

APPENDIX 4D

Half-year report



1. COMPANY DETAILS

Name of entity:	DXN Limited
ABN:	46 620 888 548
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$
Revenues from ordinary activities	up	60.3%	to	6,624,060
Loss from ordinary activities after tax attributable to the owners of DXN Limited	up	63.6%	to	(3,884,699)
Loss for the half-year attributable to the owners of DXN Limited	up	63.6%	to	(3,884,699)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$3,884,699 (31 December 2020: \$2,374,916).

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.41	1.06

4. CONTROL GAINED OVER ENTITIES

Name of entity	Secure Data Centre Pty Ltd ATF SDC Trust and SDC Trust
Date control gained	18 October 2021
Contribution to the reporting entity's (loss)/profit from ordinary activities before income tax during the period	\$100,747

5. LOSS OF CONTROL OVER ENTITIES

Not applicable.

6. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

APPENDIX 4D (CONTINUED)

7. AUDIT QUALIFICATION ON REVIEW

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

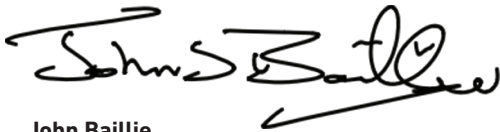
The auditor's review report is unmodified but contains an emphasis of matter paragraph related to material uncertainty regarding going concern.

8. ATTACHMENTS

Details of attachments (if any):

The Interim Report of DXN Limited for the half-year ended 31 December 2021 is attached.

9. SIGNED

A handwritten signature in black ink, appearing to read 'John Baillie', with a long horizontal stroke extending to the right.

