basis over the relevant contract period, expressed on an annualized basis B) last 12 month contribution from short term Software Licences (including Perpetual Licences) or other Software Licences with a term of less than 12 months, excluding Consumption Licences; and C) the last 12 month contribution of services and third party software sales.

Other ACV reflects the last twelve-month contribution of Perpetual licence sales, services and third party software and short-term Software Licences, or licences with a term of less than 12 months but excluding Consumption Licences.

Operating costs

Sales and Distribution costs have reduced $7,052,000 compared to the prior period, primarily because of COVID-19 related headcount reductions, slower hiring rates and lower travel and accommodation costs during the half-year.

Research and Development costs have increased, as the proportion of overall cost capitalisation has reduced from 90.6% to 75.5% in the current period, due to variations in development activities compared to the prior period, and lower costs which were wholly related to development activities (e.g. subscription costs etc…).

Table 4: Research and Development analysis

	1H FY21 $000's	1H FY20 $000's
Revenue	85,326	88,784
Expensed Research and Development costs	5,457	2,362
Capitalised development costs	16,860	22,750
Total Research and Development costs	**22,317**	**25,112**
% of Research and Development capitalised	75.5%	90.6%
Research and Development as % of revenue	26.2%	28.3%

General and Administrative costs have remained broadly consistent with the prior comparable period on a pro forma basis. On a statutory basis, the increase of $39,281,000 compared to the prior comparable period relates primarily to offer costs (inclusive of listing fees) of $33,291,000, costs associated with the potential trade sale alternative to the IPO of $2,637,000 and increases in share based payment expenses of $2,809,000.

Directors' Report (continued)

Net finance costs

Table 5: Net finance costs

	1H FY21 $000's STATUTORY	1H FY21 $000's PRO FORMA	1H FY20 $000's PRO FORMA	VARIANCE PRO FORMA
Net finance expense[1]	3,902	3,902	1,053	2,849

[1] Net finance expense includes other gains and losses which relate to net realised and unrealised foreign exchange losses

Net finance expenses have increased $2,849,000 on both a pro-forma and statutory basis, due to an increase in realised and unrealised foreign exchange losses of $3,001,000, offset by lower interest costs of $152,000.

2.2 Healthy financial position and cash flows

Nuix is well positioned for the future with a strong balance sheet and cash generation capability.

2.2.1 Nuix's balance sheet

Table 6: Summary balance sheet

	31 DEC 2020 $000's	30 JUN 2020 $000's
Assets		
Cash and cash equivalents	128,243	38,539
Trade and other receivables	60,555	60,204
Other current assets	7,933	1,898
Property, plant and equipment	2,082	2,413
Intangibles	192,013	197,155
Deferred tax assets and lease assets	20,876	13,372
Total assets	**411,702**	**313,581**
Liabilities		
Trade and other payables	57,943	21,031
Deferred tax and lease liabilities	17,796	20,577
Deferred revenue	44,524	47,791
Provisions	3,046	3,173
Borrowings	25,566	25,531
Total liabilities	**148,875**	**118,103**
Equity		
Issued capital	370,646	104,227
Reserves	(177,362)	5,143
Retained earnings	69,543	86,108
Total equity / net assets	**262,827**	**195,478**

Directors' Report (continued)

Cash and cash equivalents have increased $89,704,000 primarily as a result of the impact of the IPO. Cash net of borrowings is $102,677,000. Refer below to 2.2 for cash flow analysis.

Other current assets have increased $6,035,000 primarily as a result of the impact of prepaid insurance costs incurred towards the end of the reporting period.

Deferred tax assets have increased $9,928,000 compared to 30 June 2020 primarily as a result of the impact of tax assets recognised in relation to offer costs.

Trade and other payables have increased $37,239,000 primarily as a result of accrued offer, listing, and trade sale costs of $29,180,000; and other accrued insurance liabilities of $4,758,000.

Deferred revenue has reduced $3,267,000 compared to the opening balance sheet, primarily as a result of the timing of revenue recognition on a significant agreement which was deferred as of 30 June 2020, offset by amounts deferred in the current period.

Issued capital has increased $266,419,000 as a result of the issuance of new equity totalling $275,611,000 offset by the portion of offer costs recognised directly in equity of $13,132,000 ($9,192,000 net of related tax effect).

Reserves decreased $182,505,000 as a result of the movement in the foreign currency translation reserve of $10,300,000 and the impact of cancelling options due to option holders of $175,040,000, net of the impact of equity settled share-based payment expenses of $2,835,000. In addition to the equity settled share-based payment expenses recognised against the share-based payment reserve, a further amount of $574,000 has been recognised in profit and loss associated with the service period share-based payments which were modified from equity settled to cash settled. The movement in the foreign currency translation reserve, arises from translating the opening net assets of US based operations using a higher closing foreign exchange rate of 1 AUD to 0.77 USD as at 31 December 2020, compared to 1 AUD to 0.69 USD at 30 June 2020.

Directors' Report (continued)

2.2.2 Nuix's cash flow generation capability

Table 7: Summary cash flow information

	1H FY21 $000's STATUTORY	1H FY20 $000's STATUTORY	VARIANCE STATUTORY	1H FY21 $000's PRO FORMA	1H FY20 $000's PRO FORMA	VARIANCE PRO FORMA
EBITDA	(4,366)	34,173	(38,539)	31,575	30,573	1,002
Add back non-cash items	3,409	600	2,809	416	600	(184)
EBITDA ex non-cash items	**(957)**	**34,773**	**(35,730)**	**31,991**	**31,173**	**818**
Change in working capital	16,945	(9,971)	26,916	(874)	(9,971)	9,097
Cash taxes	(75)	(319)	244	(75)	(319)	244
Operating cash flow	**15,913**	**24,483**	**(8,570)**	**31,042**	**20,883**	**10,159**
CAPEX – PPE	(269)	(902)	633	(269)	(902)	633
CAPEX – Intangibles	(16,860)	(23,582)	6,722	(16,860)	(23,582)	6,722
Investing cash flow	**(17,129)**	**(24,484)**	**7,355**	**(17,129)**	**(24,484)**	**7,355**
Free cash flow	**(1,216)**	**(1)**	**(1,215)**	**13,913**	**(3,601)**	**17,514**
Issued capital	275,611	-	275,611	-	-	-
Capitalised offer costs	(6,156)	-	(6,156)	-	-	-
Cancellation of options	(175,614)	-	(175,614)	-	-	-
Lease payments	(1,764)	(1,804)	40	(1,764)	(1,804)	40
Transaction costs on loans	-	(175)	175	-	(175)	175
Financing cash flow	**92,077**	**(1,979)**	**94,056**	**(1,764)**	**(1,979)**	**215**
Net cash flows	**90,861**	**(1,980)**	**92,841**	**12,149**	**(5,580)**	**17,729**

Capital management

Nuix successfully listed on the Australian Securities Exchange in December after an oversubscribed IPO which raised $275,611,000 through the issue of 51,904,161 new shares at $5.31 each.

