

## 1. Company details

|                   |                                 |
|-------------------|---------------------------------|
| Name of entity:   | DXN Limited                     |
| ABN:              | 46 620 888 548                  |
| Reporting period: | For the year ended 30 June 2022 |
| Previous period:  | For the year ended 30 June 2021 |

## 2. Results for announcement to the market

|   |    |          | \$          |
|---|----|----------|-------------|
| Revenues from ordinary activities   | up | 91.5% to | 15,386,453  |
| Loss from ordinary activities after tax attributable to the owners of DXN Limited | up | 43.4% to | (6,902,449) |
| Loss for the year attributable to the owners of DXN Limited                       | up | 43.4% to | (6,902,449) |

### 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 \$6,902,449 (30 June 2021: \$4,812,631).

## 3. Net tangible assets

|   | Reporting<br>period<br>Cents | Previous<br>period<br>Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>0.25</u>                  | <u>0.86</u>                 |

## 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 | \$110,353  |

## 5. Loss of control over entities

Not applicable.

## 6. Details of associates and joint venture entities

Not applicable.

## 7. Audit qualification or review

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

The financial statements are in the process of being audited. While the audit opinion is unlikely to be modified, it will contain an emphasis of matter paragraph related to material uncertainty regarding going concern.

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## 8. Attachments

*Details of attachments (if any):*

The Appendix 4E Preliminary Final Report of DXN Limited for the year ended 30 June 2022 is attached.

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**DXN Limited**

**ABN 46 620 888 548**

**Appendix 4E Preliminary Final Report - 30 June 2022**

|   |   |
|---|---|
| Consolidated statement of profit or loss and other comprehensive income | 2 |
| Consolidated statement of financial position                            | 3 |
| Consolidated statement of changes in equity                             | 4 |
| Consolidated statement of cash flows                                    | 5 |
| Notes to the consolidated financial statements                          | 6 |

|   | Note | Consolidated<br>2022<br>\$ | Consolidated<br>2021<br>\$ |
|---|------|----------------------------|----------------------------|
| Sales to customers  | 2    | 15,386,453                 | 8,035,137                  |
| Cost of goods sold  |      | (10,735,205)               | (5,787,131)                |
| Gross margin  |      | <u>4,651,248</u>           | <u>2,248,006</u>           |
| Other income  | 3    | 995,745                    | 4,606,247                  |
| Interest revenue calculated using the effective interest method                             |      | 650                        | 10,422                     |
| <b>Expenses</b>   |      |                            |                            |
| Acquisition expenses  |      | (10,615)                   | (54,487)                   |
| Administration expenses   |      | (352,613)                  | (463,631)                  |
| Compliance and legal expenses   |      | (559,321)                  | (365,217)                  |
| Consultants and contractors   |      | (339,445)                  | (160,486)                  |
| Depreciation and amortisation expenses  | 4    | (3,704,379)                | (4,996,766)                |
| Employee benefits expenses  |      | (4,587,134)                | (3,670,467)                |
| Impairment of assets  |      | -                          | (347,394)                  |
| Marketing expenses  |      | (18,925)                   | (1,942)                    |
| Occupancy expenses  |      | (973,130)                  | (993,353)                  |
| Research and development expenses   |      | (504,971)                  | -                          |
| Telecommunication and technology expenses   |      | (156,288)                  | (101,461)                  |
| Travel expenses   |      | (78,301)                   | (23,125)                   |
| Finance costs   | 4    | <u>(1,264,970)</u>         | <u>(498,977)</u>           |
| <b>Loss before income tax expense</b>   |      | <b>(6,902,449)</b>         | <b>(4,812,631)</b>         |
| Income tax expense  |      | -                          | -                          |
| <b>Loss after income tax expense for the year attributable to the owners of DXN Limited</b> |      | <b>(6,902,449)</b>         | <b>(4,812,631)</b>         |
| Other comprehensive income for the year, net of tax   |      | -                          | -                          |
| <b>Total comprehensive loss for the year attributable to the owners of DXN Limited</b>      |      | <b><u>(6,902,449)</u></b>  | <b><u>(4,812,631)</u></b>  |
|   |      | <b>Cents</b>               | <b>Cents</b>               |
| Basic earnings per share  | 5    | (0.50)                     | (0.45)                     |
| Diluted earnings per share  | 5    | (0.50)                     | (0.45)                     |

