



ASX Announcement

(ASX: DXN)

29 February 2024

Correction to HY24 financial statements

DXN Limited (DXN or the Company) advise that the HY24 financial statements are being re-released due to a correction made to the consolidated statement of cash flows in the version dated 27 February 2024 and which was released on the 28 February 2024.

Authorised for release by the Board of Directors of DXN Limited.

Yours sincerely,

Andrew Metcalfe
Company Secretary

DXN Limited

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DXN

DXN Limited
(ACN 620 888 548)

FINANCIAL REPORT

For the half year ended 31
December 2023

1. Company details

Name of entity:	DXN Limited
ABN:	46 620 888 548
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	19.0% to	4,542,676
Loss from ordinary activities after tax attributable to the owners of DXN Limited	down	62.6% to	(838,392)
Loss for the half-year attributable to the owners of DXN Limited	down	62.6% to	(838,392)

Comments

Group revenues increased by 19.0%, which contributed to a 53% increase in gross profit to \$2,996,490. The loss for the Group after providing for income tax was \$838,392 (31 December 2022: \$2,241,444 loss), which represents a significant improvement in the performance of the company and reflects the restructure of DXN that commenced in FY23, which is now showing results.

EBITDA (earnings before interest, tax, depreciation and amortisation), as noted in the Directors' report for the reporting period is \$723,469.

Underlying EBITDA was \$802,044 after add back of non-cash, one-off non-operating items and restructure costs.

EBITDA excludes property lease charges which under AASB are included in Amortisation and interest costs. Total property lease charges for the period were \$798,054 or \$262,096 excluding Sydney lease charges.

	HY 31 Dec 2023
	\$
Gross margin	2,996,489
Add: other income	132,055
Less: operating expenses	(2,405,076)
EBITDA	723,469
add back: other non cash and one-off non operating items, and restructure costs	78,575
Underlying EBITDA	802,044

3. Dividends

Current period

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

Previous period

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

4. Net tangible assets

	31 December 2023 Cents	30 June 2023 Cents
Net tangible assets per ordinary security	<u>(0.01)</u>	<u>(0.02)</u>

Net tangible assets calculation above includes the right-of-use assets and lease liabilities.

5. Control gained over entities

Not applicable.

6. Loss of control over entities

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report, which includes a paragraph addressing a material uncertainty related to going concern, is attached as part of the Interim Report.

9. Attachments

Details of attachments (if any):

The Interim Report of DXN Limited for the half-year ended 31 December 2023 is attached.

10. Signed



Peter McGrath
Non-Executive Chairman

Date: 27 February 2024



DXN Limited

ABN 46 620 888 548

Interim Report - 31 December 2023

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Directors	Peter McGrath (Non-Executive Director and Chairman) Tim Hannon (Non-Executive Director) Brendon Power (Non-Executive Director)
Company secretary	Andrew Metcalfe
Registered office	5 Parkview Drive Sydney Olympic Park NSW 2127 Telephone: 1300 328 239
Principal place of business	3 Dampier Road Welshpool WA 6106 Telephone: 1300 328 239
Share register	Automic Pty Ltd Level 5 191 St Georges Terrace Perth WA 6000
Auditor	Moore Australia Audit (WA) Level 15, Exchange Tower 2 The Esplanade Perth WA 6000
Solicitors	Thomson Greer Lawyers Level 23, Rialto South Tower 525 Collins Street Melbourne VIC 3000 Arnotts Technology Lawyers Level 8, 23 Hunter Street Sydney NSW 2000 K&L Gates Level 25, South Tower 525 Collins Street Melbourne VIC 3000
Bankers	ANZ 15 Hutton Street Osborne Park WA 6017 Westpac 341 George Street Sydney NSW 2000
Stock exchange listing	DXN Limited shares are listed on the Australian Securities Exchange (ASX code: DXN (DXNOD))
Website	https://dxn.solutions

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of DXN Limited (referred to hereafter as the 'Company' or 'parent entity' or 'DXN') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

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

Peter McGrath
Tim Hannon
Brendan Power

Principal activities

DXN's Data centre manufacturing division engineers, constructs and commissions data centre solutions globally. The Group's data centre infrastructure has a wide range of applications, which includes edge data centres and telecommunications applications (satellite, and cable landing stations). The Group's prefabricated construction method reduces the on-site labour and time to deploy and improves quality. Solutions by DXN's Data centre manufacturing division are ideal for rapid deployments in both urban and remote locations.

DXN's Data centre operations division provide space, power, cooling, and physical security for clients to house their computer servers and related storage and networking equipment. During the reporting period, the Company has data operations in Sydney, Darwin and Tasmania. The data centre operations in Darwin (Secure Data Centre) are classified as 'discontinued operations' – see note 7 for further details.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The loss for the Group after providing for income tax amounted to \$838,392 (31 December 2022: \$2,241,444 loss).