John Baillie
Non-Executive Chairman

Date: 28 February 2022

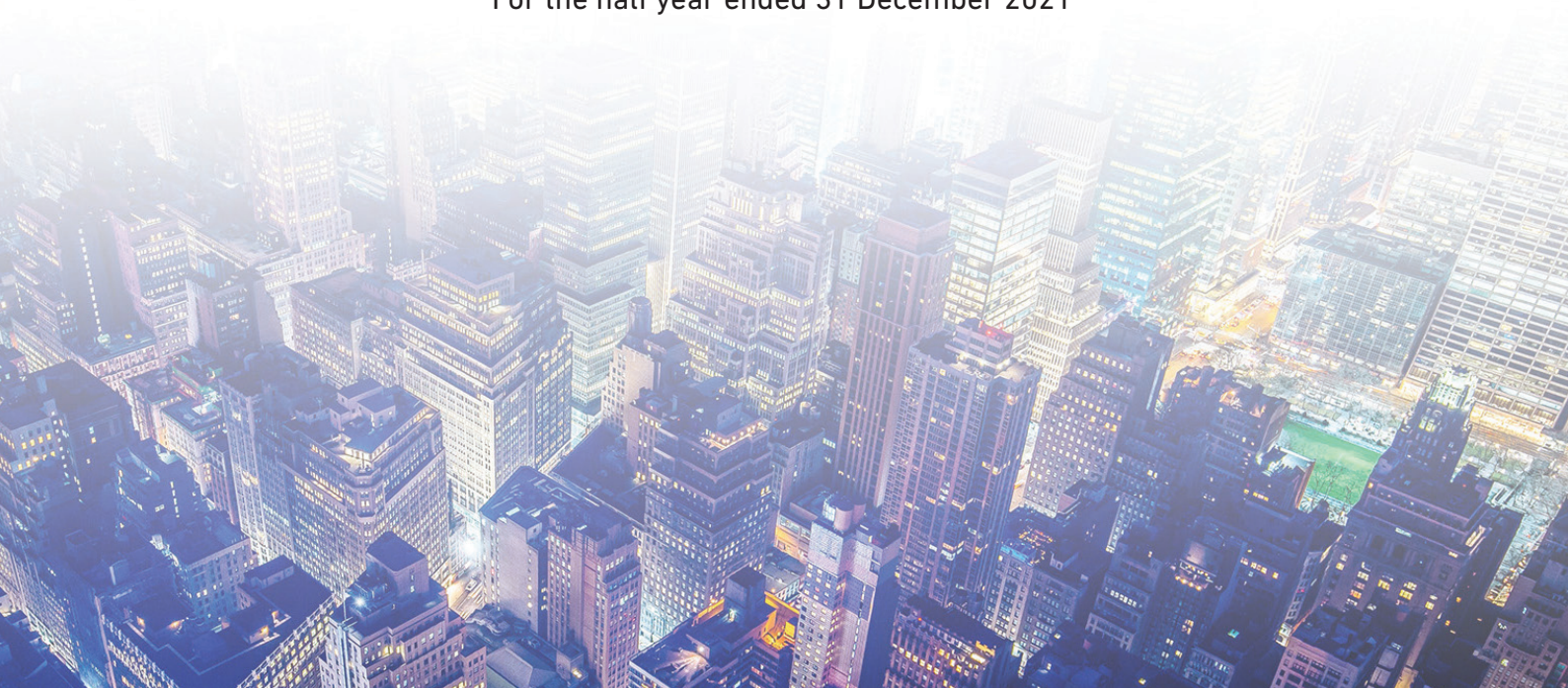


DXN

DXN Limited
(ACN 620 888 548)

FINANCIAL REPORT

For the half year ended 31 December 2021

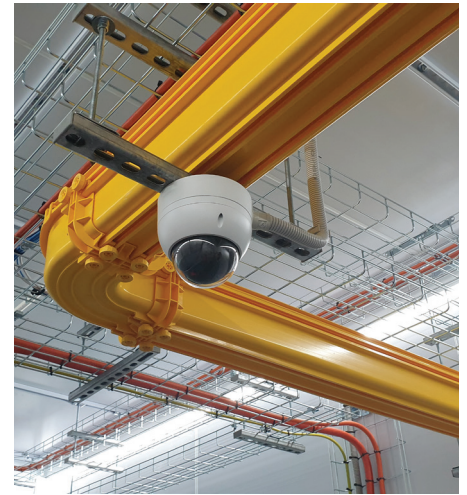




MAKING



GLOBAL



LOCAL

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CORPORATE DIRECTORY



DIRECTORS

Mr John Baillie
Mr Richard Carden
Mr John Dimitropoulos

COMPANY SECRETARY

George Lazarou

REGISTERED OFFICE

5 Parkview Drive
Sydney Olympic Park NSW 2127
Telephone: 1300 328 239

PRINCIPAL OFFICE

3 Dampier Road
Welshpool WA 6106
Telephone: 1300 328 239

SHARE REGISTRAR

Automic Pty Ltd
Level 5
191 St Georges Terrace
Perth WA 6000

AUDITORS

Moore Australia Audit (WA)
Level 15 Exchange Tower
2 The Esplanade
Perth WA 6000

SOLICITORS

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

BANKERS

ANZ
15 Hutton Street
Osborne Park WA 6017

STOCK EXCHANGE LISTING

DXN Limited shares are listed on the
Australian Securities Exchange
(ASX code: DXN, DXNOD)

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entities (referred to hereafter as the 'Group') consisting of DXN Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

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:

Mr John Baillie

Mr Richard Carden

Mr John Dimitropoulos

Mr Matthew Madden (resigned on 18 January 2022)

PRINCIPAL ACTIVITIES

Data centres provide space, power, cooling, and physical security for clients to house their computer servers and related storage and networking equipment. Data centres provide a recurring revenue stream and our modular approach allows us to match our capital requirements with capacity sold, thereby reducing our upfront capital requirements. This disruptive model is at the forefront of data centre engineering techniques.

DXN's Data centre manufacturing division engineers, constructs and commissions data centre solutions globally. Our data centre infrastructure has a wide range of applications, which includes edge data centres and telecommunications applications (satellite, radio centres, cable landing stations). Our 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.

REVIEW OF OPERATIONS

The loss for the Group after providing for income tax amounted to \$3,884,699 (31 December 2020: \$2,374,916).