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

|  | Note | Consolidated<br>2022<br>\$ | Consolidated<br>2021<br>\$ |
|--|------|----------------------------|----------------------------|
| <b>Assets</b>                                  |      |                            |                            |
| <b>Current assets</b>                          |      |                            |                            |
| Cash and cash equivalents                      | 6    | 1,924,767                  | 1,663,955                  |
| Trade and other receivables                    | 7    | 649,672                    | 666,152                    |
| Inventories/work in progress                   | 8    | 1,248,380                  | 1,231,781                  |
| Other assets                                   | 10   | 134,460                    | 124,854                    |
|  |      | <u>3,957,279</u>           | <u>3,686,742</u>           |
| Non-current assets classified as held for sale |      | -                          | 544,011                    |
| Total current assets                           |      | <u>3,957,279</u>           | <u>4,230,753</u>           |
| <b>Non-current assets</b>                      |      |                            |                            |
| Property, plant and equipment                  | 11   | 7,187,578                  | 8,701,703                  |
| Right-of-use assets                            | 12   | 11,184,958                 | 8,407,598                  |
| Intangibles                                    | 13   | 3,802,763                  | 1,502,016                  |
| Bank guarantees and deposits                   | 9    | 528,917                    | 1,028,917                  |
| Other assets                                   | 10   | 608,333                    | -                          |
| Total non-current assets                       |      | <u>23,312,549</u>          | <u>19,640,234</u>          |
| <b>Total assets</b>                            |      | <u>27,269,828</u>          | <u>23,870,987</u>          |
| <b>Liabilities</b>                             |      |                            |                            |
| <b>Current liabilities</b>                     |      |                            |                            |
| Trade and other payables                       | 14   | 2,503,210                  | 2,153,523                  |
| Contract liabilities                           | 15   | 332,507                    | 387,556                    |
| Borrowings                                     | 16   | 58,971                     | 1,027,255                  |
| Lease liabilities                              | 17   | 728,679                    | 625,417                    |
| Employee benefits                              | 18   | 156,743                    | 181,290                    |
| Provisions                                     | 19   | 850,000                    | -                          |
| Total current liabilities                      |      | <u>4,630,110</u>           | <u>4,375,041</u>           |
| <b>Non-current liabilities</b>                 |      |                            |                            |
| Borrowings                                     | 16   | 4,000,000                  | 605,011                    |
| Lease liabilities                              | 17   | 10,775,981                 | 7,882,462                  |
| Employee benefits                              | 18   | 16,038                     | -                          |
| Provisions                                     | 19   | 400,000                    | -                          |
| Total non-current liabilities                  |      | <u>15,192,019</u>          | <u>8,487,473</u>           |
| <b>Total liabilities</b>                       |      | <u>19,822,129</u>          | <u>12,862,514</u>          |
| <b>Net assets</b>                              |      | <u>7,447,699</u>           | <u>11,008,473</u>          |
| <b>Equity</b>                                  |      |                            |                            |
| Issued capital                                 | 20   | 43,471,842                 | 40,345,107                 |
| Reserves                                       | 21   | 1,391,896                  | 1,176,956                  |
| Accumulated losses                             |      | <u>(37,416,039)</u>        | <u>(30,513,590)</u>        |
| <b>Total equity</b>                            |      | <u>7,447,699</u>           | <u>11,008,473</u>          |

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

| <b>Consolidated</b>  | <b>Issued<br/>capital<br/>\$</b> | <b>Reserves<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total equity<br/>\$</b> |
|--|----------------------------------|------------------------|--------------------------------------|----------------------------|
| Balance at 1 July 2020                                       | 39,604,052                       | 1,020,705              | (25,700,959)                         | 14,923,798                 |
| Loss after income tax expense for the year                   | -                                | -                      | (4,812,631)                          | (4,812,631)                |
| Other comprehensive income for the year, net of tax          | -                                | -                      | -                                    | -                          |
| Total comprehensive loss for the year                        | -                                | -                      | (4,812,631)                          | (4,812,631)                |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                        |                                      |                            |
| Issue of shares  | 732,859                          | -                      | -                                    | 732,859                    |
| Capital raising costs  | (19,519)                         | -                      | -                                    | (19,519)                   |
| Share-based payments   | -                                | 183,966                | -                                    | 183,966                    |
| Exercise of performance rights                               | 27,715                           | (27,715)               | -                                    | -                          |
| Balance at 30 June 2021                                      | <u>40,345,107</u>                | <u>1,176,956</u>       | <u>(30,513,590)</u>                  | <u>11,008,473</u>          |
| <b>Consolidated</b>  | <b>Issued<br/>capital<br/>\$</b> | <b>Reserves<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total equity<br/>\$</b> |
| Balance at 1 July 2021                                       | 40,345,107                       | 1,176,956              | (30,513,590)                         | 11,008,473                 |
| Loss after income tax expense for the year                   | -                                | -                      | (6,902,449)                          | (6,902,449)                |
| Other comprehensive income for the year, net of tax          | -                                | -                      | -                                    | -                          |
| Total comprehensive loss for the year                        | -                                | -                      | (6,902,449)                          | (6,902,449)                |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                        |                                      |                            |
| Issue of shares  | 3,343,967                        | -                      | -                                    | 3,343,967                  |
| Capital raising costs  | (217,232)                        | 32,667                 | -                                    | (184,565)                  |
| Share-based payments   | -                                | 182,273                | -                                    | 182,273                    |
| Balance at 30 June 2022                                      | <u>43,471,842</u>                | <u>1,391,896</u>       | <u>(37,416,039)</u>                  | <u>7,447,699</u>           |