Proceeds from the IPO have been used to fund option cancellation payments totalling $175,614,000 during the half-year.

Cash flows

The movement in cash during the period included a number of one-off amounts associated with the offer, ASX listing and potential trade sale as well as the associated cash proceeds from share issuance and option cancellation payments.

Operating cash flows continue to be strong on both a statutory and pro forma basis.

Directors' Report (continued)

Table 8: Reconciliation of statutory to pro forma

	1H FY21 $000's	1H FY20 $000's
Statutory net cash flow	**90,861**	**(1,980)**
Incremental public company costs [1]	(2,980)	(3,600)
Corporate actions [2]	2,637	-
Net finance costs [3]	-	-
Offer costs [4]	21,628	-
Offer proceeds [5]	(275,611)	-
Cancellation of options [6]	175,614	-
Pro forma net cash flow	**12,149**	**(5,580)**

[1] Reflects incremental public company costs: Nuix's estimate of the incremental annual costs that Nuix will incur as a result of being a listed company. These costs include director's fees, ASX listing fees, share registry costs, audit and legal fees, directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual report costs and other public company costs. The adjustment for H1F21 reflects the inclusion of estimated costs on a pro rata basis for five months, being such period before Nuix was a listed company.

[2] Removes non-recurring transaction costs arising from corporate actions: specifically the costs of a sale process explored by Nuix as an alternative to the offer in 1H FY21.

[3] Removes net finance costs: as the offer proceeds have not been used to pay down existing debt facilities during the period, no adjustment has been made vis a vie finance costs.

[4] Removes one off offer costs: total transaction fees paid during the period related to the offer were $21,628,000 of which $6,156,000 is directly attributable to the issue of new shares by Nuix, and has been recognised as part of financing activities. The remaining $15,472,000 relates to the sale of shares by the selling shareholders and listing costs which are treated as an operating cash flow.

[5] Reflects the gross proceeds raised from the issuance of new shares under the offer.

[6] Reflects the payment of $175,614,000 to optionholders in respect of existing options that were cancelled on completion of the offer.

2.2.3 Nuix's level of debt

Nuix Limited has entered into a Facility Agreement with the Commonwealth Bank of Australia ('CBA') which provides funding to the Company through a Cash Advance Facility. Funding is made available under two tranches, being Tranche A for AUD $40 million, and Tranche B for USD $7.5 million. Accordingly, the available funding under the facilities as denominated in Australian dollars fluctuates from period to period, with $49,741,000 being available under these facilities as of 31 December 2020 (30 June 2020: $50,943,000).

The Company has utilised $25,566,000 of these facilities as of 31 December 2020 (30 June 2020: $25,531,000) and has not drawn down any additional funding during the half-year ended 31 December 2020 (2019: $5,697,000 ($4,000,000 USD)).

Directors' Report (continued)

3. Outlook

Nuix affirms its previously released full year guidance as per the Prospectus of:

- FY21 total revenue of $193,500,000;
- FY21 Annualised Contract Value of $200,000,000 and
- FY21 pro forma EBITDA of $63,600,000.

In line with ASIC's Regulatory Guide 247 '*Effective Disclosure in an Operating and Financial Review*' this Review of Operations is prepared to assist shareholders' understand Nuix's business performance and the factors underlying its results and financial position. It complements the disclosures in the Interim Financial Report.

The Review of Operations includes proforma numbers for 1H FY21 and the comparative period prepared on the same basis as presented in the Prospectus dated 18 November 2020.

The proforma adjustments in 1H FY21 remove the impact of offer costs, non-recurring transaction costs related to a sale process explored by Nuix Limited as an alternative to the offer, and share-based payment expenses in respect of existing options that were cancelled on completion. The proforma adjustments for 1H FY21 also provide for a half year of listed company costs and the relevant tax impact of the pro forma adjustments.

You should read the following commentary with the consolidated financial statements and the related notes in this report. Some parts of this commentary include information regarding the plans and strategy for the business, and include forward-looking statements that involve risks and uncertainties. Actual results and the timing of certain events may differ materially from future results expressed or implied by the forward-looking statements contained in this commentary. All amounts are presented in Australian dollars to the nearest thousand except where indicated.

Non-GAAP measures have been included, as we believe they provide useful information for readers to assist in understanding Nuix's financial performance. Non-GAAP financial measures should not be viewed in isolation or considered as substitutes for measures reported in accordance with Australian equivalents to International Financial Reporting Standards.

Directors' Report (continued)

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001

The Directors have received the Lead Auditors Independence Declaration under section 307C of the Corporations Act 2001. The Lead Auditor's Independence Declaration is set out on page 17 and forms part of the Directors' Report for the half-year ended 31 December 2020.

Rounding off

Nuix is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. In accordance with that Instrument, all financial information presented has been rounded to the nearest thousand dollars, unless otherwise stated.

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

SIGNED: ______________________________

Jeffrey Bleich

Chairman

Sydney, Australia

26 February 2021

Auditor's Independence Declaration

As lead auditor for the review of Nuix Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Nuix Limited and the entities it controlled during the period.