H1FY24 sales to customers increased by 18.6% over H1FY23 due principally to the modular manufacturing division with new modular contracts signed during the reporting period.

In FY23 DXN undertook a number of cost reduction initiatives which will be further realised during FY24.

DXN continued momentum in modular manufacturing sales in H1FY24, namely:

- On 22 September 2023, DXN announced it has executed a contract for a cable landing station with the Government of Timor Leste for the design, build and supply of a DXN cable landing station with total contract value of USD\$1.4m (A\$2.1m)
- On 22 November 2023, DXN announced the receipt of a notification of an award to build modular cable landing station to a consortium of government-owned enterprises. The award is expected to generate revenues of approximately A\$5.5m and is subject to successful completion of contract negotiations; and
- On 28 December 2023, DXN announced it has executed a contract for design, supply and delivery of a modular data centre contract with Stanmore SMC Pty Ltd for A\$1.9m.

Earnings before interest, taxation, depreciation and amortisation ('EBITDA') is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific items. The directors consider EBITDA to reflect the core earnings of the Group. The Group's reconciliation of EBITDA to statutory net loss after tax for the current and previous financial year is as follows:

	H1FY24 \$	H1FY23 \$	Change \$	Change %
Sales to customers	4,542,676	3,811,296	731,380	19%
Cost of goods sold	(1,546,186)	(1,855,363)	309,177	(17%)
Gross margin	<u>2,996,490</u>	<u>1,955,933</u>	<u>1,040,557</u>	53%
Other income	132,055	1,119,993	(987,938)	(88%)
Less: other operating expenses	<u>(2,405,076)</u>	<u>(2,953,512)</u>	<u>548,436</u>	(19%)
				-
EBITDA	<u><u>723,469</u></u>	<u><u>122,414</u></u>	<u><u>601,055</u></u>	491%
Depreciation and amortisation expenses	(580,592)	(1,590,700)	1,010,108	(64%)
Foreign exchange gains/(losses)	(42,616)	3,582	(46,198)	(1290%)
Equity-settled employee costs	(6,075)	(18,486)	12,411	(67%)
Finance expenses	(932,578)	(762,752)	(169,826)	22%
Finance income	-	4,498	(4,498)	(100%)
Net loss after tax	<u><u>(838,392)</u></u>	<u><u>(2,241,444)</u></u>	<u><u>1,403,052</u></u>	(63%)

Data centre manufacturing

- During the reporting period DXN continued to design, build and deploy orders for major Tier 1 customers such as Anglo American and Pilbara Minerals. DXN also commenced design and prefabrication for the Timor Leste Cable Landing station and commenced design work for Flow Digital Infrastructure's order.
- DXN's modular manufacturing division performance improved during the reporting period realising benefits of the restructure, cost savings and optimisation implemented across the delivery process of the business.
- The continued growth of subsea cables within the Asia and Pacific region underpinned by continuous investment of the Commonwealth Government of Australia together with our international trading partners means that the growth in subsea market and cable landing station investment will continue to grow. Further exponential increases in automation in the resources sector and new applications of technology linked Edge Data Centres, all feed the greater demand for DXN's prefabricated modular data centres for customers.

Data centre operations

- On 22 November 2023, DXN announced it successfully negotiated to exit from its Sydney data centre lease, thereby saving the company \$1.4m in cash costs per year in lease liabilities over the remaining nine years of the lease.
- DXN's TAS01 Hobart Data Centre and SDC Darwin continue to perform as expected. DXN continues to grow these data centres with additional services and customers to meet Edge data centre demand growth.

Significant changes in the state of affairs

On 21 August 2023, the Company issued 2,025,000 fully paid ordinary shares at \$0.003 per share in lieu of fees payable to a corporate advisor as approved by the Board.

On 22 November 2023, DXN announced:

- signing binding commitments for equity placements to raise A\$2.1m to facilitate the exit from the Sydney lease, repay some existing liabilities, and provide working capital for growth of its modular data centre division; and
- updates on ongoing cost savings initiatives, reporting that operating cost overheads were reduced by \$1.7m in FY23, with a further \$0.8m per annum targeted in FY24.

The \$2.1m placement was made in two tranches to existing shareholders and new investors and was executed at 0.2cps (\$0.002 per share). Tranche 1 of the placement for the issue of 430m ordinary shares was made within the Company's ASX Listing Rule 7.1 and 7.1A placement capacity and shares were allotted on 5 December 2023 raising an initial \$860,000 (before costs).