	31 Dec 2021	31 Dec 2020	Change	Change
	\$	\$	%	%
Sales to customers	6,624,060	4,133,406	2,490,654	60%
Cost of goods sold	(4,899,689)	(2,706,127)	(2,193,562)	81%
Gross margin	1,724,371	1,427,279	297,092	21%

Other income	874,861	1,160,128	(285,267)	(25%)
Less: other operating expenses	(4,322,360)	(2,813,221)	(1,509,139)	54%
EBITDA	(1,723,128)	(225,814)	(1,497,314)	663%

EBITDA	(1,723,128)	(225,814)	(1,497,314)	663%
Depreciation and amortisation expenses	(1,782,657)	(1,726,598)	(56,059)	3%
Foreign exchange gains/(losses)	21,250	(79,756)	101,006	(127%)
Equity-settled employee costs	(105,929)	(88,438)	(17,491)	20%
Finance expenses	(294,853)	(263,237)	(31,616)	12%
Finance income	618	8,927	(8,309)	(93%)
Net loss after tax	(3,884,699)	(2,374,916)	(1,509,783)	64%

Data centre operations

- Sydney (SYD01) – DXN is focused on a connectivity and cloud strategy across our data centres and modules business, with DXN SYD01 at the centre of the strategy. We are expecting growth from this focus in coming quarters.
- Hobart (TAS01) – DXN's primary customer at the data centre is Tasmanet, one of only two accredited suppliers to the Tasmanian Government for the Tasmanian Cloud.
- Darwin – Secure Data Centre (SDC) is well positioned for growth. The introduction of cloud services, as well as significant new cable infrastructure coming into the Northern Territory, is expected to provide further opportunities for growth.

Data centre manufacturing

- DXN has recorded its best half-year to date in 1H FY22 with sales bookings at \$7,916,399 and sales to customers at \$5,710,953.
- We see continued upside in this business. The continued growth of subsea cables within the region, as well as the increases in automation in the resources sector and new applications of technology linked Edge Data Centres, all feed the greater demand for DXN's modules. As an Australian manufacturer, DXN is positioned well for national opportunities in defence and subsea.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 18 October 2021, the Company acquired 100% of the ordinary shares on issue in Secure Data Centre Pty Ltd ATF SDC Trust and 100% of the units on issue in the SDC Trust for a total purchase consideration of \$5,063,516.

On 17 December 2021, the Company participated in a mediation in relation to a dispute regarding the Melbourne lease. A resolution was reached at this mediation. Refer to note 22.

The Company completed a capital/debt raise of \$7,143,966 in October 2021, comprising of a placement of \$1,643,966 to sophisticated and strategic investors, a Share Purchase Plan (including the shortfall) of \$1,500,000 and a \$4,000,000 debt facility with Pure Asset Management.

On 18 January 2022, Mr Matthew Madden resigned as Chief Executive Officer (CEO) and Managing Director. As announced to the market on the same day, Ms Shalini Lagrutta has been appointed as the Company's new CEO.

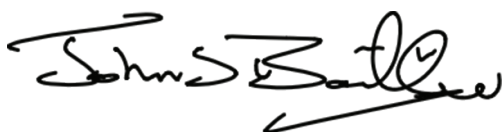
There were no other significant changes in the state of affairs of the Group during the financial half-year.

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.



John Baillie
Non-Executive Chairman

28 February 2022

**AUDITORS' INDEPENDENCE DECLARATION
UNDER S307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF DXN LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021 there have been no contraventions of:

- i. The auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii. Any applicable code of professional conduct in relation to the review.



SL Tan
Partner



Moore Australia Audit (WA)
Chartered Accountants

Signed at Perth on the 28th of February 2022

Moore Australia Audit (WA) – ABN 16 874 357 907.

An independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

	Note	Consolidated	
		31 Dec 2021 \$	31 Dec 2020 \$
Sales to customers	4	6,624,060	4,133,406
Cost of goods sold		(4,899,689)	(2,706,127)
Gross margin		<u>1,724,371</u>	<u>1,427,279</u>
Other income	5	896,111	1,160,128
Interest revenue calculated using the effective interest method		618	8,927
Expenses			
Acquisition expenses		(20,615)	(15,230)
Administration expenses		(136,246)	(293,268)
Compliance and legal expenses		(349,949)	(131,564)
Consultants and contractors		(153,216)	(85,794)
Depreciation and amortisation expenses	6	(1,782,657)	(1,726,598)
Employee benefits expenses		(2,208,032)	(1,918,585)
Marketing expenses		(1,813)	8,552
Occupancy expenses		(984,917)	(488,651)
Software development costs written off	14	(504,972)	-
Telecommunication and technology expenses		(56,299)	(50,767)
Travel expenses		(12,230)	(6,108)
Finance costs	6	<u>(294,853)</u>	<u>(263,237)</u>
Loss before income tax expense		(3,884,699)	(2,374,916)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of DXN Limited		(3,884,699)	(2,374,916)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of DXN Limited		<u>(3,884,699)</u>	<u>(2,374,916)</u>
		Cents	Cents
Basic earnings per share	7	(0.30)	(0.22)
Diluted earnings per share	7	(0.30)	(0.22)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	Consolidated 31 Dec 2021 \$	30 Jun 2021 \$
Assets			
Current assets			
Cash and cash equivalents	8	3,109,416	1,663,955
Trade and other receivables	9	988,258	666,152
Inventories/work in progress	10	757,816	1,231,781
Other assets	11	249,342	124,854
		<u>5,104,832</u>	<u>3,686,742</u>
Non-current assets classified as held for sale		-	544,011
Total current assets		<u>5,104,832</u>	<u>4,230,753</u>
Non-current assets			
Property, plant and equipment	12	7,700,719	8,701,703
Right-of-use assets	13	11,217,109	8,407,598
Intangibles	14	4,329,111	1,502,016
Bank guarantees		528,950	1,028,917
Other assets	11	700,833	-
Total non-current assets		<u>24,476,722</u>	<u>19,640,234</u>
Total assets		<u>29,581,554</u>	<u>23,870,987</u>
Liabilities			
Current liabilities			
Trade and other payables	15	1,231,535	2,153,523
Contract liabilities		963,907	387,556
Borrowings	16	204,384	1,027,255
Lease liabilities	17	834,702	625,417
Employee benefits		164,360	181,290
Provisions	18	850,000	-
Total current liabilities		<u>4,248,888</u>	<u>4,375,041</u>
Non-current liabilities			
Borrowings	16	4,000,000	605,011
Lease liabilities	17	10,543,561	7,882,462
Provisions	18	400,000	-
Total non-current liabilities		<u>14,943,561</u>	<u>8,487,473</u>
Total liabilities		<u>19,192,449</u>	<u>12,862,514</u>
Net assets		<u>10,389,105</u>	<u>11,008,473</u>
Equity			
Issued capital	19	43,471,842	40,345,107
Reserves	20	1,315,552	1,176,956
Accumulated losses		<u>(34,398,289)</u>	<u>(30,513,590)</u>
Total equity		<u>10,389,105</u>	<u>11,008,473</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	39,604,052	1,020,705	(25,700,959)	14,923,798
Loss after income tax expense for the half-year	-	-	(2,374,916)	(2,374,916)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,374,916)	(2,374,916)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	88,438	-	88,438
Exercise of options	204,859	-	-	204,859
Costs of exercising unquoted options	(4,258)	-	-	(4,258)
Exercise of performance rights	5,889	(5,889)	-	-
Balance at 31 December 2020	<u>39,810,542</u>	<u>1,103,254</u>	<u>(28,075,875)</u>	<u>12,837,921</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	40,345,107	1,176,956	(30,513,590)	11,008,473
Loss after income tax expense for the half-year	-	-	(3,884,699)	(3,884,699)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(3,884,699)	(3,884,699)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	3,343,966	-	-	3,343,966
Capital raising costs	(217,231)	32,667	-	(184,564)
Share-based payments	-	105,929	-	105,929
Balance at 31 December 2021	<u>43,471,842</u>	<u>1,315,552</u>	<u>(34,398,289)</u>	<u>10,389,105</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities			
Receipts from customers		7,898,087	3,029,877
Payments to suppliers and employees		(8,591,172)	(5,807,777)
R&D tax incentive claim		826,741	725,766
Government grants		45,203	454,000
Interest received		385	15,839
Interest paid		(16,353)	(39,940)
Other income		2,034	43,321
		<u>164,925</u>	<u>(1,578,914)</u>
Cash flows from investing activities			
Payments associated with the acquisition of business	25	(3,629,032)	-
Payments for plant and equipment		(19,828)	(100,090)
Payments for intangible assets		(25,272)	(30,754)
Proceeds from release of deposits and guarantees		-	1,984,628
		<u>(3,674,132)</u>	<u>1,853,784</u>
Cash flows from financing activities			
Proceeds from issue of shares and options	19	3,143,966	204,860
Payment of capital raising costs	19	(184,564)	(4,259)
Finance facility drawn down		4,000,000	676,429
Repayment of finance facility		(1,645,891)	(507,241)
Transaction costs related to loans and borrowings		(346,474)	-
		<u>4,967,037</u>	<u>369,789</u>
Net increase in cash and cash equivalents		1,457,830	644,659
Cash and cash equivalents at the beginning of the financial half-year		1,663,955	3,592,472
Effects of exchange rate changes on cash and cash equivalents		(12,369)	(86,951)
		<u>3,109,416</u>	<u>4,150,180</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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	Principal place of business
5 Parkview Drive Sydney Olympic Park NSW 2127	3 Dampier Road Welshpool WA 6106