Scott Walsh
Partner
PricewaterhouseCoopers

Sydney
26 February 2021

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2020

		HALF-YEAR	
	NOTES	31 DEC 2020 $000's	31 DEC 2019 $000's
Revenue	5	85,326	88,784
Cost of goods sold		(9,202)	(9,445)
Gross profit		**76,124**	**79,339**
Sales and distribution		(25,064)	(32,269)
Research and development		(18,452)	(14,074)
General and administration	4	(48,862)	(12,030)
Other income		526	521
Other losses	4	(3,119)	(118)
Operating (loss) / profit		**(18,847)**	**21,369**
Finance costs	4	(783)	(935)
Share-based payments expense	4,12	(3,409)	(600)
(Loss) / profit before income tax		**(23,039)**	**19,834**
Income tax benefit / (expense)	6	6,474	(5,355)
(Loss) / profit for the period		**(16,565)**	**14,479**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	9(a)	(10,300)	(143)
Other comprehensive income, net of tax		(10,300)	(143)
Total comprehensive (loss) / income for the period, net of tax		**(26,865)**	**14,336**

(Loss) / earnings per share		CENTS	CENTS
Basic (loss) / earnings per share	10	(0.06)	0.05
Diluted (loss) / earnings per share	10	(0.06)	0.05

The consolidated financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	NOTES	31 DEC 2020 $000's	30 JUN 2020 $000's
Current assets			
Cash and cash equivalents		128,243	38,539
Trade and other receivables		60,555	60,204
Other current assets		7,933	1,898
Total current assets		**196,731**	**100,641**
Non-current assets			
Property and equipment		2,082	2,413
Intangible assets		192,013	197,155
Deferred tax asset		10,427	499
Right of use assets		10,449	12,873
Total non-current assets		**214,971**	**212,940**
Total assets		**411,702**	**313,581**
Current liabilities			
Trade and other payables		57,943	20,704
Lease liabilities		3,171	3,704
Deferred revenue		44,524	47,791
Current tax liabilities		-	327
Provisions		2,540	2,664
Borrowings	7	-	25,531
Total current liabilities		**108,178**	**100,721**
Non-current liabilities			
Deferred tax liabilities		5,155	5,334
Lease liabilities		9,470	11,539
Provisions		506	509
Borrowings	7	25,566	-
Total non-current liabilities		**40,697**	**17,382**
Total liabilities		**148,875**	**118,103**
Net assets		**262,827**	**195,478**
Equity			
Issued capital	8	370,646	104,227
Reserves	9	(177,362)	5,143
Retained earnings		69,543	86,106
Total equity		**262,827**	**195,478**

The consolidated financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2020

	ISSUED CAPITAL $000's	SHARE-BASED PAYMENT RESERVE $000's	FOREIGN CURRENCY TRANSLATION RESERVE $000's	RETAINED EARNINGS $000's	TOTAL EQUITY $000's
Balance at 1 July 2019	104,227	(1,339)	3,988	62,520	169,396
Profit for the half-year	-	-	-	14,479	14,479
Other comprehensive income, net of tax	-	-	(143)	-	(143)
Total comprehensive income	-	-	(143)	14,479	14,336
Share-based payments	-	600	-	-	600
Balance at 31 December 2019	**104,227**	**(739)**	**3,845**	**76,999**	**184,332**
Balance at 30 June 2020	104,227	(654)	5,797	86,108	195,478
Loss for the half-year	-	-	-	(16,565)	(16,565)
Other comprehensive income, net of tax	-	-	(10,300)	-	(10,300)
Total comprehensive loss	-	-	(10,300)	(16,565)	(26,865)
Contributions of equity, net of transaction costs and tax	266,419	-	-	-	266,419
Cancellation of options with existing optionholders	-	(175,040)	-	-	(175,040)
Share-based payments	-	2,835	-	-	2,835
Balance at 31 December 2020	**370,646**	**(172,859)**	**(4,503)**	**69,543**	**262,827**

The consolidated financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2020

	NOTES	HALF YEAR 31 DECEMBER 2020 $000's	31 DECEMBER 2019 $000's
Cash flows from operating activities			
Receipts from customers		83,787	87,650
Payments to employees and suppliers[1]		(67,677)	(62,719)
Interest received		17	34
Interest paid		(139)	(163)
Income tax paid		(75)	(319)
Net cash provided from operating activities		**15,913**	**24,483**
Cash flows from investing activities			
Purchase of property and equipment		(269)	(902)
Purchase of intangible assets		(124)	(832)
Payments for software development costs		(16,736)	(22,750)
Net cash used in investing activities		**(17,129)**	**(24,484)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	8	275,611	-
Payments to optionholders for cancellation of options	9	(175,614)	-
Payments for share issue costs[1]		(6,156)	-
Payments of principal on lease liabilities		(1,764)	(1,804)
Transaction costs on borrowings		-	(175)
Net cash provided by financing activities		**92,077**	**(1,979)**
Net change in cash and cash equivalents		90,861	(1,980)
Cash and cash equivalents at beginning of financial period		38,539	27,332
Exchange differences on cash and cash equivalents		(1,157)	(105)
Cash and cash equivalents at end of period		**128,243**	**25,247**

The consolidated financial statements should be read in conjunction with the accompanying notes.

[1] Cash flows related to payment of offer costs are recognised in the statement of cash flows between operating activities and financing activities, on a basis consistent with the split between recognition in equity and profit and loss (refer Note 4). The total amount of cash paid for offer costs during the half-year was $21,285,000 of which $15,129,000 was recognised within payments to employees and suppliers as part of operating activities, and $6,156,000 was recognised as payments for share issue costs as financing activities.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting entity

Nuix Limited (the 'Company') is a company that is incorporated and domiciled in Australia. This consolidated interim financial report ('interim financial report') as at and for the six months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as 'the Group').

The interim financial report was authorised for issue by the Board of Directors on 26 February 2021.

b. Statement of Compliance

The interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB). The interim financial report of the Group also complies with International Accounting Standard IAS 34 *Interim Financial Reporting*.

The interim financial report does not include all the information required for an annual financial report and should be read in accordance with the consolidated annual financial report of the Group for the year ended 30 June 2020. This report should also be read in conjunction with any public announcements made by the Group in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period, except for the estimation of income tax (see Note 6) and the adoption of new and amended standards below.

The interim financial report is presented in Australian dollars, which is the functional currency of the Group, and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values.