|  | Note | Consolidated<br>2022<br>\$ | 2021<br>\$         |
|--|------|----------------------------|--------------------|
| <b>Cash flows from operating activities</b>                      |      |                            |                    |
| Receipts from customers  |      | 16,630,159                 | 7,264,873          |
| Payments to suppliers and employees                              |      | (17,888,368)               | (11,056,801)       |
| R&D tax incentive claim  |      | 826,741                    | 725,766            |
| Government grants  |      | 66,162                     | 454,000            |
| Interest received  |      | 650                        | 19,141             |
| Interest paid  |      | (16,353)                   | (70,520)           |
| Other income   |      | 2,034                      | -                  |
|  |      | <u>(378,975)</u>           | <u>(2,663,541)</u> |
| <b>Cash flows from investing activities</b>                      |      |                            |                    |
| Payments associated with the acquisition of business             | 25   | (3,816,574)                | -                  |
| Payments for plant and equipment                                 |      | (24,334)                   | (140,112)          |
| Payments for intangible assets                                   |      | (25,272)                   | (39,036)           |
| Proceeds from release of deposits and guarantees                 |      | -                          | 2,058,925          |
|  |      | <u>(3,866,180)</u>         | <u>1,879,777</u>   |
| <b>Cash flows from financing activities</b>                      |      |                            |                    |
| Proceeds from issue of shares and options                        | 20   | 3,143,967                  | 732,860            |
| Payment of capital raising costs                                 | 20   | (202,230)                  | (19,520)           |
| Finance facility drawn down                                      |      | 4,000,000                  | 1,179,429          |
| Repayment of finance facility                                    |      | (1,867,716)                | (3,037,522)        |
| Transaction costs related to loans and borrowings                |      | (567,210)                  | -                  |
|  |      | <u>4,506,811</u>           | <u>(1,144,753)</u> |
| Net increase/(decrease) in cash and cash equivalents             |      | 261,656                    | (1,928,517)        |
| Cash and cash equivalents at the beginning of the financial year |      | 1,663,955                  | 3,592,472          |
| Effects of exchange rate changes on cash and cash equivalents    |      | (844)                      | -                  |
|  |      | <u>1,924,767</u>           | <u>1,663,955</u>   |
| Cash and cash equivalents at the end of the financial year       | 6    | <u>1,924,767</u>           | <u>1,663,955</u>   |

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

## Note 1. 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 who account for 33% and 25% (2021: 2 customers; 25% and 22%) of the external revenue. The next most significant customer accounts for 24% (2021: 10%) of the external revenue.

#### Data centre operations

The Group supplies 1 single external customer which accounts for 42% (2021: 1 customer; 92%) of the total segment revenue.

There were no intersegment sales during the reporting periods.

### Operating segment information

|                                       | Data centre<br>manufacturing<br>\$ | Data centre<br>operations<br>\$ | Other<br>(Corporate)<br>\$ | Total<br>\$        |
|---------------------------------------|------------------------------------|---------------------------------|----------------------------|--------------------|
| <b>Consolidated - 2022</b>            |                                    |                                 |                            |                    |
| <b>Revenue</b>                        |                                    |                                 |                            |                    |
| Revenue from external customers       | 13,131,413                         | 2,255,040                       | -                          | 15,386,453         |
| Other income                          | 17,237                             | 36,733                          | 941,775                    | 995,745            |
| <b>Total revenue</b>                  | <u>13,148,650</u>                  | <u>2,291,773</u>                | <u>941,775</u>             | <u>16,382,198</u>  |
| <b>Results</b>                        |                                    |                                 |                            |                    |
| Profit/(loss) before income tax       | 1,083,518                          | (4,102,686)                     | (3,883,281)                | (6,902,449)        |
| Income tax                            | -                                  | -                               | -                          | -                  |
| <b>Profit/(loss) after income tax</b> | <u>1,083,518</u>                   | <u>(4,102,686)</u>              | <u>(3,883,281)</u>         | <u>(6,902,449)</u> |
| <b>Assets</b>                         |                                    |                                 |                            |                    |
| Segment assets                        | 3,320,218                          | 21,697,912                      | 2,251,698                  | 27,269,828         |
| <b>Total assets</b>                   |                                    |                                 |                            | <u>27,269,828</u>  |
| <b>Liabilities</b>                    |                                    |                                 |                            |                    |
| Segment liabilities                   | 3,599,571                          | 11,394,313                      | 4,828,245                  | 19,822,129         |
| <b>Total liabilities</b>              |                                    |                                 |                            | <u>19,822,129</u>  |

Note 1. Operating segments (continued)

| Consolidated - 2021                   | Data centre<br>manufacturing<br>\$ | Data centre<br>operations<br>\$ | Other<br>(Corporate)<br>\$ | Total<br>\$        |
|---------------------------------------|------------------------------------|---------------------------------|----------------------------|--------------------|
| <b>Revenue</b>                        |                                    |                                 |                            |                    |
| Revenue from external customers       | 7,050,936                          | 984,201                         | -                          | 8,035,137          |
| Other income                          | -                                  | 43,696                          | 4,562,551                  | 4,606,247          |
| <b>Total revenue</b>                  | <u>7,050,936</u>                   | <u>1,027,897</u>                | <u>4,562,551</u>           | <u>12,641,384</u>  |
| <b>Results</b>                        |                                    |                                 |                            |                    |
| Profit/(loss) before income tax       | 849,864                            | (5,166,389)                     | (496,106)                  | (4,812,631)        |
| Income tax                            | -                                  | -                               | -                          | -                  |
| <b>Profit/(loss) after income tax</b> | <u>849,864</u>                     | <u>(5,166,389)</u>              | <u>(496,106)</u>           | <u>(4,812,631)</u> |
| <b>Assets</b>                         |                                    |                                 |                            |                    |
| Segment assets                        | 2,639,828                          | 18,463,810                      | 2,767,349                  | 23,870,987         |
| <b>Total assets</b>                   |                                    |                                 |                            | <u>23,870,987</u>  |
| <b>Liabilities</b>                    |                                    |                                 |                            |                    |
| Segment liabilities                   | 1,781,997                          | 9,631,800                       | 1,448,717                  | 12,862,514         |
| <b>Total liabilities</b>              |                                    |                                 |                            | <u>12,862,514</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 2. Revenue