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

Matters subsequent to the end of the financial half-year

On 22 January 2024, the Company held a general meeting of shareholders where shareholders ratified an issue of 430m ordinary shares issued under Tranche 1 of the placement; and approved an issue of 545m ordinary shares under Tranche 2 of the placement; and approved an issue of 75m shares to Directors participating under the Tranche 2 capital raise, and approved an issue of 70m options to directors; and approved a consolidation of capital on the basis of every 15 ordinary shares being consolidated into 1 ordinary share in DXN. The consolidation of share capital was completed on 12 February 2024.

In the month of February 2024, DXN accepted purchase orders for the sale of existing SYD01 infrastructure assets for A\$700,000.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors.



Peter McGrath
Non-Executive Chairman

27 February 2024

		Consolidated	
	Note	31 Dec 2023	31 Dec 2022
		\$	\$
Revenue from continuing operations			
Sales to customers	4	3,760,177	3,059,613
Cost of goods sold		<u>(1,365,261)</u>	<u>(1,664,827)</u>
Gross margin		2,394,916	1,394,786
Other income	5	104,575	1,095,718
Interest revenue calculated using the effective interest method		-	4,498
Expenses			
Administration expenses		(236,317)	(227,662)
Compliance and legal expenses		(277,533)	(202,840)
Consultants and contractors		(258,718)	(72,355)
Depreciation and amortisation expenses	6	(347,542)	(1,356,755)
Employee benefits expenses		(1,255,734)	(1,727,603)
Loss on disposal of assets		-	(37,198)
Marketing expenses		(13,614)	(12,574)
Occupancy expenses		(63,963)	(291,610)
Research and development expense		-	(38,969)
Telecommunication and technology expenses		(43,073)	(67,732)
Travel expenses		(24,231)	(37,275)
Finance costs	6	<u>(877,167)</u>	<u>(705,701)</u>
Loss before income tax expense from continuing operations		(898,401)	(2,283,272)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(898,401)	(2,283,272)
Profit after income tax expense from discontinued operations	7	<u>60,009</u>	<u>41,828</u>
Loss after income tax expense for the half-year attributable to the owners of DXN Limited		(838,392)	(2,241,444)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of DXN Limited		<u><u>(838,392)</u></u>	<u><u>(2,241,444)</u></u>
Total comprehensive loss for the half-year is attributable to:			
Continuing operations		(898,401)	(2,283,272)
Discontinued operations		<u>60,009</u>	<u>41,828</u>
		<u><u>(838,392)</u></u>	<u><u>(2,241,444)</u></u>

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

	Note	31 Dec 2023 Cents	31 Dec 2022 Cents
Earnings per share for loss from continuing operations attributable to the owners of DXN Limited			
Basic earnings per share	8	(0.75)	(2.06)
Diluted earnings per share	8	(0.75)	(2.06)
Earnings per share for profit from discontinued operations attributable to the owners of DXN Limited			
Basic earnings per share	8	0.05	0.04
Diluted earnings per share	8	0.05	0.04
Earnings per share for loss attributable to the owners of DXN Limited			
Basic earnings per share	8	(0.70)	(2.02)
Diluted earnings per share	8	(0.70)	(2.02)

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

	Note	Consolidated 31 Dec 2023 \$	30 Jun 2023 \$
Assets			
Current assets			
Cash and cash equivalents	9	932,080	710,209
Trade and other receivables	10	2,504,493	221,316
Inventories/work in progress	11	468,992	375,705
Other assets	12	140,150	141,436
		<u>4,045,715</u>	<u>1,448,666</u>
Assets of disposal groups classified as held for sale	16	5,952,531	6,588,989
Total current assets		<u>9,998,246</u>	<u>8,037,655</u>
Non-current assets			
Property, plant and equipment	13	1,036,572	1,159,693
Right-of-use assets	14	1,525,028	8,358,447
Intangibles	15	95,780	236,942
Bank guarantees and deposits		242,717	265,302
Other assets	12	330,833	423,333
Total non-current assets		<u>3,230,930</u>	<u>10,443,717</u>
Total assets		<u>13,229,176</u>	<u>18,481,372</u>
Liabilities			
Current liabilities			
Trade and other payables	17	1,320,073	976,154
Contract liabilities		2,153,704	698,271
Borrowings	18	149,441	143,844
Lease liabilities	19	894,789	716,011
Employee benefits		164,752	148,343
Income in advance	20	-	416,667
Other financial liabilities		953,164	910,315
		<u>5,635,923</u>	<u>4,009,605</u>
Liabilities directly associated with assets classified as held for sale	21	1,920,615	1,928,973
Total current liabilities		<u>7,556,538</u>	<u>5,938,578</u>
Non-current liabilities			
Borrowings	18	4,422,327	4,113,450
Lease liabilities	19	1,244,017	8,190,144
Employee benefits		33,355	14,344
Other financial liabilities		175,000	400,000
Total non-current liabilities		<u>5,874,699</u>	<u>12,717,938</u>
Total liabilities		<u>13,431,237</u>	<u>18,656,516</u>
Net liabilities		<u>(202,061)</u>	<u>(175,144)</u>
Equity			
Issued capital	22	46,236,424	45,424,949
Reserves	23	1,386,942	1,428,566
Accumulated losses		(47,825,427)	(47,028,659)
Total deficiency in equity		<u>(202,061)</u>	<u>(175,144)</u>