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 28 February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 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 2021 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 principal 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.

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 \$3,884,699 (31 December 2020: \$2,374,916) for the period ended 31 December 2021 and operating cash inflow of \$164,925 (31 December 2020: cash outflow of \$1,578,914).

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.

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

- the Directors have an appropriate plan to raise additional funds as and when it is required, and the Directors believe that the additional capital required can be raised either in the market or via debt funding partners;
- the Directors have an appropriate plan to contain certain operating expenditure such as reducing employee and administrative costs, as required;
- the Directors have an appropriate plan to contain capital expenditure as the modular nature of the Group's data centres allows it to expand and incur additional expense when current capacity is fully utilised; and
- the Directors have an appropriate plan to increase revenues through expanding the number of owned and managed co-location sites and additional modules sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Note 2. Significant accounting policies (continued)

The accounts 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.

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 Makers ('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 supplies 2 single external customers which account for 48% and 20% (31 December 2020: 2 customers; 47% and 22%) of the external revenue. The next most significant customer accounts for 7% (31 December 2020: 9%) of the external revenue.

Data centre operations

The Group supplies 1 single external customer which accounts for 54% (31 December 2020: 1 customer; 91%) of the total segment revenue.

There were no intersegment sales during the reporting periods.

Operating segment information

	Data centre manufacturing \$	Data centre operations \$	Other (Corporate) \$	Total \$
Consolidated - 31 Dec 2021				
Revenue				
Revenue from external customers	5,710,953	913,107	-	6,624,060
Other income	-	-	896,729	896,729
Total revenue	5,710,953	913,107	896,729	7,520,789
Results				
Profit/(loss) before income tax	251,864	(1,529,134)	(2,607,429)	(3,884,699)
Income tax	-	-	-	-
Profit/(loss) after income tax	251,864	(1,529,134)	(2,607,429)	(3,884,699)
Assets				
Segment assets	2,852,160	24,092,018	2,637,376	29,581,554
Total assets				29,581,554
Liabilities				
Segment liabilities	2,436,204	10,326,361	6,429,884	19,192,449
Total liabilities				19,192,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Note 3. Operating segments (continued)

	Data centre manufacturing \$	Data centre operations \$	Other (Corporate) \$	Total \$
Consolidated - 31 Dec 2020				
Revenue				
Revenue from external customers	3,556,791	483,251	93,364	4,133,406
Other income	-	43,321	1,125,734	1,169,055
Total revenue	3,556,791	526,572	1,219,098	5,302,461
Results				
Profit/(loss) before income tax	705,009	(1,634,608)	(1,445,317)	(2,374,916)
Income tax	-	-	-	-
Profit/(loss) after income tax	705,009	(1,634,608)	(1,445,317)	(2,374,916)
Consolidated - 30 Jun 2021				
Assets				
Segment assets	2,639,828	18,463,810	2,767,349	23,870,987
Total assets				23,870,987
Liabilities				
Segment liabilities	1,781,997	9,631,800	1,448,717	12,862,514
Total liabilities				12,862,514

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

Note 4. Revenue

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
<i>Revenue from contracts with customers</i>		
Sales to customers	6,624,060	4,133,406

100% of the Group's revenue from external customers is recognised over time.