|  | Consolidated<br>2022<br>\$ | 2021<br>\$       |
|--|----------------------------|------------------|
| <i>Revenue from contracts with customers</i> |                            |                  |
| Sales to customers                           | <u>15,386,453</u>          | <u>8,035,137</u> |

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

All revenue is derived in Australia.

### Note 3. Other income

|  | Consolidated   |                  |
|--|----------------|------------------|
|  | 2022           | 2021             |
|  | \$             | \$               |
| Research and development tax incentive claim | 826,741        | 725,766          |
| Export marketing development grant           | 50,959         | 100,000          |
| Government wage subsidies                    | 17,237         | -                |
| Government grants (COVID-19)                 | -              | 291,000          |
| Net foreign exchange gain                    | 63,475         | -                |
| Other  | 37,333         | 187,048          |
| Lease liability reversed <sup>1</sup>        | -              | 3,302,433        |
|  | <u>995,745</u> | <u>4,606,247</u> |

<sup>1</sup> Liability reversal of the carrying value of the liability for the Melbourne data centre facility.

### Note 4. Expenses

|  | Consolidated     |                  |
|--|------------------|------------------|
|  | 2022             | 2021             |
|  | \$               | \$               |
| Loss before income tax includes the following specific expenses:       |                  |                  |
| <i>Depreciation</i>  |                  |                  |
| Depreciation - property, plant and equipment                           | 2,280,549        | 3,903,980        |
| Depreciation - right-of-use assets                                     | 823,228          | 599,555          |
| Total depreciation   | <u>3,103,777</u> | <u>4,503,535</u> |
| <i>Amortisation</i>  |                  |                  |
| Amortisation - intangibles   | 600,602          | 493,231          |
| Total depreciation and amortisation                                    | <u>3,704,379</u> | <u>4,996,766</u> |
| <i>Finance costs</i>   |                  |                  |
| Interest and finance charges paid/payable on borrowings                | 491,562          | 203,495          |
| Interest and finance charges paid/payable on lease liabilities         | 773,408          | 295,482          |
|  | <u>1,264,970</u> | <u>498,977</u>   |
| <i>Net foreign exchange loss (included in administration expenses)</i> |                  |                  |
| Net foreign exchange loss  | -                | 92,142           |
| <i>Leases</i>  |                  |                  |
| Short term lease payments  | 140,874          | 87,461           |
| <i>Superannuation expense</i>  |                  |                  |
| Defined contribution superannuation expense                            | 308,008          | 285,133          |
| <i>Employee benefits expense excluding superannuation</i>              |                  |                  |
| Employee benefits expense excluding superannuation                     | <u>4,279,126</u> | <u>3,385,334</u> |

**Note 5. Earnings per share**

|   | Consolidated<br>2022<br>\$ | 2021<br>\$           |
|---|----------------------------|----------------------|
| Loss after income tax attributable to the owners of DXN Limited                           | <u>(6,902,449)</u>         | <u>(4,812,631)</u>   |
|   | Number                     | Number               |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>1,385,110,988</u>       | <u>1,069,101,004</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>1,385,110,988</u>       | <u>1,069,101,004</u> |
|   | Cents                      | Cents                |
| Basic earnings per share  | (0.50)                     | (0.45)               |
| Diluted earnings per share  | (0.50)                     | (0.45)               |

At 30 June 2022 and 30 June 2021, 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.

**Note 6. Cash and cash equivalents**

|                          | Consolidated<br>2022<br>\$ | 2021<br>\$       |
|--------------------------|----------------------------|------------------|
| <i>Current assets</i>    |                            |                  |
| Cash at bank and on hand | <u>1,924,767</u>           | <u>1,663,955</u> |

**Note 7. Trade and other receivables**

|  | Consolidated<br>2022<br>\$ | 2021<br>\$     |
|--|----------------------------|----------------|
| <i>Current assets</i>                      |                            |                |
| Trade receivables                          | 635,390                    | 666,018        |
| Less: Allowance for expected credit losses | <u>-</u>                   | <u>-</u>       |
|  | <u>635,390</u>             | <u>666,018</u> |
| Interest receivable                        | -                          | 134            |
| GST receivable                             | <u>14,282</u>              | <u>-</u>       |
|  | <u>649,672</u>             | <u>666,152</u> |

*Allowance for expected credit losses*

The Group has recognised a loss of \$nil profit or loss in respect of the expected credit losses for the year ended 30 June 2022 and 30 June 2021.