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

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	43,471,842	1,391,896	(37,416,039)	7,447,699
Loss after income tax expense for the half-year	-	-	(2,241,444)	(2,241,444)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(2,241,444)	(2,241,444)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	2,125,000	-	-	2,125,000
Capital raising costs	(171,893)	-	-	(171,893)
Share-based payments	-	18,486	-	18,486
Balance at 31 December 2022	<u>45,424,949</u>	<u>1,410,382</u>	<u>(39,657,483)</u>	<u>7,177,848</u>

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2023	45,424,949	1,428,566	(47,028,659)	(175,144)
Loss after income tax expense for the half-year	-	-	(838,392)	(838,392)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(838,392)	(838,392)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	860,000	-	-	860,000
Capital raising costs	(54,600)	-	-	(54,600)
Share-based payments	6,075	(41,624)	41,624	6,075
Balance at 31 December 2023	<u>46,236,424</u>	<u>1,386,942</u>	<u>(47,825,427)</u>	<u>(202,061)</u>

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Cash flows from operating activities		
Receipts from customers	3,683,923	5,490,169
Payments to suppliers and employees	(4,507,763)	(7,306,420)
R&D tax incentive claim	171,181	1,029,786
Government grants	36,630	58,430
Interest received	-	4,508
Interest paid	(112,192)	(228,039)
Bank guarantee for projects	(208,800)	-
Net cash (used in) operating activities	<u>(937,021)</u>	<u>(951,566)</u>
Cash flows from investing activities		
Payments for plant and equipment	<u>(11,251)</u>	<u>(1,900)</u>
Net cash (used in) investing activities	<u>(11,251)</u>	<u>(1,900)</u>
Cash flows from financing activities		
Proceeds from issue of shares and options	860,000	2,125,000
Payment of capital raising costs	(65,560)	(171,893)
Repayment of finance facility	-	(18,925)
Net cash from financing activities	<u>794,440</u>	<u>1,934,182</u>
Net (decrease)/increase in cash and cash equivalents	(153,833)	980,716
Cash and cash equivalents at the beginning of the financial half-year	1,268,293	1,924,767
Effects of exchange rate changes on cash and cash equivalents	<u>(25,841)</u>	<u>(14,477)</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>1,088,619</u></u>	<u><u>2,891,006</u></u>

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

Note 1. General information

The financial statements cover DXN Limited and the entities it controlled (together referred to as the 'Group') at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is DXN Limited's functional and presentation currency.

DXN Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

5 Parkview Drive
Sydney Olympic Park NSW 2127

Principal place of business

3 Dampier Road
Welshpool WA 6106

Other business addresses

40-50 Innovation Drive
Dowsing Point Tasmania 7010

27 Harvey Street
Darwin NT 0800

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2024.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements are condensed financial statements that do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a loss of \$838,392 (31 December 2022: loss of \$2,241,444) for the period ended 31 December 2023 and operating cash outflow of \$937,021 (31 December 2022: cash outflow of \$951,566).

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group refinancing debt facilities, securing the sale of assets, successfully raising additional share capital and generating ongoing revenue from new and existing DC module contract and data centre operations.

The directors are of the view that there is sufficient working capital in the Group to pay its debts as and when they fall due on the basis that DXN continues to generate ongoing revenues at current levels.

Note 2. Material accounting policy information (continued)

The directors believe it is appropriate to prepare these accounts on a going concern basis because:

- DXN has signed a Deed of Surrender for the Sydney Date Centre lease with exit scheduled mid-March, thereby saving approximately A\$1.4m in cash costs per year in lease liabilities over the remaining nine years of the lease;
- DXN has successfully raised A\$2.1m to facilitate the exit from the Sydney lease, repay some existing liabilities, and provide working capital for growth for its modular data centre division;
- DXN received a notification of award to build a modular cable landing station for a consortium of government-owned enterprises. This is a significant win for the Company with an expected total contract value of approximately A\$5.5m, subject to successful completion of contract negotiations, which is progressing well;
- a developing pipeline of DC manufacturing contracts that generate revenues over a 12-24 month period;
- increased revenue in DC manufacturing contracts in 1H FY24 when compared with 1H FY23;
- the sale of Data Centre operations assets (in part or full), provides the opportunity to repay existing debt facilities and recapitalise the modular manufacturing business;
- an increase in Data Centre revenues by introducing additional cloud products and customers for Darwin;
- the Flow EGSCA agreement provides for ongoing revenues from continuous consultancy and services provided under the contract;
- a further containment of certain operating expenditure such as reducing contractor and administrative costs, as required; and
- the continued strong support of the Group's key financier.