Note 5. Other income

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Research and development tax incentive claim	826,741	725,766
Export marketing development grant	30,000	100,000
Government wage subsidies	15,203	-
Government grants (COVID-19)	-	291,000
Net foreign exchange gain	21,250	-
Other	2,917	43,362
Other income	896,111	1,160,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Note 6. Expenses

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Depreciation - property, plant and equipment	1,185,755	1,171,296
Depreciation - right-of-use assets	315,498	313,199
Total depreciation	<u>1,501,253</u>	<u>1,484,495</u>
<i>Amortisation</i>		
Amortisation - intangibles	281,404	242,103
Total depreciation and amortisation	<u>1,782,657</u>	<u>1,726,598</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	171,367	110,358
Interest and finance charges paid/payable on lease liabilities	123,486	152,879
Finance costs expensed	<u>294,853</u>	<u>263,237</u>
<i>Net foreign exchange loss (included in administration expenses)</i>		
Net foreign exchange loss	-	79,756
<i>Superannuation expense</i>		
Defined contribution superannuation expense	156,957	141,443
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	<u>2,051,075</u>	<u>1,777,142</u>

Note 7. Earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Loss after income tax attributable to the owners of DXN Limited	<u>(3,884,699)</u>	<u>(2,374,916)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,300,312,636</u>	<u>1,060,906,723</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,300,312,636</u>	<u>1,060,906,723</u>
	Cents	Cents
Basic earnings per share	(0.30)	(0.22)
Diluted earnings per share	(0.30)	(0.22)

At 31 December 2021 and 31 December 2020, options 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Note 8. Cash and cash equivalents

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current assets</i>		
Cash at bank and on hand	3,109,416	1,663,955

Note 9. Trade and other receivables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current assets</i>		
Trade receivables	886,224	666,018
Less: Allowance for expected credit losses	-	-
	<u>886,224</u>	<u>666,018</u>
Interest receivable	119	134
GST receivable	101,915	-
	<u>988,258</u>	<u>666,152</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 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	%	%	\$	\$	\$	\$
0 to 30 days	-	-	196,913	574,598	-	-
30 to 60 days	-	-	432,922	91,420	-	-
60 to 90 days	-	-	385	-	-	-
over 90 days	-	-	256,004	-	-	-
			<u>886,224</u>	<u>666,018</u>	<u>-</u>	<u>-</u>

Note 10. Inventories/work in progress

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current assets</i>		
Materials and consumables	475,028	660,956
Work in progress - Customers (contract asset) ¹	282,788	570,825
	<u>757,816</u>	<u>1,231,781</u>

¹ Relates to external customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Note 11. Other assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current assets</i>		
Prepayments	235,786	111,298
Other deposits	13,556	13,556
	<u>249,342</u>	<u>124,854</u>
<i>Non-current assets</i>		
Other non-current assets (Borrowing costs capitalised)	700,833	-
	<u>950,175</u>	<u>124,854</u>

Note 12. Property, plant and equipment

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	3,008,517	2,285,853
Less: Accumulated depreciation	(647,581)	(469,702)
	<u>2,360,936</u>	<u>1,816,151</u>
Plant and equipment - at cost	2,337,182	260,685
Less: Accumulated depreciation	(1,896,258)	(116,195)
	<u>440,924</u>	<u>144,490</u>
Motor vehicles - at cost	26,016	26,016
Less: Accumulated depreciation	(10,415)	(8,780)
	<u>15,601</u>	<u>17,236</u>
Office equipment - at cost	61,126	61,126
Less: Accumulated depreciation	(45,324)	(37,678)
	<u>15,802</u>	<u>23,448</u>
DC modules - at cost	9,821,906	11,227,465
Less: Accumulated depreciation	(5,035,660)	(4,608,445)
	<u>4,786,246</u>	<u>6,619,020</u>
ICT hardware - at cost	340,736	340,736
Less: Accumulated depreciation	(259,526)	(259,378)
	<u>81,210</u>	<u>81,358</u>
	<u>7,700,719</u>	<u>8,701,703</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Note 13. Right-of-use assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	17,073,168	13,948,160
Less: Accumulated depreciation	(2,112,804)	(1,797,307)
Less: Impairment	(3,743,255)	(3,743,255)
	<u>11,217,109</u>	<u>8,407,598</u>