Nuix is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. In accordance with that instrument all financial information presented has been rounded to the nearest thousand dollars, unless otherwise stated.

c. New standards, interpretations and amendments adopted by the Group

A number of new or amended standards and interpretations became applicable for the current reporting period effective from 1 July 2020. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

As a result of its shares becoming listed on the Australian Stock Exchange, the Group has applied AASB 133 / IAS 33 *Earnings Per Share* for the first time for the half-year ended 31 December 2020. The following accounting policy has been adopted.

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, excluding any treasury shares

Notes to the Consolidated Financial Statements (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and,
- by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

d. Impact of standards issued but not yet applied by the Group

A number of new or amended standards and interpretations have been published that are not mandatory for 31 December 2020 half-year reporting and have not been early adopted by the Group. When they are required to be adopted, they are not expected to have a significant impact on the Group's consolidated financial statements.

e. Significant events and transactions

The Company completed an initial public offering ('IPO' or the 'Offer') of its shares, whereby 51,904,161 new shares were issued by the Company and 127,574,983 shares were offered by existing shareholders at an offer price of $5.31 per share.

The Company was admitted to the Official List of ASX Limited on 4 December 2020.

In relation to the Offer, the Company performed the following transactions:

- Issued 51,904,161 new shares at $5.31 each (refer Note 8);
- Cancelled 38,961,508 existing options to acquire shares of the Company (refer Note 9);
- Incurred $45,409,000 of costs related to the offer, $1,014,000 related to listing fees and $2,637,000 related to the sale process explored by Nuix as an alternative to the offer (refer Note 4);
- Granted options and performance rights as detailed in the Prospectus (refer Note 11)

The accounting for these transactions during the half-year is described in the relevant notes to the consolidated financial statements.

COVID-19 was declared a pandemic by the World Health Organisation on 11 March 2020. The outbreak and the response of governments in dealing with the pandemic are interfering with general activity levels within the community and the economy. The scale and duration of these developments continue to remain uncertain. Nuix has continued to operate through COVID-19 (and government restrictions to manage the pandemic) with the majority of staff able to carry out their roles, working remotely where required, in developing software, entering into new customer contracts, supporting and training customers, and operating the business. Nuix is currently requiring or encouraging its staff to work remotely and has implemented work-related travel restrictions on staff.

For a detailed discussion about the Group's performance and financial position, refer to the Review of Operations included in the Director's Report.

f. Use of judgements and estimates

In preparing this interim financial report, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting

Notes to the Consolidated Financial Statements (continued)

estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty in preparing the interim financial report were consistent with those described in the latest annual financial report.

(iii) Revenue recognition

(a) Contracts with multiple performance obligations

The Group enters into contracts with its customers that can include promises to transfer multiple performance obligations. A promised good or service must be distinct to be accounted for as a separate performance obligation. For software license contracts, there is a combination of goods and services that include software licensing, software maintenance and software support services which are generally treated as three (3) separate performance obligations on the basis that the customers benefit from the goods or services on their own and are separately identifiable in the contract. Customers substantially benefit from the software licencing immediately and have a right to use the software at the point software licence keys are provided. Consequently, revenue from software licencing is recognised at this point in time when control is transferred to customers. Software support and maintenance on the other hand are recognised over time given the customers derive benefits as provided and consequently revenue is recognised over the period of the agreement.

Judgement has been exercised in estimating the standalone selling price for software licences with bundled support and maintenance. In order to estimate the stand-alone selling prices for the software licenses and bundled support and maintenance, Nuix considers available observable inputs, such as the support and maintenance charges where there is no bundling.

(b) Recognition of revenue distributed by resellers

Where the Group uses resellers, the Group must assess whether its customer is the reseller or the end user. Where the end user is the customer, revenue is recognised for the consideration paid by the end user with any commission retained by the reseller recognised as commission expense. Where the reseller is the customer, revenue is recognised at a net amount received.

Nuix has exercised judgement in determining that in some cases the end user is its customer on the basis that under the Reseller Agreement, Nuix is primarily responsible to the end user for delivery and acceptability of the product and issues licences directly to the end user. Nuix bears significant risk in end user counter party delivery and brand equity.

(iv) Share-based payment expense

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Nuix uses the Black-Scholes option pricing model to determine the grant-date fair value of share options. The determination of the grant-date fair value of stock option awards using the Black-Scholes model is affected by assumptions regarding a number of complex and subjective variables. These variables include the estimated number of years that management expect employees to hold their options, risk-free interest rates and dividends to be paid on Nuix's stock over that term.

Notes to the Consolidated Financial Statements (continued)

If Nuix changes the terms of its employee share-based compensation programs, refines future assumptions or changes valuation models, the stock-based compensation expense recorded in future periods for future grants may differ significantly from historical trends and could materially affect the results of operations.

Management judgment is applied in determining the fair value of options issued under the employee option plan. For the options that were granted pre-IPO, their grant-date fair values were determined with reference to the Company's unlisted status at that time. There are inherent difficulties in determining market volatility for an unlisted entity.

The expected price volatility used in pricing options is based on the historic volatility over a comparable period consistent with the remaining life of the options, adjusted for any expected changes to future volatility due to publicly available information. For the options that were granted pre-IPO, as the Company was privately held and had constant and consistent growth, finding a comparable cohort of companies to which management could benchmark was difficult.

Nuix has assumed a constant volatility rate for all options granted during the three year period leading up to the IPO in December 2020, and updated this volatility rate to reflect the nature of the Company upon listing for all grants occurring at the time of the IPO.

(v) Capitalisation and useful life of intangible assets

Management has made judgements in respect of intangible assets when assessing whether an internal project in the development phase meets the criteria to be capitalised, and on measuring the costs and economic life attributed to such projects.

On acquisition, specific intangible assets are identified and recognised separately from goodwill and then amortised over their estimated useful lives. The capitalisation of these assets and the related amortisation charges are based on judgements about their value and economic life.

