



Appendix 4E

Preliminary Final Report period ending 30 June 2020

Results for announcement to the market

Financial Results			June 2020	June 2019
Revenue from ordinary activities	Up	270%	5,188,280	1,403,528
Comprehensive Profit / (Loss) from ordinary activities after tax attributable to members	Down	71%	(12,590,529)	(7,373,444)

Dividends	2020 Final Dividend	2019 Final Dividend
Amount per Ordinary Security	nil	nil
Franked amount per Security	N/A	N/A
Record date for determining entitlements to final dividend	N/A	

Net Tangible Asset Backing	June 2020	June 2019
Net tangible asset backing per ordinary security [^]	1.3 cents	4.6 cents

[^] Note - the Company has adopted AASB 16 Leases during the period. As a result, the Company has recognised significant lease liabilities and right-of-use assets on the balance sheet. The net tangible assets used in the net tangible assets per security calculation for 2020 includes both the right-of-use assets and lease liabilities.

COMMENTARY

FY20 was a foundational year for DXN with a number of milestones delivered during the period. The delivery of our flag ship data centre at Sydney Olympic Park, fully accredited by the Uptime Institute as a Tier III constructed facility and the first containerised Tier III facility globally, was a significant step forward for the company. During the year, a number of cable landing station contracts were awarded, including a significant contract with Southern Cross Cable Limited for the Southern Cross NEXT project with the award of three (3) modular cable landing stations.

The effects of the COVID 19 pandemic contributed to a slower than expected sales into Q4 FY20 for our modules and colocation business. Cash management was a strong focus for the company post the completion of the Sydney DC build and employee costs were reduced between our December half year results and our June full year results by \$700k. An improvement in cost management in our modules business has resulted in an improved margin from 21% in FY19 to 27% in FY20. Revenue from customer sales for FY20 was \$5.18M vs \$1.4M for FY19, an improvement of \$3.78M.

Key highlights during the year include;

- CEO Matthew Madden joined in August 2019
- Sydney DC built to first stage and accredited by the uptime institute as TCCF Tier III data centre on October 2019
- CFO Greg Blenkiron joined in October 2019
- Purchase of the assets and revenue of Data Centre 3 Pty Ltd from Tasmanet, a data centre in Hobart, Tasmania in May 2020 for \$2.7M that will contribute full year estimated revenue of \$870k
- A number of material contracts were awarded during the year
 - SES Contract
 - SX Contract
 - Teletok Contract
 - AGIG Contract

PRELIMINARY FINAL REPORT
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	CONSOLIDATED 2020 \$	PARENT 2019 \$
Continuing operations			
Sales to customers		5,188,280	1,403,528
Cost of Sales		(3,787,169)	(1,109,654)
Gross Profit		1,401,111	293,874
Revenue			
R&D tax incentive claim		918,157	1,182,552
Export marketing development grant		87,774	55,310
Government covid subsidies		245,000	-
Other Income		9,391	-
Interest received		64,935	142,848
Foreign exchange gain		79,190	-
		1,404,447	1,380,710
Expenses			
Acquisition expenses		(28,808)	-
Administration expenses		(422,820)	(344,881)
Amortisation – intangibles		(77,550)	(17,863)
Compliance and legal expenses		(205,400)	(633,152)
Consultants and contractors		(559,665)	(1,284,353)
Depreciation		(1,590,639)	(244,776)
Employee expenses		(5,401,590)	(3,201,662)
Finance expenses		(180,435)	(96,207)
Foreign exchange loss		-	(42,680)
Impairment on right of use assets		(3,743,255)	-
Impairment of trade receivables		(36,428)	(136,153)
Lease amortisation		(1,197,751)	-
Lease interest charge		(217,849)	-
Loss on sale of plant & equipment		(1,548)	(2,432)
Marketing expenses		(241,801)	(155,135)
Occupancy expenses		(966,801)	(2,326,969)
Telecommunication and technology expenses		(208,455)	(188,297)
Travel Expenses		(315,292)	(373,468)
		(15,396,087)	(9,048,028)
Loss before income tax expense		(12,590,529)	(7,373,444)
Income tax expense		-	-
Total comprehensive income/ (loss) for the period		(12,590,529)	(7,373,444)
Basic earnings per share (cents per share)		(2.57)	(3.50)

The accompanying notes form part of the Statement of Comprehensive Income

**PRELIMINARY FINAL REPORT
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	CONSOLIDATED 2020 \$	PARENT 2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents		3,592,472	5,362,135
Trade and other receivables		389,726	1,046,945
Other assets		511,409	428,838
Inventory	2	1,204,672	988,342
Total Current Assets		5,698,279	7,826,260
Non-Current Assets			
Bank Guarantees	3	3,087,841	3,071,000
Plant and equipment	4	13,139,787	11,142,255
Intangible assets		1,734,707	290,459
Lease right of use assets	5	8,180,752	-
Total Non-Current Assets		26,143,087	14,503,714
TOTAL ASSETS		31,841,366	22,329,974
LIABILITIES			
Current Liabilities			
Trade and other payables	6	785,512	1,152,021
Income in advance	7	734,573	1,261,112
Borrowings	8	872,920	869,849
Provisions		143,162	84,499
Lease liabilities	5	1,104,312	-
Total Current Liabilities		3,640,479	3,367,481
Non-current Liabilities			
Borrowings	8	2,486,586	2,088,372
Lease liabilities	5	10,790,503	-
Total Non-current Liabilities		13,277,089	2,088,372
TOTAL LIABILITIES		16,917,568	5,455,853
NET ASSETS		14,923,798	16,874,121
EQUITY			
Issued capital		39,604,052	29,662,628
Option reserve		310,302	310,302
Share based payments reserve		710,403	11,621
Accumulated losses		(25,700,959)	(13,110,430)
TOTAL EQUITY		14,923,798	16,874,121