Note 14. Intangibles

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Non-current assets</i>		
Goodwill - at cost	2,235,580	25,541
Software development - at cost	-	494,031
Patents and trademarks - at cost	36,480	36,480
Less: Accumulated amortisation	(7,412)	(6,430)
	<u>29,068</u>	<u>30,050</u>
Software - at cost	229,127	203,855
Less: Accumulated amortisation	(109,068)	(93,282)
	<u>120,059</u>	<u>110,573</u>
Customer contracts - at cost	2,703,418	1,342,104
Less: Accumulated amortisation	(759,014)	(500,283)
	<u>1,944,404</u>	<u>841,821</u>
	<u>4,329,111</u>	<u>1,502,016</u>

Note 15. Trade and other payables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current liabilities</i>		
Trade payables ¹	539,762	1,354,906
GST payable	-	102,614
Payroll liabilities	205,557	424,402
Other payables and accruals ²	486,216	271,601
	<u>1,231,535</u>	<u>2,153,523</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Note 16. Borrowings

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current liabilities</i>		
Chattel mortgage ¹	-	366,145
Export finance loan ²	-	639,364
Insurance premium funding	210,883	54,765
Less: Unexpired charges	<u>(6,499)</u>	<u>(33,019)</u>
	<u>204,384</u>	<u>1,027,255</u>
<i>Non-current liabilities</i>		
Chattel mortgage ¹	-	628,384
Less: Unexpired charges	-	(23,373)
Pure Asset Management Pty Ltd ³	<u>4,000,000</u>	<u>-</u>
	<u>4,000,000</u>	<u>605,011</u>
	<u><u>4,204,384</u></u>	<u><u>1,632,266</u></u>

¹ This secured principal and interest chattel finance facility with ANZ Bank to finance generators and chillers was fully repaid on 1 November 2021. The interest rate on this facility was 4.47% per annum (30 June 2021: 4.47% per annum).

² \$500,000 loan with Export finance facility was fully repaid on 1 November 2021. The interest rate on this facility was 6.53% per annum (30 June 2021: 6.53%).

³ \$4,000,000 secured facility with Pure Asset Management Pty Ltd is to finance working capital and acquisitions. The interest rate on this facility (including line fee) is 11.25% per annum. In addition, there was a 2.5% establishment fee. This facility is due to mature on 14 October 2025 and is secured by a General Security Agreement over the assets of the Company. Financial covenants were fully complied with at 31 December 2021.

Note 17. Lease liabilities

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current liabilities</i>		
Lease liability	<u>834,702</u>	<u>625,417</u>
<i>Non-current liabilities</i>		
Lease liability	<u>10,543,561</u>	<u>7,882,462</u>
	<u><u>11,378,263</u></u>	<u><u>8,507,879</u></u>

Note 18. Provisions

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current liabilities</i>		
Warranty retention ¹	<u>850,000</u>	<u>-</u>
<i>Non-current liabilities</i>		
Provision for warrants ²	<u>400,000</u>	<u>-</u>
	<u><u>1,250,000</u></u>	<u><u>-</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Note 18. Provisions (continued)

- ¹ This amount was withheld from the purchase price of SDC to cover any warranty claims associated with the acquisition. Subject to any warranty claims, this withheld amount will be paid on 18 October 2022.
- ² 200 million warrants were issued to Pure Asset Management Pty Ltd as part of the New Debt Facility arrangement, as announced to the market on 9 September 2021. These warrants have a 48 month term and expire on 15 October 2025.

Note 19. Issued capital

	31 Dec 2021 Shares	Consolidated 30 Jun 2021 Shares	31 Dec 2021 \$	30 Jun 2021 \$
Ordinary shares - fully paid	1,471,314,836	1,105,318,536	43,471,842	40,345,107

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	1,105,318,536		40,345,107
Issue of shares - placement	10 September 2021	182,662,966	\$0.009	1,643,966
Issue of shares - share purchase plan	6 October 2021	134,666,622	\$0.009	1,212,000
Issue of shares - purchase consideration	18 October 2021	16,666,667	\$0.012	200,000
Issue of shares - share purchase plan shortfall	22 October 2021	32,000,045	\$0.009	288,000
Capital raising costs				(184,564)
Capital raising costs - share based payments				(32,667)
Balance	31 December 2021	1,471,314,836		43,471,842