Management has also made judgements and assumptions when assessing the economic life of intangible assets and the pattern of consumption of the economic benefits embodied in the assets. The economic lives for intangible assets are estimated at between three and ten years for internal projects, which includes internal use software and internally generated software, and between three and ten years for acquired intangible assets. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

(vi) Uncertain tax position

The Group is subject to tax in numerous jurisdictions. Significant judgement is required in recognising and measuring current and deferred tax assets and liabilities as there are transactions in the ordinary course of business and calculations for which the ultimate tax treatment on examination by a relevant taxation authority or, in the event of dispute, decision by a court is uncertain.

The Group recognises liabilities based on estimates of whether additional tax will be due. Where the final tax outcomes of these matters is different from the amount that was initially recognised, such differences will impact on the results for the period and the prospective income tax and deferred tax assets or provisions in the period in which such a determination is made. The Group recognises tax assets based on forecasts of future profits against which those assets may be utilised.

In the current and prior periods, the Group has exercised judgement in recognising and measuring the tax benefit of Research and Development ('R&D') tax offsets available under Australian tax legislation relating to eligible R&D expenditure incurred on eligible overseas development activities in excess of expenditure incurred on related eligible core Australian activities. In respect of the Group's Endpoint project, the relevant overseas and Australian activities were the subject of an advance overseas finding for the years ended 30 June 2016 to 30 June 2018. These activities continued to be undertaken for the half-year ended 31 December 2020, and years ended 30 June 2019 and 2020. The relevant advance overseas finding continues to be in force.

Notes to the Consolidated Financial Statements (continued)

An advance overseas finding was made that the overseas expenditure on the eligible overseas development activities would not exceed the Australian portion of the total development expenditure on the eligible R&D activities as required by section 28C Industry Research and Development Act 1986 over the life of the project activities. The finding was made on the basis of estimates of actual and anticipated expenditure on the activities provided by the Group in the course of the application for an advance overseas finding in September 2016 for the years ended 30 June 2016 to 30 June 2018 only.

The Group has exercised judgement in assessing that it is probable that the relevant taxation authority (the Australian Taxation Office, 'ATO') will accept the tax treatment for the Endpoint project for the years ended 30 June 2016 to 30 June 2018. As at 31 December 2020, the amount of R&D tax offset relating to the Endpoint project (relating to the years ended 30 June 2016, 2017 and 2018) in respect of the excess overseas expenditure that has been recognised as a deferred tax asset was $1,894,000 (31 December 2019: $2,207,000).

However, in respect of the years ended 30 June 2019 and 30 June 2020, the Group has exercised judgement that, pending proactive engagement with the ATO, there is uncertainty in relation to the treatment of the amount of overseas development expenditure in excess of Australian development expenditure in those years of income ('excess overseas development expenditure') in calculating R&D tax offsets in the filed tax position for the year ended 30 June 2019 and the tax position which is planned to be filed for the year ended 30 June 2020. That uncertainty continues in relation to excess overseas development expenditure in the current year to date.

The Group has exercised judgement in assessing that, pending proactive engagement with the ATO, it is uncertain that the excess overseas development expenditure would be eligible for inclusion in determining notional deductible expenditure for R&D activities under section 355-210 of the Income Tax Assessment Act 1997 (ITAA 1997) in the half-year ended 31 December 2020, and the years ended 30 June 2019 and 30 June 2020 and consequently in determining the available R&D tax offsets.

If the excess overseas development expenditure is not eligible for inclusion in determining the notional deductible expenditure for R&D activities, the Group has exercised judgement in determining that it is probable that such expenditure will be accepted by the ATO on examination with full knowledge of related information, as being eligible for deduction under section 8-1 ITAA 1997 having a revenue characterisation.

In broad terms, if the excess overseas development expenditure is not permitted to be treated as qualifying R&D expenditure in the current year to date and each of the years ended 30 June 2019 and 30 June 2020, a deduction under ordinary principles would apply. The financial impact to the Group in this case would be that the additional 8.5% tax benefit that would otherwise arise from being qualifying R&D expenditure, as compared to a deduction under ordinary principles, would not be available across the overseas development expenditure in each of those periods.

The Group proposes to proactively engage with the ATO to address the uncertain tax treatment and to resolve the uncertainty in advance of finalisation of the audited financial statements for the year ending 30 June 2021.

As at 31 December 2020 the amount of R&D tax offset not recognised as a deferred tax asset was $3,319,000 (30 June 2020: $2,835,000).

2. FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes in accordance with AASB 9 Financial Instruments. The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of non-current borrowings approximates the carrying amount, as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements (continued)

3. SEGMENT INFORMATION

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments under AASB 8 Operating Segments. The CEO (Chief Operating Decision Maker or 'CODM') assesses the financial performance of the Group on an integrated basis only and accordingly, the Group is managed on the basis of a single segment. Information presented to the CODM on a monthly basis is categorised by type of revenue as provided below.

Further, earnings before interest, tax and depreciation and amortisation ('EBITDA') is used to assess the performance of the business.

Segment performance

	HALF YEAR	
Revenue	2020 $000's	2019 $000's
Software	83,462	84,751
Services	1,825	3,258
Hardware	39	775
Total revenue	85,326	88,784

Reconciliation of EBITDA to NPAT [1]		
EBITDA	(7,581)	34,021
Interest income	17	34
Interest expense	(783)	(935)
Depreciation and amortisation	(14,692)	(13,286)
Income tax benefit / (expense)	6,474	(5,355)
Net (loss) / profit after tax	(16,565)	14,479

[1] Reconciliation on a statutory basis (excluding impact of adjustments to derive pro forma results).

Geographic Information

In general, a large amount of revenue is generated by customers that are global, from transactions that cross multiple countries and where the source of revenue can be unrelated to the location of the users accessing the software. The amounts for revenue by region in the following table are based on the invoicing location of the customer.