### Note 7. Trade and other receivables (continued)

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 |          |
|---------------|---------------------------|------|-----------------|----------------|--------------------------------------|----------|
|               | 2022                      | 2021 | 2022            | 2021           | 2022                                 | 2021     |
|               | %                         | %    | \$              | \$             | \$                                   | \$       |
| 0 to 30 days  | -                         | -    | 314,975         | 574,598        | -                                    | -        |
| 30 to 60 days | -                         | -    | 8,416           | 91,420         | -                                    | -        |
| 60 to 90 days | -                         | -    | -               | -              | -                                    | -        |
| over 90 days  | -                         | -    | 311,999         | -              | -                                    | -        |
|               |                           |      | <u>635,390</u>  | <u>666,018</u> | <u>-</u>                             | <u>-</u> |

### Note 8. Inventories/work in progress

|  | Consolidated     |                  |
|--|------------------|------------------|
|  | 2022             | 2021             |
|  | \$               | \$               |
| <i>Current assets</i>                                      |                  |                  |
| Materials and consumables                                  | 467,366          | 660,956          |
| Work in progress - Customers (contract asset) <sup>1</sup> | 781,014          | 570,825          |
|  | <u>1,248,380</u> | <u>1,231,781</u> |

<sup>1</sup> Relates to external customers.

### Note 9. Bank guarantees and deposits

|   | Consolidated   |                  |
|---|----------------|------------------|
|   | 2022           | 2021             |
|   | \$             | \$               |
| 5 Parkview Drive, Olympic Park, Sydney NSW <sup>1,2</sup>       | 495,000        | 495,000          |
| 286-292 Lorimer Street, Port Melbourne, Victoria <sup>1,3</sup> | -              | 500,000          |
| 3 Dampier Road, Welshpool, WA <sup>1,2</sup>                    | 33,917         | 33,917           |
|   | <u>528,917</u> | <u>1,028,917</u> |

<sup>1</sup> Relates to term deposits given to secure bank guarantees at 30 June 2021 over leased premises. The bank guarantees are classified as restricted cash.

<sup>2</sup> Relates to deposits given to landlords' legal representatives at 30 June 2022 over leased premises. These deposits are held in solicitor trust accounts and are classified as restricted cash.

<sup>3</sup> This bank guarantee was surrendered to the landlords as a payment in lieu of outstanding rent when the Melbourne data centre lease dispute was resolved in December 2021.

**Note 10. Other assets**

|  | Consolidated<br>2022<br>\$ | 2021<br>\$     |
|--|----------------------------|----------------|
| <i>Current assets</i>  |                            |                |
| Prepayments  | 120,904                    | 111,298        |
| Other deposits   | 13,556                     | 13,556         |
|  | <u>134,460</u>             | <u>124,854</u> |
| <i>Non-current assets</i>  |                            |                |
| Other non-current assets (Borrowing costs capitalised net of amortisation) | 608,333                    | -              |
|  | <u>742,793</u>             | <u>124,854</u> |

**Note 11. Property, plant and equipment**

|                                  | Consolidated<br>2022<br>\$ | 2021<br>\$       |
|----------------------------------|----------------------------|------------------|
| <i>Non-current assets</i>        |                            |                  |
| Leasehold improvements - at cost | 3,045,118                  | 2,285,853        |
| Less: Accumulated depreciation   | (525,257)                  | (469,702)        |
|                                  | <u>2,519,861</u>           | <u>1,816,151</u> |
| Plant and equipment - at cost    | 286,054                    | 260,685          |
| Less: Accumulated depreciation   | (151,425)                  | (116,195)        |
|                                  | <u>134,629</u>             | <u>144,490</u>   |
| Motor vehicles - at cost         | 26,016                     | 26,016           |
| Less: Accumulated depreciation   | (12,050)                   | (8,780)          |
|                                  | <u>13,966</u>              | <u>17,236</u>    |
| Office equipment - at cost       | 61,126                     | 61,126           |
| Less: Accumulated depreciation   | (50,558)                   | (37,678)         |
|                                  | <u>10,568</u>              | <u>23,448</u>    |
| DC modules - at cost             | 10,415,688                 | 11,227,465       |
| Less: Accumulated depreciation   | (5,965,865)                | (4,608,445)      |
|                                  | <u>4,449,823</u>           | <u>6,619,020</u> |
| ICT hardware - at cost           | 340,736                    | 340,736          |
| Less: Accumulated depreciation   | (282,005)                  | (259,378)        |
|                                  | <u>58,731</u>              | <u>81,358</u>    |
|                                  | <u>7,187,578</u>           | <u>8,701,703</u> |

## Note 12. Right-of-use assets

|                                   | Consolidated<br>2022<br>\$ | 2021<br>\$       |
|-----------------------------------|----------------------------|------------------|
| <i>Non-current assets</i>         |                            |                  |
| Land and buildings - right-of-use | 12,178,466                 | 13,948,160       |
| Less: Accumulated depreciation    | (993,508)                  | (1,797,307)      |
| Less: Impairment                  | -                          | (3,743,255)      |
|                                   | <u>11,184,958</u>          | <u>8,407,598</u> |

Right-of-use assets relate to leased properties in Perth, Darwin, Sydney and Hobart.

The Group leases land and buildings under agreements of between three to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

All account balances associated with the Melbourne property were reversed during the year following resolution of the dispute with the landlord.