Note 20. Reserves

	Consolidated 31 Dec 2021 \$	30 Jun 2021 \$
Share-based payments reserve	1,005,250	866,654
Options reserve	310,302	310,302
	<u>1,315,552</u>	<u>1,176,956</u>

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 2021	866,654	310,302	1,176,956
Capital raising costs	32,667	-	32,667
Share-based payments	105,929	-	105,929
Balance at 31 December 2021	<u>1,005,250</u>	<u>310,302</u>	<u>1,315,552</u>

Note 21. Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Note 22. Contingent liabilities

In the 2021 Annual Report, a contingent liability of \$3.3 million was disclosed, relating to the lease dispute for the Melbourne data centre site. As announced to the market on 31 January 2022, this dispute was resolved on terms that included termination of the lease, and DXN surrendering the \$500,000 bank guarantee to the landlord as a payment in lieu of outstanding rent. The Company has no accrued or future liabilities or obligations to the landlord under the lease and was released from all claims under or in connection with the lease, including those made in the proceedings.

Note 23. Commitments

There were no capital commitments as at 31 December 2021 and 30 June 2021.

Note 24. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Note 25. Business combinations

On 18 October 2021, the Company acquired 100% of the ordinary shares on issue in Secure Data Centre Pty Ltd ATF SDC Trust and 100% of the units on issue in the SDC Trust for a total purchase consideration of \$5,063,516.

If the acquisition occurred on 1 July 2021, the full half-year contributions would have been revenues of \$969,249 and profit after tax of \$307,453. Due to the timing of the acquisition, the values identified in relation to the acquisition are provisional as at 31 December 2021.

Details of the acquisition are as follows:

	Provisional Fair value \$
Cash and cash equivalents	196,942
Trade receivables	139,727
Leasehold improvements	466,916
Plant and equipment	159,530
DC Modules	637,805
Software	2,391
Customer contracts	1,361,314
Trade and other payables	<u>(111,148)</u>
Net assets acquired	2,853,477
Goodwill	<u>2,210,039</u>
Acquisition-date fair value of the total consideration transferred	<u><u>5,063,516</u></u>
Representing:	
Cash paid or payable to vendor	4,013,516
DXN Limited shares issued to vendor	200,000
Warranty retention	<u>850,000</u>
	<u><u>5,063,516</u></u>
Acquisition costs expensed to profit or loss	<u><u>20,615</u></u>
Cash used during the period ended 31 December 2021 to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	5,063,516
Less: cash and cash equivalents	(196,942)
Less: shares issued by Company as part of consideration	(200,000)
Less: warranty retention	(850,000)
Less: cash paid in the subsequent period ¹	<u>(187,542)</u>
Net cash used	<u><u>3,629,032</u></u>

¹ Purchase price adjustment of the contract was paid to the vendors on 3 February 2022.

Note 26. Events after the reporting period

On 18 January 2022, Mr Matthew Madden resigned as Chief Executive Officer (CEO) and Managing Director. As announced to the market on the same day, Ms Shalini Lagrutta has been appointed as the Company's new CEO.

On 25 January 2022, the Company announced that it has entered into a contract to fabricate, supply and install a modular data centre and 10 'turn-key' communication rooms for a total contract value of ~A\$3.5m with Multiplex.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Group up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2021 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.

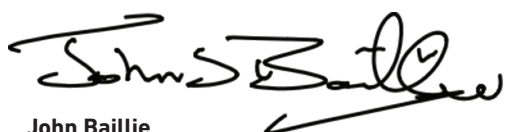
DIRECTORS' DECLARATION

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 2021 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



John Baillie
Non-Executive Chairman

28 February 2022

**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 the group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other 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 significant accounting policies and other explanatory information and the directors' declaration.

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter – Material Uncertainty Regarding Going Concern

Without modification to our conclusion 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 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.

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.

Directors' Responsibility 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.

**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 half-year financial report based on our review. 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*, in order to state whether, on the basis of the procedures described, 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:

- a) giving a true and fair view of the group's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and
- b) 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.



SUAN-LEE TAN
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of February 2022.



DXN

**MAKING GLOBAL
LOCAL**