The financial statements have been prepared on the basis that the Group can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments: Data centre manufacturing and Data centre operations. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer ('CEO') and the Group's Executive Leadership Team (who are identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM on a monthly basis is the segment profit that represents the profit earned by each segment without allocation of the share of central administration costs including directors' salaries, finance income, non-operating gains and losses in respect of financial instruments and finance costs, and income tax expense.

Operating segment information

Major customers

The Group has a number of customers to which it provides services and products.

Data centre manufacturing

The Group supplied a number of customers, of which during the half-year ended 31 December 2023 one accounted for 40% of manufacturing revenue (31 December 2022: main customer was 55%). The next most significant contributed 20% (31 December 2022: 28%).

Data centre operations

The Group supplied various external customers during the half year ended 31 December 2023, one of which accounted for 73% (31 December 2022; 74%) of the total data centre operations revenue.

The data centre operations of Secure Data Centre in Darwin have been disclosed in this report as 'Discontinued operations' – see note 7, however are included in operating segments.

There were no intersegment sales during the reporting periods.

Note 3. Operating segments (continued)

Operating segment information

	Data centre manufacturing \$	Data centre operations \$	Other (Corporate) \$	Total \$
Consolidated - 31 Dec 2023				
Revenue				
Revenue from external customers	3,178,247	1,364,429	-	4,542,676
Other income	66,586	65,469	-	132,055
Total revenue	<u>3,244,833</u>	<u>1,429,898</u>	<u>-</u>	<u>4,674,731</u>
Results				
Profit/(loss) before income tax	1,146,823	(198,380)	(1,786,835)	(838,392)
Income tax	-	-	-	-
Profit/(loss) after income tax	<u>1,146,823</u>	<u>(198,380)</u>	<u>(1,786,835)</u>	<u>(838,392)</u>
Assets				
Segment assets	3,400,151	7,761,260	2,067,765	13,229,176
Total assets				<u>13,229,176</u>
Liabilities				
Segment liabilities	3,267,475	4,189,387	5,974,375	13,431,237
Total liabilities				<u>13,431,237</u>
Consolidated - 31 Dec 2022				
	Data centre manufacturing \$	Data centre operations \$	Other (Corporate) \$	Total \$
Revenue				
Revenue from external customers	2,485,591	1,325,705	-	3,811,296
Other income	-	31,777	1,096,295	1,128,072
Total revenue	<u>2,485,591</u>	<u>1,357,482</u>	<u>1,096,295</u>	<u>4,939,368</u>
Results				
Profit/(loss) before income tax	398,534	(1,747,896)	(892,082)	(2,241,444)
Income tax	-	-	-	-
Profit/(loss) after income tax	<u>398,534</u>	<u>(1,747,896)</u>	<u>(892,082)</u>	<u>(2,241,444)</u>
Consolidated - 30 Jun 2023				
Assets				
Segment assets	1,949,774	9,592,075	6,939,523	18,481,372
Total assets				<u>18,481,372</u>
Liabilities				
Segment liabilities	2,724,339	10,038,917	5,893,260	18,656,516
Total liabilities				<u>18,656,516</u>

Assets used jointly by reportable segments are allocated on the basis of the revenues earned by the individual reportable segments.

All revenue is derived in Australia.

Note 6. Expenses

Consolidated
31 Dec 2023 **31 Dec 2022**
\$ \$

Loss before income tax from continuing operations includes the following specific expenses:

Depreciation

Depreciation - property, plant and equipment	123,121	636,909
Depreciation - right-of-use assets	439,791	469,163

Total depreciation	562,912	1,106,072
--------------------	---------	-----------

Amortisation

Amortisation - intangibles	9,630	250,683
Amortisation - warrants	(225,000)	-

Total amortisation	(215,370)	250,683
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Total depreciation and amortisation	347,542	1,356,755
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Finance costs

Interest and finance charges paid/payable on borrowings	625,151	346,277
Interest and finance charges paid/payable on lease liabilities	252,016	359,424

	877,167	705,701
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Net foreign exchange loss (included in administration expenses)

Net foreign exchange loss	42,616	-
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Superannuation expense

Defined benefit superannuation expense	111,832	173,181
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Employee benefits expense excluding superannuation

Employee benefits expense excluding superannuation	1,143,902	1,535,935
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Note 7. Discontinued operations

DXN's Secure Data Centre in Darwin has been classified in these financial statements as 'discontinued operations' as the Board continues to consider all strategic options to sell its data centre operations assets.