Revenue	2020 $000's	2019 $000's
Asia Pacific	14,915	13,148
Americas	45,659	48,140
Europe, Middle East and Africa (EMEA)	24,752	27,496
	85,326	88,784

Notes to the Consolidated Financial Statements (continued)

Non-current assets by geographic region	31 DEC 20 $000's	30 JUN 20 $000's
Asia Pacific	126,192	111,460
Americas	88,481	100,870
Europe, Middle East and Africa (EMEA)	298	610
	214,971	212,940

4. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:	HALF YEAR 2020 $000's	HALF YEAR 2019 $000's
Employee benefits		
Wages and salaries		
Sales and distribution	22,491	23,416
Research and development [1]	4,714	1,311
General and administration	7,153	6,249
Share-based payment expenses [2]	3,409	600
Finance costs		
Interest expense	783	935
Other losses / (gains) – net		
Realised / unrealised foreign exchange loss / (gain)	3,119	118
Depreciation and amortisation (recognised across functions):		
Sales and distribution	1,223	1,376
Research and development	12,995	11,712
General and administration	553	198
Expenses (recognised in general and administration)		
Offer costs [3]	32,277	-
Corporate action / trade sale [4]	2,637	-
Listing fees	1,014	-
Bad debts expense	430	-
Rental expense on operating leases	-	166

[1] Wages and salaries expense disclosed for the research and development function are presented above net of amounts capitalised to intangible assets, and comprise efforts otherwise determined to be research and maintenance in nature.

[2] For further details on the share-based payment arrangements during the half-year, refer Note 12.

[3] The total costs related to the offer were $45,409,000, of which $13,132,000 ($9,192,000, net of related tax impact) related to the issue of new shares by the Company and are offset against equity raised in the offer. The remaining $32,277,000 ($22,593,000, net of related tax impact) relates to the sale of existing shares and is recognised as an expense within General and Administration, with the related tax benefit recognised in profit and loss.

[4] Relates to one-off costs of a sale process explored by Nuix Limited as an alternative to the Offer.

Notes to the Consolidated Financial Statements (continued)

5. REVENUE

Revenue by type	HALF YEAR 2020 $000's	2019 $000's
Software	83,462	84,751
Services	1,825	3,258
Hardware	39	775
	85,326	88,784

Disaggregation of revenue

AASB 15 requires disclosure of revenue disaggregation that best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

The Group disaggregates revenue by categories shown in the table below.

Revenue by recognition type	HALF YEAR 2020 $000's	2019 $000's
Point in time	64,765	70,358
Overtime	20,561	18,426
	85,326	88,784

6. INCOME TAX EXPENSE

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2021 is 28.1% (30 June 2020: 27%).

7. BORROWINGS

	NOTE	31 DEC 2020 $000's	30 JUN 2020 $000's
Current			
Bank Loans	(b)	-	25,531
Non-current			
Bank Loans	(a)	25,566	-

(a) Secured liabilities

Nuix Limited has entered into a Facility Agreement with the Commonwealth Bank of Australia ('CBA') which provides funding to the Company through a Cash Advance Facility. Funding is made available under two tranches, being Tranche A for AUD $40 million, and Tranche B for USD $7.5 million. Accordingly, the available funding under the facilities as denominated in Australian dollars fluctuates

Notes to the Consolidated Financial Statements (continued)

from period to period, with $49,741,000 being available under these facilities as of 31 December 2020 (30 June 2020: $50,943,000).

The Company has utilised $25,566,000 of these facilities as of 31 December 2020 (30 June 2020: $25,531,000) and has not drawn down any additional funding during the half-year ended 31 December 2020 (2019: $5,697,000 ($4,000,000 USD)).

(b) Loan covenants

Under the terms of the loan facilities with the bank, the Group is required to comply with the following financial covenants every testing date:

- Gross Leverage Ratio does not exceed 1.75:1;
- Interest Cover Ratio is equal to or greater than 3.00:1;
- Obligors (comprising Nuix Limited, Nuix North America Inc, Nuix Technology UK Limited and Nuix Ireland Limited) own at least 95% of total assets of the Group and are responsible for at least 95% of EBITDA of the Group during the relevant period; and
- Minimum cash balance of AUD $10 million over the period.

The Group has complied with these covenants throughout both the current and comparative periods.

For the year ended 30 June 2019, the Company did not furnish audited financial statements to CBA within the 120 day requirement stipulated within the Facility Agreement. In September 2020, formal notification was received from CBA that notwithstanding the late lodgement of audited financial statements for the year ended 30 June 2019 within the required timeframe, that they would not assert their rights including their right to terminate borrowing facilities requiring immediate repayment of the loans, as a result of the late lodgement.

Given formal agreement not to assert their right to require immediate repayment of the loans was received post 30 June 2020, Nuix did not have the unilateral ability to defer repayment of the loans for a period greater than 12 months at that time. Accordingly, the Company classified these borrowings as current in the preparation of the financial statements for the year ended and as at 30 June 2020.

8. ISSUED CAPITAL

			HALF YEAR	
Movements in ordinary shares	2020 Shares	2019 Shares	2020 $000's	2019 $000's
Opening balance	265,400,633	265,400,633	104,227	104,227
Shares issued on IPO, net of costs	51,904,161	-	275,611	-
Transaction costs arising from issue of shares, net of tax	-	-	(9,192)	-
Closing balance	317,304,794	265,400,633	370,646	104,227

Ordinary shares participate in dividends and the proceeds upon winding up of the Company, proportionately to the shareholding. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The issued shares do not have a par value.

Notes to the Consolidated Financial Statements (continued)

9. RESERVES

(a) Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(b) Share-based Payment Reserve

The shares-based payment reserve is used to recognise:

- The grant-date fair value of options issued to employees but not exercised;
- The grant-date fair value of shares issued to employees, and
- The grant-date fair value of shares issued to shareholders.

A total of 38,961,408 options were cancelled on completion of the offer for cash (calculated as the Offer Price less the exercise price of the options).

The Company has concluded that on 18 November 2020 when the Prospectus was published, optionholders would consider it being more probable than not that their share-based payment arrangements would be cash settled (for an aggregate sum of $175,614,000).

On the basis that part of the service period was outstanding and being performed between 18 November 2020 and listing on 4 December 2020, a portion of the amount for which the options were cancelled ($574,000) is recognised in profit and loss as a cash settled share-based payment.

A portion of these option cancellation payments have been made to employees of the group. Through operation of various legislative requirements for the relevant jurisdictions of their employment, certain of these payments are subject to PAYG withholding obligations for employee personal taxation arrangements and other oncosts related to their employment relationship with the Group. These oncosts primarily related to payroll tax, and amounted to $1,778,000 (2020: nil) which has been recognised in profit and loss.