The accompanying notes form part of the Statement of Financial Position

PRELIMINARY FINAL REPORT
STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2020

	Issued Capital	Option Reserve	Share Payments Reserve	Accumulated Losses	Total
Balance at 1 July 2018	20,137,584	310,302	-	(5,736,986)	14,710,900
Total comprehensive income for the period:					
Loss for the period	-	-	-	(7,373,444)	(7,373,444)
	-	-	-	(7,373,444)	(7,373,444)
Transaction with owners in their capacity as owners:					
Issue of shares	10,309,760	-	-	-	10,309,760
Capital raising costs	(784,716)	-	-	-	(784,716)
Issue of share-based payments	-	-	11,621	-	11,621
Balance at 30 June 2019	29,662,628	310,302	11,621	(13,110,430)	16,874,121
Balance at 1 July 2019	29,662,628	310,302	11,621	(13,110,430)	16,874,121
Total comprehensive income for the period:					
Loss for the period	-	-	-	(12,590,529)	(12,590,529)
	-	-	-	(12,590,529)	(12,590,529)
Transaction with owners in their capacity as owners:					
Issue of shares	11,246,560	-	-	-	11,246,560
Capital raising costs	(1,305,136)	-	-	-	(1,305,136)
Issue of share based payments	-	-	698,782	-	698,782
Balance at 30 June 2020	39,604,052	310,302	710,403	(25,700,959)	14,923,798

The accompanying notes form part of the Statements of Changes in Equity

**PRELIMINARY FINAL REPORT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	CONSOLIDATED 2020 \$	PARENT 2019 \$
Cash flows from operating activities		
Receipts from customers	5,350,036	2,665,897
Payments to suppliers and employees	(12,526,572)	(10,775,847)
Interest received	108,790	113,157
Interest paid	(150,748)	(70,753)
R&D tax incentive claim	918,157	1,182,552
Government grants	269,774	55,310
Payment of deposit	-	(30,565)
Receipt of deposit	-	12,988
Net cash flows provided by (used in) operating activities	(6,030,563)	(6,847,261)
Cash flows from investing activities		
Payment of deposits and guarantees	(12,821)	(2,000,000)
Purchase of plant and equipment	(3,281,314)	(10,251,530)
Purchase of intangible assets	(157,201)	(163,103)
Acquisition of the assets from Data Centre 3	(2,700,000)	-
Net cash flows provided by (used in) investing activities	(6,151,336)	(12,414,633)
Cash flows from financing activities		
Proceeds from convertible notes	1,000,000	-
Proceeds from the issue of shares and options	9,903,285	10,309,760
Payment of capital raising costs	(867,772)	(692,051)
Finance Facility drawdown	1,315,885	3,447,734
Repayment of finance facility	(944,287)	(489,513)
Loans made to employee	-	(2,500)
Repayment of loans made to employees	5,125	2,875
Net cash flows provided by (used in) financing activities	10,412,236	12,576,305
Net increase / (decrease) in cash held	(1,769,663)	(6,685,589)
Cash and cash equivalents at beginning of period	5,362,135	12,047,724
Cash and cash equivalents at end of period	3,592,472	5,362,135

The accompanying notes form part of the Statement of Cash Flows

PRELIMINARY FINAL REPORT
NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

1. SEGMENT INFORMATION

The consolidated entity has adopted AASB 8 Operating Segments which requires operating segments to be identified on the basis of internal reports about components of the Consolidated Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The consolidated entity operates in one operating segment being delivery of infrastructure solutions (DXN Modules) and co-location services. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the consolidated entity.

2. INVENTORIES

	CONSOLIDATED	PARENT
	2020	2019
	\$	\$
Materials and consumables	963,376	334,450
Work in progress - Customers ¹ (Contract asset)	241,296	653,892
	<u>1,204,672</u>	<u>988,342</u>

¹ Relates to external customers

3. BANK GUARANTEES

	CONSOLIDATED	PARENT
	2020	2019
	\$	\$
9 Mumford Place, Balcatta WA ¹	76,000	76,000
5 Parkview Drive, Olympic Park, Sydney NSW ¹	507,128	495,000
286-292 Lorimer Street, Port Melbourne, Victoria ¹	504,713	500,000
ANZ Chattel Finance Facility ²	2,000,000	2,000,000
	<u>3,087,841</u>	<u>3,071,000</u>

¹ Relates to term deposits given to secure bank guarantees over leased premises. The bank guarantees are restricted cash.