Note 7. Discontinued operations (continued)

Financial performance information

	Consolidated	Consolidated
	31 Dec 2023	31 Dec 2022
	\$	\$
Sales to customers	782,499	751,683
Cost of goods sold	(180,925)	(190,536)
Gross margin	<u>601,574</u>	<u>561,147</u>
Other income	27,480	27,857
Administration expenses	(5,111)	(2,748)
Compliance and legal expenses	(2,391)	(3,600)
Consultants and contractors	(125,400)	(125,400)
Depreciation and amortisation expenses	(233,050)	(233,945)
Employee benefits expenses	(47,984)	(47,311)
Marketing expenses	(606)	(606)
Occupancy expenses	(88,919)	(66,561)
Telecommunication and technology expenses	(10,173)	(9,954)
Finance costs	(55,411)	(57,051)
Total expenses	<u>(569,045)</u>	<u>(547,176)</u>
Profit before income tax expense	60,009	41,828
Income tax expense	-	-
Profit after income tax expense from discontinued operations	<u><u>60,009</u></u>	<u><u>41,828</u></u>

Cash flow information

	Consolidated	Consolidated
	31 Dec 2023	31 Dec 2022
	\$	\$
Net cash (used in) operating activities	(138,485)	(84,957)
Net cash (used in) investing activities	(11,251)	(6,405)
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents from discontinued operations	<u><u>(149,736)</u></u>	<u><u>(91,362)</u></u>

Note 8. Earnings per share

	Consolidated	Consolidated
	31 Dec 2023	31 Dec 2022
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of DXN Limited	<u>(898,401)</u>	<u>(2,283,272)</u>
	Cents	Cents
Basic earnings per share	(0.75)	(2.06)
Diluted earnings per share	(0.75)	(2.06)

Note 8. Earnings per share (continued)

	Consolidated	Consolidated
	31 Dec 2023	31 Dec 2022
	\$	\$
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax	60,009	41,828
Profit after income tax attributable to the owners of DXN Limited	<u>60,009</u>	<u>41,828</u>
	Cents	Cents
Basic earnings per share	0.05	0.04
Diluted earnings per share	0.05	0.04
	Consolidated	Consolidated
	31 Dec 2023	31 Dec 2022
	\$	\$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of DXN Limited	<u>(838,392)</u>	<u>(2,241,444)</u>
	Cents	Cents
Basic earnings per share	(0.70)	(2.02)
Diluted earnings per share	(0.70)	(2.02)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>119,214,223</u>	<u>111,040,554</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>119,214,223</u>	<u>111,040,554</u>

The Company completed the consolidation of share capital (1 for every 15 ordinary shares held) on 12 February 2024. Refer to note 28.

The weighted average number of ordinary shares are calculated based on the number of ordinary shares that would have been in existence had the share consolidation occurred on 1 July 2022.

At 31 December 2023 and 31 December 2022, options, warrants and performance rights over ordinary shares were excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive, as the Group reported a loss for the period.

Note 9. Cash and cash equivalents

	Consolidated	Consolidated
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current assets</i>		
Cash at bank and on hand	<u>932,080</u>	<u>710,209</u>

Note 10. Trade and other receivables

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current assets</i>		
Trade receivables	2,522,804	239,627
Less: Allowance for expected credit losses	<u>(18,311)</u>	<u>(18,311)</u>
	<u>2,504,493</u>	<u>221,316</u>

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	%	%	\$	\$	\$	\$
0 to 30 days	-	7.922%	2,459,346	231,125	-	18,311
30 to 60 days	-	-	-	982	-	-
60 to 90 days	-	-	-	-	-	-
over 90 days	28.860%	-	63,458	7,520	18,311	-
			<u>2,522,804</u>	<u>239,627</u>	<u>18,311</u>	<u>18,311</u>

Note 11. Inventories/work in progress

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current assets</i>		
Materials and consumables	156,104	234,151
Work in progress - Customers (contract asset) ¹	<u>312,888</u>	<u>141,554</u>
	<u>468,992</u>	<u>375,705</u>

¹ Relates to external customers.