10. EARNINGS PER SHARE

	HALF YEAR	
	2020 $000's	2019 $000's
(Loss) / profit from continuing operations	(16,565)	14,479
Weighted average number of ordinary shares (basic)	273,299,092	265,400,633
Basic earnings per share (in dollars)	(0.06)	0.05
(Loss) / profit from continuing operations	(16,565)	14,479
Weighted average number of ordinary shares (basic)	273,299,092	265,400,633
Effect of share options and performance rights	Antidilutive[1]	15,368,900
Diluted weighted average number of ordinary shares	273,299,092	280,769,533
Diluted earnings per share	(0.06)	0.05

[1] In the half-year ended 31 December 2020, the conversion of the options and performance rights on issue would reduce the loss per share.

Potential ordinary shares are 'antidilutive' when their conversion to ordinary shares would decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume

Notes to the Consolidated Financial Statements (continued)

conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

As a result, the effect of share options and performance rights on diluted earnings per share is considered to be 'antidilutive' in the half-year ended 31 December 2020.

11. DIVIDENDS

During the half year, the Directors did not declare an interim dividend (2019: Nil) and have not subsequent to balance date recommended a dividend to be paid (2019: Nil).

12. FAIR VALUE OF OPTIONS AND PERFORMANCE RIGHTS GRANTED

Instruments on issue	31 DEC 2020 #	31 DEC 2019 #
Options	2,049,700	40,409,823
Performance Rights	342,755	-

Reconciliation of opening and closing numbers of options and performance rights on issue:

	Options		Performance Rights	
	1 JUL 2020 – 31 DEC 2020 #	1 JUL 2019 – 31 DEC 2019 #	1 JUL 2020 – 31 DEC 2020 #	1 JUL 2019 – 31 DEC 2019 #
Opening balance (1 July)	39,654,623	41,154,823	-	-
Grant under ESOP	250,000	350,000	-	-
Cancellation	(38,961,508)	-	-	-
Forfeitures	(65,000)	(1,095,000)	-	-
Grant to Non-Executive Directors	500,000	-	-	-
Grant under LTIP	671,585	-	-	-
Performance rights granted	-	-	342,755	-
Closing balance (31 December)	2,049,700	40,409,823	342,755	-

(a) Employee Share Option Plan (ESOP)

The establishment of the Nuix Limited ESOP was approved by the Board of Directors on or around fiscal year 2012. The ESOP is designed to align the interests of eligible employees more closely with shareholders and provide greater motivation and incentive for them to focus on the Company's longer-term goals. Under the plan, participants are granted options which may only be exercised if the relevant requirement has been met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Notes to the Consolidated Financial Statements (continued)

Options are granted under the plan for no consideration and carry no dividend or voting rights and are non-statutory stock options. Optionholders cannot assign, transfer, sell or otherwise deal with the options granted under the Plan without Board of Directors approval.

The amount of Options that vest depends upon the vesting rules of the respective Plan rules (generally three to five years). The Options vest in a series of successive equal monthly instalments beginning on the first anniversary of the vesting commencement date, subject to the optionholders' continued employment with the Company through a Corporate Transaction event.

Once vested, the options became exercisable following the consummation of a Corporate Transaction / Liquidity Event (as defined in the Plan rules) or a date determined by the Board. However, under some earlier Plan rules, Options are exercisable for a period of three years once they become fully vested.

Following the exercise of the options, a vested option is converted into one ordinary share within a certain number of business days as determined by the plan rules (generally ten to fifteen business days). The exercise price of options is determined by a combination of internal and external valuation methodologies and presided over by the Board.

(b) Grant to Non-Executive Directors

Jeffrey Bleich and Iain Lobban were each granted 250,000 options, which vested on IPO completion.

(c) Grant under LTIP

On IPO completion the senior management team were granted 671,585 options.

The total number of options that will vest will depend on whether Nuix meets minimum revenue and EBITDA targets in respect of FY23, as set by the Board. Vesting for 50% of the options will be tested against a revenue target and vesting for 50% of the options will be tested against an EBITDA target. One third of the vested options will be exercisable upon the release of the Company's financial results for each of FY23, FY24 and FY25.

The options that vest will become exercisable at $5.31 per option, subject to Nuix's Securities Trading Policy. Options that do not vest will not be exercisable. Options will expire after seven years of the date of the grant of options. Vesting and exercise of options is also subject to the rules of the Nuix Incentive Plan, including relating to continuing employment.

(d) Fair value of options granted

The assessed fair value at grant date of options granted during the half-year ended 31 December 2020 ranged between $1.47 and $2.98. The fair value of each grant at grant date is independently determined using an adjusted form of the Black Scholes Model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies. Options are granted for no consideration and vest over different periods depending on their terms.

The model inputs for options granted during the half-year ended 31 December 2020 included:

	31 DEC 2020 ESOP grants	31 DEC 2020 NED options	31 DEC 2020 LTIP	31 DEC 2019 ESOP grants
Exercise price	$3.00	$5.01	$5.31	$2.40
Grant date	18 Nov 2020	30 Sep 2020	18 Nov 2020	Generally tied to employee's hire date
Expiry date	7 years after grant date	30 Sep 2023	7 years after grant date	7 and 10 years after grant date

Notes to the Consolidated Financial Statements (continued)

	31 DEC 2020 ESOP grants	31 DEC 2020 NED options	31 DEC 2020 LTIP	31 DEC 2019 ESOP grants
				for Australian and overseas employees respectively
Share price fair value	$5.31	$5.31	$5.31	$2.40
Expected price volatility of the Company's shares	42.00%	42.00%	42.00%	19.55%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	0.94%	0.87%	0.94%	1.65%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(e) Fair value of performance rights granted

The assessed fair value at grant date of the performance rights granted during the half-year ended 31 December was $5.31.

The fair value of the performance rights were determined with reference to the fair value of shares on grant date, adjusted for any expected dividend included in the share price as of grant date. As there were no dividends expected to be paid between grant date and vesting date no adjustment to the share price on grant date is required in determining the fair value of these performance rights.