## Note 13. Intangibles

|                                  | Consolidated<br>2022<br>\$ | 2021<br>\$       |
|----------------------------------|----------------------------|------------------|
| <i>Non-current assets</i>        |                            |                  |
| Goodwill - at cost               | 1,986,421                  | 25,541           |
| Software development - at cost   | 38,970                     | 494,031          |
| Patents and trademarks - at cost | 36,480                     | 36,480           |
| Less: Accumulated amortisation   | (8,390)                    | (6,430)          |
|                                  | <u>28,090</u>              | <u>30,050</u>    |
| Software - at cost               | 232,167                    | 203,855          |
| Less: Accumulated amortisation   | (135,539)                  | (93,282)         |
|                                  | <u>96,628</u>              | <u>110,573</u>   |
| Customer contracts - at cost     | 2,703,418                  | 1,342,104        |
| Less: Accumulated amortisation   | (1,050,764)                | (500,283)        |
|                                  | <u>1,652,654</u>           | <u>841,821</u>   |
|                                  | <u>3,802,763</u>           | <u>1,502,016</u> |

Goodwill Goodwill on the acquisition of assets and revenue of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd and acquisition of Secure Data Centre - Darwin during FY22.

Software development Relates to the development costs spent to date on IoT software.

Patents and trademarks Relates to patents and is amortised over the estimated useful life of the patents.

Software Relates to acquired software.

Customer contracts Relates to the minimum contracted revenues / EBITDA in relation to the acquisition of DC module assets of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd and customer contracts acquired from the purchase of Secure Data Centre – Darwin during FY22.

**Note 14. Trade and other payables**

|  | Consolidated     |                  |
|--|------------------|------------------|
|  | 2022             | 2021             |
|  | \$               | \$               |
| <i>Current liabilities</i>               |                  |                  |
| Trade payables                           | 2,152,202        | 1,354,906        |
| GST payable                              | -                | 102,614          |
| Payroll liabilities                      | 162,552          | 424,402          |
| Other payables and accruals <sup>1</sup> | 188,456          | 271,601          |
|  | <u>2,503,210</u> | <u>2,153,523</u> |

*Terms and conditions*

<sup>1</sup> Other payables are non-interest bearing have no fixed repayment terms.

**Note 15. Contract liabilities**

|                                   | Consolidated   |                |
|-----------------------------------|----------------|----------------|
|                                   | 2022           | 2021           |
|                                   | \$             | \$             |
| <i>Current liabilities</i>        |                |                |
| Contract liabilities <sup>1</sup> | <u>332,507</u> | <u>387,556</u> |

<sup>1</sup> Relates to amounts received in advance from external customers for the custom-built DXN data centre and cable landing station modules.

**Note 16. Borrowings**

|  | Consolidated     |                  |
|--|------------------|------------------|
|  | 2022             | 2021             |
|  | \$               | \$               |
| <i>Current liabilities</i>                 |                  |                  |
| Export finance loan <sup>1</sup>           | -                | 639,364          |
| Insurance premium funding                  | 60,855           | 54,765           |
| Chattel mortgage <sup>2</sup>              | -                | 366,145          |
| Less: Unexpired charges                    | (1,884)          | (33,019)         |
|  | <u>58,971</u>    | <u>1,027,255</u> |
| <i>Non-current liabilities</i>             |                  |                  |
| Chattel mortgage <sup>2</sup>              | -                | 628,384          |
| Less: Unexpired charges                    | -                | (23,373)         |
| Pure Asset Management Pty Ltd <sup>3</sup> | 4,000,000        | -                |
|  | <u>4,000,000</u> | <u>605,011</u>   |
|  | <u>4,058,971</u> | <u>1,632,266</u> |

**Note 16. Borrowings (continued)**

- <sup>1</sup> \$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%).
- <sup>2</sup> 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).
- <sup>3</sup> \$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. This facility is subject to financial covenants, where a breach of a covenant can lead to an 'Event of Default'. As at 30 June 2022, there was no 'Event of Default'.

However, in late July 2022, DXN reported a breach of a financial covenant to Pure, where the Group's cash balance had fallen below \$1,250,000. On 5 August 2022, Pure provided a waiver for the breach of the covenant, subject to DXN executing the following agreements:

- i) a business purchase agreement in relation to the main assets and undertaking of the Group; and
- ii) an underwriting agreement between the Borrower and the Lender in connection with the proposed \$2,125,000 share placement by the Borrower, each in a form satisfactory to the Lender.

As announced to the market on 5 August 2022, both agreements were successfully executed. Additionally, Pure amended the Facility Agreement by increasing the level of cash required under its financial covenant to \$1,600,000.

*Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

|                               | Consolidated<br>2022 | 2021             |
|-------------------------------|----------------------|------------------|
|                               | \$                   | \$               |
| Total facilities              |                      |                  |
| Export finance loan           | -                    | 1,003,000        |
| Insurance premium funding     | 60,855               | 54,765           |
| Chattel mortgage              | -                    | 971,000          |
| Pure Asset Management Pty Ltd | 4,000,000            | -                |
|                               | <u>4,060,855</u>     | <u>2,028,765</u> |
| Used at the reporting date    |                      |                  |
| Export finance loan           | -                    | 639,364          |
| Insurance premium funding     | 60,855               | 54,765           |
| Chattel mortgage              | -                    | 994,529          |
| Pure Asset Management Pty Ltd | 4,000,000            | -                |
|                               | <u>4,060,855</u>     | <u>1,688,658</u> |
| Unused at the reporting date  |                      |                  |
| Export finance loan           | -                    | 363,636          |
| Insurance premium funding     | -                    | -                |
| Chattel mortgage              | -                    | -                |
| Pure Asset Management Pty Ltd | -                    | -                |
|                               | <u>-</u>             | <u>363,636</u>   |

#### Note 17. Lease liabilities

|                                | Consolidated<br>2022<br>\$ | 2021<br>\$       |
|--------------------------------|----------------------------|------------------|
| <i>Current liabilities</i>     |                            |                  |
| Lease liability                | 728,679                    | 625,417          |
| <i>Non-current liabilities</i> |                            |                  |
| Lease liability                | 10,775,981                 | 7,882,462        |
|                                | <u>11,504,660</u>          | <u>8,507,879</u> |

#### Note 18. Employee benefits

|                                | Consolidated<br>2022<br>\$ | 2021<br>\$     |
|--------------------------------|----------------------------|----------------|
| <i>Current liabilities</i>     |                            |                |
| Annual leave                   | 156,743                    | 181,290        |
| <i>Non-current liabilities</i> |                            |                |
| Long service leave             | 16,038                     | -              |
|                                | <u>172,781</u>             | <u>181,290</u> |

#### Note 19. Provisions

|                                     | Consolidated<br>2022<br>\$ | 2021<br>\$ |
|-------------------------------------|----------------------------|------------|
| <i>Current liabilities</i>          |                            |            |
| Warranty retention <sup>1</sup>     | 850,000                    | -          |
| <i>Non-current liabilities</i>      |                            |            |
| Provision for warrants <sup>2</sup> | 400,000                    | -          |
|                                     | <u>1,250,000</u>           | <u>-</u>   |

<sup>1</sup> 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.

<sup>2</sup> 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.

#### Movements in provisions

Movements in each class of provision during the current financial year are set out below:

|  | Warranty<br>retention<br>\$ | Provision for<br>warrants<br>\$ |
|--|-----------------------------|---------------------------------|
| <b>Consolidated - 2022</b>               |                             |                                 |
| Carrying amount at the start of the year | -                           | -                               |
| Additional provisions recognised         | 850,000                     | 400,000                         |
| Carrying amount at the end of the year   | <u>850,000</u>              | <u>400,000</u>                  |

## Note 20. Issued capital

|                              | 2022<br>Shares | Consolidated<br>2021<br>Shares | 2022<br>\$ | 2021<br>\$ |
|------------------------------|----------------|--------------------------------|------------|------------|
| 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 2020       | 1,050,552,642 |             | 39,604,052 |
| Issue of shares - exercise of options            | 15 July 2020      | 5,000,000     | \$0.020     | 100,000    |
| Issue of shares - exercise of options            | 25 August 2020    | 159,120       | \$0.020     | 3,182      |
| Issue of shares - exercise of options            | 8 September 2020  | 5,000,000     | \$0.020     | 100,000    |
| Issue of shares - exercise of options            | 18 September 2020 | 18,850        | \$0.020     | 377        |
| Issue of shares - exercise of options            | 28 September 2020 | 65,000        | \$0.020     | 1,300      |
| Issue of shares - exercise of performance rights | 24 December 2020  | 111,111       | \$0.000     | 5,889      |
| Issue of shares - exercise of performance rights | 12 March 2021     | 411,813       | \$0.000     | 21,826     |
| Issue of shares - placement                      | 15 April 2021     | 44,000,000    | \$0.012     | 528,000    |
| Capital raising costs                            |                   | -             |             | (19,519)   |
| Balance  | 30 June 2021      | 1,105,318,536 |             | 40,345,107 |
| Issue of shares - placement                      | 10 September 2021 | 182,662,966   | \$0.009     | 1,643,967  |
| 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                            |                   | -             |             | (184,565)  |
| Capital raising costs - share based payments     |                   | -             |             | (32,667)   |
| Balance  | 30 June 2022      | 1,471,314,836 |             | 43,471,842 |

### Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Share buy-back

There is no current on-market share buy-back.

## Note 21. Reserves

|                              | Consolidated<br>2022<br>\$ | 2021<br>\$       |
|------------------------------|----------------------------|------------------|
| Share-based payments reserve | 1,081,594                  | 866,654          |
| Option reserve               | 310,302                    | 310,302          |
|                              | <u>1,391,896</u>           | <u>1,176,956</u> |

### Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

## Note 21. Reserves (continued)

### Option reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

### Movements in reserves

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

| <b>Consolidated</b>                  | Share-based<br>payments<br>\$ | Option<br>\$   | Total<br>\$      |
|--------------------------------------|-------------------------------|----------------|------------------|
| Balance at 1 July 2020               | 710,403                       | 310,302        | 1,020,705        |
| Employee equity settled transactions | 183,966                       | -              | 183,966          |
| Reclassified to issued capital       | (27,715)                      | -              | (27,715)         |
| Balance at 30 June 2021              | 866,654                       | 310,302        | 1,176,956        |
| Capital raising costs                | 32,667                        | -              | 32,667           |
| Share-based payments                 | 182,273                       | -              | 182,273          |
| Balance at 30 June 2022              | <u>1,081,594</u>              | <u>310,302</u> | <u>1,391,896</u> |