Note 12. Other assets

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current assets</i>		
Prepayments	106,460	127,880
Other deposits	13,556	13,556
Other current assets	<u>20,134</u>	<u>-</u>
	<u>140,150</u>	<u>141,436</u>
<i>Non-current assets</i>		
Other non-current assets (borrowing costs capitalised net of amortisation)	<u>330,833</u>	<u>423,333</u>
	<u>470,983</u>	<u>564,769</u>

Note 13. Property, plant and equipment

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	2,384	2,384
Less: Accumulated depreciation	<u>(2,384)</u>	<u>(2,384)</u>
	-	-
Plant and equipment - at cost	433,253	417,220
Less: Accumulated depreciation	<u>(249,250)</u>	<u>(190,805)</u>
	<u>184,003</u>	<u>226,415</u>
Motor vehicles - at cost	26,016	26,016
Less: Accumulated depreciation	<u>(19,415)</u>	<u>(15,302)</u>
	<u>6,601</u>	<u>10,714</u>
Office equipment - at cost	28,798	28,798
Less: Accumulated depreciation	<u>(28,798)</u>	<u>(28,158)</u>
	-	640
DC modules - at cost	1,332,355	1,348,388
Less: Accumulated depreciation	<u>(486,387)</u>	<u>(427,149)</u>
	<u>845,968</u>	<u>921,239</u>
ICT hardware - at cost	86,962	86,962
Less: Accumulated depreciation	<u>(86,962)</u>	<u>(86,277)</u>
	-	685
	<u>1,036,572</u>	<u>1,159,693</u>

Note 14. Right-of-use assets

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	2,173,141	10,222,419
Less: Accumulated depreciation	<u>(648,113)</u>	<u>(1,863,972)</u>
	<u>1,525,028</u>	<u>8,358,447</u>

The movement in right-of-use asset is due to the exiting of the Sydney Data Centre and associated lease charges.

Note 15. Intangibles

	Consolidated 31 Dec 2023	30 Jun 2023
	\$	\$
<i>Non-current assets</i>		
Goodwill - at cost	25,541	25,541
Research & Development - at cost	64,419	195,951
Software - at cost	112,729	112,729
Less: Accumulated amortisation	(106,909)	(97,279)
	5,820	15,450
Customer contracts - at cost	1,342,104	1,342,104
Less: Accumulated amortisation	(1,342,104)	(1,342,104)
	-	-
	<u>95,780</u>	<u>236,942</u>

Note 16. Assets of disposal groups classified as held for sale

	Consolidated 31 Dec 2023	30 Jun 2023
	\$	\$
Cash and cash equivalents	156,539	558,084
Trade and other receivables	29,197	38,897
Property, plant and equipment	1,015,396	1,119,257
Right-of-use assets	1,735,501	1,786,396
Intangibles	3,015,898	3,086,355
	<u>5,952,531</u>	<u>6,588,989</u>

Assets classified as held for sale relate to the Secure Data Centre (Darwin DC facility) which the DXN Board determined during the year ended 30 June 2023 as a facility to be sold as part of a decision to streamline data centre operations.

Note 17. Trade and other payables

	Consolidated 31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current liabilities</i>		
Trade payables ¹	1,066,573	450,374
GST payable	203,789	65,999
Payroll liabilities	128,252	81,481
Other payables and accruals ²	(78,541)	378,300
	<u>1,320,073</u>	<u>976,154</u>

Terms and conditions relating to the above financial instruments.

¹ Trade payables are non-interest bearing and generally on 30-day terms.

² Other payables are non-interest bearing have no fixed repayment terms.

Note 18. Borrowings

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current liabilities</i>		
Insurance premium funding	124,658	118,265
FlexiCommercial Pty Ltd ¹	42,888	42,888
Less: Unexpired charges	<u>(18,105)</u>	<u>(17,309)</u>
	149,441	143,844
<i>Non-current liabilities</i>		
FlexiCommercial Pty Ltd ¹	110,794	132,238
Pure Asset Management Pty Ltd ²	4,325,000	4,000,000
Less: Unexpired charges	<u>(13,467)</u>	<u>(18,788)</u>
	4,422,327	4,113,450
	<u>4,571,768</u>	<u>4,257,294</u>

¹ This is a Chattel Mortgage Facility with FlexiCommercial Pty Ltd for a Pressbrake Machine in use in our Perth factory. The interest rate on this facility is 9.996% and is repayable over 5 years (60 months) with no balloon payment.

² \$4,000,000 secured facility with Pure Asset Management Pty Ltd ('Pure') was to finance working capital and acquisitions. The interest rate on this facility (including line fee) is 11.25% per annum. This facility is due to mature on 14 October 2025 and is secured by a General Security Agreement over the assets of the Company. During the period, DXN capitalised a further \$325,000 to the facility in relation to 2 sets of quarterly interest payments. This amount was subsequently paid back after the reporting period, in January 2024, and the secured facility is now back at \$4,000,000.