13. CONTINGENCIES

In 2019, Nuix settled a claim and formal proceedings brought by a former member of key management personnel on terms requested by him, in relation to options issued during the financial year ended 30 June 2009. Pursuant to that settlement, the Supreme Court of NSW made a declaration that 453,273 options granted over unissued shares of Nuix that the former employee holds are exercisable on the occurrence of a sale of Nuix's business in accordance with an options agreement between the parties. Nuix's options register records that the former employee holds 453,273 options, each over one share at an exercise price of $2.00 per option and without an expiry date.

Notwithstanding the settlement in 2019, on 23 October 2020 the former employee commenced proceedings against Nuix in the Federal Court of Australia alleging that Nuix has acted in an unconscionable, unfairly prejudicial or unfairly discriminatory way against him and seeks orders to amend Nuix's options register and/or damages. The substance of his claim is that, as a result of a share split of one existing share into 50 shares completed by Nuix in March 2017, his options should now represent an entitlement to call for 22,663,650 unissued shares on a sale of Nuix's business and that Nuix's refusal to issue him with those shares represents a breach of his options agreement.

Nuix rejects the claim in its entirety and is defending those proceedings.

If the new claim were successful it may result in an additional 22,210,377 shares becoming issuable in relation to equity-based compensation schemes and/or a potential damages payment (which remains unspecified by the former employee). On 27 January 2021, the former employee purported to exercise those options. Nuix does not accept that any options held by the former employee are currently

Notes to the Consolidated Financial Statements (continued)

exercisable and does not propose to issue any shares in response to the purported exercise notice received on 27 January 2021.

On 19 October 2020, an individual who had previously performed work for the Company filed a general protections claim under the Fair Work Act 2009 (Commonwealth) in the Fair Work Commission against the Company. The individual sought a declaration that the Company took adverse action against the individual contrary to that Act, as well as unspecified compensation and pecuniary penalties. In summary, the individual alleged that Nuix took unlawful adverse action against the individual by terminating its contractual relationship with the individual because of concerns the individual had raised, including about Nuix's workplace culture.

The matter did not resolve in the Fair Work Commission conciliation process and no filing in the Federal Court was made in respect of the dispute within the required 14-day period following the Commission certifying that the conciliation process was unsuccessful. Nuix considers the matter to be closed.

14. RELATED PARTY TRANSACTIONS

In accordance with ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, amounts presented throughout Note 14 are in dollars.

(a) Parent entity

The ultimate and parent entity within the Group is Nuix Limited.

(b) Interests in other entities

The companies that form the consolidated Nuix Limited group as of 31 December 2020 are noted below.

During both the current and the comparative period, all companies noted below were wholly-owned subsidiaries of the group.

Name of entity	Place of business/ country of incorporation	Principal activities
Nuix North America, Inc	USA	Sale of Software
Nuix Ireland Ltd	Ireland	Sale of Software
Nuix Pte Ltd	Singapore	Sale of Software
Nuix Holding Pty Ltd	Australia	Holding Company
Nuix USG Inc.	USA	Sale of Software
Nuix Technology UK Ltd	UK	Sale of Software
Nuix Philippines ROHQ	Philippines	Business Support

Notes to the Consolidated Financial Statements (continued)

(c) Key Management Personnel ('KMP') compensation

	HALF YEAR	
KMP compensation	2020 $'s	2019 $'s
Short-term employee benefits	1,210,768	851,653
Post-employment benefits	31,685	16,751
Long-term benefits	109,424	18,681
Share-based payment expense	830,322	106,830
Total	2,182,210	993,915

Short-term employee benefits

These amounts include salaries, fees, cash bonuses and fringe benefits paid to Key Management Personnel including executive and non-executive directors.

Post-employment benefits

These amounts include the cost of superannuation contributions made during the half-year.

Other long-term benefits

Represent long service leave and long-term annual leave benefits accruing during the half-year.

(d) Transactions with other related parties

Macquarie Corporate Holdings has an interest of 30% in Nuix (2019: 66%), which allows it to exercise significant influence over the Group (2019: control). As a result, Macquarie Corporate Holdings and by extension all related entities of Macquarie Group Limited, are related parties to Nuix.

Nuix entered into an Underwriting Agreement with Macquarie Capital (Australia) Limited and Morgan Stanley Australia Limited as Joint Lead Managers in relation to the IPO. The terms of this agreement were that the Company pay the Joint Lead Managers an underwriting fee of 1.60%, and a management and selling fee of 0.40% of the Offer proceeds. Additionally, the agreement provides that Nuix may also, in its absolute discretion, pay to one or both of the Joint Lead Managers an incentive fee of up to 1.00% of the total Offer proceeds. The agreement also provides that the Company has agreed to reimburse the Joint Lead Managers for costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

Amounts paid to Macquarie Capital (Australia) Limited in relation to the Underwriting Agreement (excluding any reimbursement for costs and expenses incurred by the Joint Lead Managers in relation to the Offer) are disclosed below (excluding GST).

	HALF YEAR			
	2019 $		2020 $	
	TRANSACTION	OUTSTANDING BALANCE	TRANSACTION	OUTSTANDING BALANCE
Sale and purchases of goods and services				
Purchase of service from related party	697	-	-	-
Underwriting fees	-	-	14,295,514	4,765,171

Notes to the Consolidated Financial Statements (continued)

(e) Option cancellation payments made to Key Management Personnel

Of the 38,961,508 options cancelled during the half-year, 9,400,000 options were held by KMPs. The total value of the option cancellation payments made to KMP optionholders was $34,816,750.

15. EVENTS AFTER THE REPORTING DATE

With the exception of the receipt of the purported option excise notice on 27 January 2021 as discussed above in Note 13, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

In the Directors' opinion:

a. The financial statements and notes as set out on pages 17 to 37 are in accordance with the Corporations Act, including:

   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

   (ii) give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and

b. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

SIGNED: ______________________________________

Jeffrey Bleich

Chairman

Sydney, Australia

26 February 2021

Independent auditor's review report to the members of Nuix Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Nuix Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the half-year financial report

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

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true

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and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Scott Walsh
Partner

Sydney
26 February 2021

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nuix

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