² The term deposit is restricted cash and is provided as security for the ANZ Chattel Finance Facility per note 8.

PRELIMINARY FINAL REPORT
NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

4. PLANT AND EQUIPMENT

	CONSOLIDATED	PARENT
	2020	2019
	\$	\$
Plant and Equipment		
At cost	2,896,793	2,821,167
Accumulated depreciation	(464,102)	(181,472)
	<u>2,432,691</u>	<u>2,639,695</u>
DC Modules		
At cost	9,297,085	-
Accumulated depreciation	(1,114,648)	-
	<u>8,182,437</u>	<u>-</u>
ICT Hardware		
At cost	376,629	156,535
Accumulated depreciation	(139,543)	(60,842)
	<u>237,086</u>	<u>95,693</u>
Office Equipment		
At cost	86,104	81,807
Accumulated depreciation	(37,030)	(16,007)
	<u>49,074</u>	<u>65,800</u>
Motor Vehicles		
At cost	26,016	26,016
Accumulated depreciation	(5,528)	(2,276)
	<u>20,488</u>	<u>23,740</u>
Leasehold Improvements		
At cost	2,292,567	551,945
Accumulated depreciation	(91,436)	(3,630)
	<u>2,201,131</u>	<u>548,315</u>
Assets Under Construction		
At cost	16,880	7,769,012
Accumulated depreciation	-	-
	<u>16,880</u>	<u>7,769,012</u>
Total cost	14,992,074	11,406,482
Total accumulated depreciation	(1,852,287)	(264,227)
Total Written Down Value	<u>13,139,787</u>	<u>11,142,255</u>

PRELIMINARY FINAL REPORT
NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

5. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

i. Right-of-use-assets

	2020
	\$
Land & Buildings	
Balance at 1 July 2019	13,121,758
Depreciation expense for the half-year	(1,197,751)
Impairment charge	(3,743,255)
Balance at 30 June 2020	<u>8,180,752</u>

ii. Lease liabilities

Balance at 1 July 2019	13,121,758
Payments	(1,444,792)
Interest charges during period	217,849
Balance at 30 June 2020	<u>11,894,815</u>

Lease liability recognised as at 30 June 2020

Of which are:

Current lease liabilities	1,104,312
Non-current lease liabilities	10,790,503
	<u>11,894,815</u>

Amounts recognised in profit or loss

iii.

30 June 2020 – Leases under AASB 16

Interest on lease liabilities	217,849
Depreciation charge	1,197,751
Impairment charge ¹	3,743,255

¹ Impairment of the carrying value of the right-of-use asset for the Melbourne data centre facility.

6. TRADE & OTHER PAYABLES

	CONSOLIDATED	PARENT
	2020	2019
	\$	\$
Trade creditors	467,556	675,832
Other creditors & accruals	151,050	150,876
Payroll liabilities	166,906	325,313
	<u>785,512</u>	<u>1,152,021</u>

PRELIMINARY FINAL REPORT
NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

7. INCOME IN ADVANCE

	CONSOLIDATED	PARENT
	2020	2019
	\$	\$
Income in advance	734,573	1,261,112
	<u>734,573</u>	<u>1,261,112</u>

The above balance relates to amounts received in advance from external customers for the custom-built DXN data centre and cable landing station modules.

8. BORROWINGS

	CONSOLIDATED	PARENT
	2020	2019
	\$	\$
Current		
Chattel mortgage	949,296	938,047
insurance premium funding	55,026	37,684
Less: unexpired charges	(131,402)	(105,882)
	<u>872,920</u>	<u>869,849</u>
Non-Current		
Chattel mortgage	2,615,697	2,165,861
Less: unexpired charges	(129,111)	(77,489)
	<u>2,486,586</u>	<u>2,088,372</u>

9. ACQUISITIONS

18 May 2020 – Purchase of the assets and revenue of Data Centre 3 Pty Ltd from Tasmanet for \$2,700,000 cash by a newly incorporated wholly-owned subsidiary, Tas01 Pty Ltd.

The consideration of \$2.7 million was allocated as follows;

Plant & Equipment	1,332,335
Intangibles - Customer Contracts	1,342,104
Intangibles - Goodwill	25,561
	<u>2,700,000</u>

10. ASSOCIATE

Nil

**PRELIMINARY FINAL REPORT
NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

11. INVESTMENT

Nil

12. SIGNIFICANT EVENTS

Nil

13. EVENTS AFTER THE BALANCE SHEET DATE

August 25 2020 – a A\$1.5m contract was signed with Newcrest Mining to supply a prefabricated modular data centre.

14. CONTINGENT ASSETS & LIABILITIES

There is no contingent liability as at 30 June 2020 and up to the date of this report.

15. BASIS FOR PREPARATION

This preliminary final report has been prepared in accordance with ASX listing rule 4.3A and the disclosure requirements of ASX Appendix 4E. The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted in the preparation of the annual financial report.

16. UNAUDITED APPENDIX 4E

This report is in the process of being audited.

At the date of this report, the Directors are not aware of any matter that will result in a qualification of the audit report.