Note 19. Lease liabilities

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current liabilities</i>		
Lease liability	<u>894,789</u>	<u>716,011</u>
<i>Non-current liabilities</i>		
Lease liability	<u>1,244,017</u>	<u>8,190,144</u>
	<u>2,138,806</u>	<u>8,906,155</u>

Note 20. Income in advance

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current liabilities</i>		
Income in advance	<u>-</u>	<u>416,667</u>

Note 20. Income in advance (continued)

As per the Exclusive Global Distribution License Agreement ('EGDLA') signed with Flow2Edge Holdings I Pte Ltd ('Flow'), and announced to the market on 28 November 2022, DXN received an upfront \$2 million exclusivity fee for an initial 10-year agreement for worldwide (excluding Australia) exclusivity for the marketing and distribution of DXN Modules. During the first 12 months of the EGDLA, commencing 180 days from the date of signing, FLOW2Edge must place orders with DXN for a minimum of 10 DXN Modules. The first \$1 million of this exclusivity fee has been immediately recognised upon receipt, whilst the remaining \$1 million is recognised during the period ended 31 December 2023.

Note 21. Liabilities directly associated with assets classified as held for sale

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
Trade payables	44,457	12,168
Payroll liabilities	2,267	2,110
GST payable	3,924	13,307
Lease liability	1,842,135	1,869,826
Employee benefits	27,832	31,562
	<u>1,920,615</u>	<u>1,928,973</u>

Note 22. Issued capital

	Consolidated			
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>2,153,339,836</u>	<u>1,721,314,836</u>	<u>46,236,424</u>	<u>45,424,949</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2023	1,721,314,836		45,424,949
Share-based payments*	21 August 2023	2,025,000	\$0.0030	6,075
Issue of shares - placement	4 December 2023	430,000,000	\$0.0020	860,000
Capital raising costs				(54,600)
Balance	31 December 2023	<u>2,153,339,836</u>		<u>46,236,424</u>

* Shares issued in lieu of fees payable to corporate advisor.

Note 23. Reserves

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
Share-based payments reserve	1,076,640	1,118,264
Options reserve	310,302	310,302
	<u>1,386,942</u>	<u>1,428,566</u>

Note 23. Reserves (continued)

Movements in reserves

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

Consolidated	Share-based payments \$	Options \$	Total \$
Balance at 1 July 2023	1,118,264	310,302	1,428,566
Share-based payments	-	-	-
Transfer to retained earnings	(41,624)	-	(41,624)
Balance at 31 December 2023	<u>1,076,640</u>	<u>310,302</u>	<u>1,386,942</u>

Note 24. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 25. Contingent liabilities

There were no contingent liabilities as at 31 December 2023 and 30 June 2023.

Note 26. Commitments

There were no capital commitments as at 31 December 2023 and 30 June 2023.

Note 27. Related party transactions

Transactions with related parties

There were no transactions with related parties during the current and previous financial half-year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 28. Events after the reporting period

On 22 January 2024, the Company held a general meeting of shareholders where shareholders ratified an issue of 430m ordinary shares issued under Tranche 1 of the placement; and approved an issue of 545m ordinary shares under Tranche 2 of the placement; and approved an issue of 75m shares to Directors participating under the Tranche 2 capital raise, and approved an issue of 70m options to directors; and approved a consolidation of capital on the basis of every 15 ordinary shares being consolidated into 1 ordinary share in DXN. The consolidation of share capital was completed on 12 February 2024.

In the month of February 2024, DXN accepted purchase orders for the sale of existing SYD01 infrastructure assets for A\$700,000.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Peter McGrath', written over a light blue horizontal line.

Peter McGrath
Non-Executive Chairman

27 February 2024



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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF DXN LIMITED**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of DXN Limited (the Company) and its controlled entities (the Consolidated Entity or Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of material accounting policies and other explanatory information and the directors' declaration.

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

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without modification to our opinion expressed above, we draw attention to Note 2 "Going Concern" of the financial statements which states that the financial statements have been prepared on a going concern basis. Should the company be unable to achieve the funding and operational outcomes described in Note 2 and continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the financial report.

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 (including Australian Accounting Interpretations) 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 is free from material misstatement, whether due to fraud or error.

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF DXN LIMITED (CONTINUED)**

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 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.



SHAUN WILLIAMS
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 27th day of February 2024.



Moore Australia Audit (WA)

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF DXN LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2023, there have been:

- a) no contraventions of the auditor independence requirements as set out in 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.



SHAUN WILLIAMS
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 27th day of February 2024.