## Note 22. Dividends

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

## Note 23. Contingent liabilities

|   | <b>Consolidated</b> |                  |
|---|---------------------|------------------|
|   | <b>2022</b>         | <b>2021</b>      |
|   | \$                  | \$               |
| 5 Parkview Drive, Olympic Park, Sydney NSW <sup>1, 2</sup>    | 495,000             | 495,000          |
| 286-292 Lorimer Street, Port Melbourne, Victoria <sup>1</sup> | -                   | 500,000          |
| 3 Dampier Road, Welshpool, WA <sup>1, 2</sup>                 | 33,917              | 33,917           |
|   | <u>528,917</u>      | <u>1,028,917</u> |

<sup>1</sup> Relates to term deposits as at 30 June 2021 given to secure bank guarantees over leased premises. The bank guarantees are restricted cash.

<sup>2</sup> Relates to deposits given to landlords' legal representatives at 30 June 2022 over leased premises. These deposits are held in solicitor trust accounts and are classified as restricted cash.

In the 2021 Annual Report, a contingent liability of \$3,300,000 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 24. Parent entity information

Set out below is the supplementary information about the parent entity.

### Statement of profit or loss and other comprehensive income

|                          | Parent             |                    |
|--------------------------|--------------------|--------------------|
|                          | 2022               | 2021               |
|                          | \$                 | \$                 |
| Loss after income tax    | (6,970,609)        | (4,735,836)        |
| Total comprehensive loss | <u>(6,970,609)</u> | <u>(4,735,836)</u> |

### Statement of financial position

|                              | Parent                  |                          |
|------------------------------|-------------------------|--------------------------|
|                              | 2022                    | 2021                     |
|                              | \$                      | \$                       |
| Total current assets         | <u>3,685,138</u>        | <u>4,587,496</u>         |
| Total assets                 | <u>24,644,145</u>       | <u>23,082,605</u>        |
| Total current liabilities    | <u>4,399,581</u>        | <u>4,129,722</u>         |
| Total liabilities            | <u>17,161,867</u>       | <u>11,971,393</u>        |
| Equity                       |                         |                          |
| Issued capital               | 43,471,842              | 40,345,107               |
| Share-based payments reserve | 1,081,594               | 866,654                  |
| Option reserve               | 310,302                 | 310,302                  |
| Accumulated losses           | <u>(37,381,460)</u>     | <u>(30,410,851)</u>      |
| Total equity                 | <u><u>7,482,278</u></u> | <u><u>11,111,212</u></u> |

### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

### Contingent liabilities

Apart from the deposits disclosed at note 23, the parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

**Note 25. Business combinations**

**Acquisitions during the year ended 30 June 2022**

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. This is a data centre business and operates in the 'Data centre operations' division of the Group.

The acquired business contributed revenues of \$1,159,159 and profit after tax of \$110,353 to the Group for the period from 18 October 2021 to 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contributions would have been revenues of \$1,725,407 and profit after tax of \$317,059. The values identified in relation to the acquisition are final as at 30 June 2022.

Details of the acquisition are as follows:

|   | <b>Fair value</b><br>\$ |
|---|-------------------------|
| Cash and cash equivalents   | 196,942                 |
| Trade receivables   | 139,727                 |
| Leasehold improvements  | 757,400                 |
| Plant and equipment   | 2,900                   |
| DC Modules  | 753,110                 |
| Software  | 2,391                   |
| Customer contracts  | 1,361,314               |
| Trade and other payables  | <u>(111,148)</u>        |
| Net assets acquired   | 3,102,636               |
| Goodwill  | <u>1,960,880</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 30 June 2022 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  | <u>(850,000)</u>        |
| Net cash used   | <u><u>3,816,574</u></u> |

**Note 25. Business combinations (continued)**

During the year ended the 30 June 2022, the valuation was completed and the acquisition date fair value of the assets was adjusted as follows:

|                        | 30 June<br>2022<br>\$ | 31 December<br>2021<br>\$ | Increase/<br>(decrease)<br>\$ |
|------------------------|-----------------------|---------------------------|-------------------------------|
| Leasehold improvements | 757,400               | 466,916                   | 290,484                       |
| Plant and equipment    | 2,900                 | 159,530                   | (156,630)                     |
| DC Modules             | 753,110               | 637,805                   | 115,305                       |
| Goodwill               | 1,960,880             | 2,210,039                 | (249,159)                     |
|                        | <u>3,474,290</u>      | <u>3,474,290</u>          | <u>-</u>                      |

**Note 26. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in :

| Name                       | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|----------------------------|---|--------------------|-----------|
|                            |   | 2022<br>%          | 2021<br>% |
| Tas01 Pty Ltd              | Tasmania, Australia                                       | 100%               | 100%      |
| Secure Data Centre Pty Ltd | Northern Territory, Australia                             | 100%               | -         |
| SDC Trust                  | Northern Territory, Australia                             | 100%               | -         |