



DXN

DXN Limited
(formerly The Data Exchange Network Limited)
(ACN 620 888 548)

ANNUAL REPORT

For the year ended 30 June 2020



GIVING YOU THE EDGE

We believe in challenging
the status quo of how
modern data centres
enable the EDGE

**RAPID
DEPLOYMENT**

MODULAR

DIFFERENT

CONTENTS

Corporate Directory.....	4
CEO Report.....	6
Directors Report	10
Auditor's Independence Declaration	29
Statement of Profit or Loss and Other Comprehensive Income.....	30
Statement of Financial Position.....	31
Statement of Changes in Equity	32
Statement of Cash Flows	33
Notes to the Financial Statements.....	34
Directors' Declaration.....	74
Independent Audit Report.....	75
Corporate Governance Statement.....	80
Additional Shareholder Information	84

CORPORATE DIRECTORY



NON- EXECUTIVE CHAIRMAN

John Baillie

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Matthew Madden

NON-EXECUTIVE DIRECTORS

Richard Carden

COMPANY SECRETARY

George Lazarou

REGISTERED OFFICE

5 Parkview Drive
SYDNEY OLYMPIC PARK NSW 2127
Telephone: 1300 328 2390

PRINCIPAL OFFICE

9 Mumford Place
BALCATT A WA 6021
Telephone: +61 8 9288 1870

AUDITORS

Moore Australia Audit (WA)
Level 15 Exchange Tower
2 The Esplanade
PERTH WA 6000
Telephone: +61 8 9225 5355

SHARE REGISTRAR

Automic Pty Ltd
Level 2
267 St Georges Terrace
PERTH WA 6000
Telephone: 1300 288 664

SOLICITORS

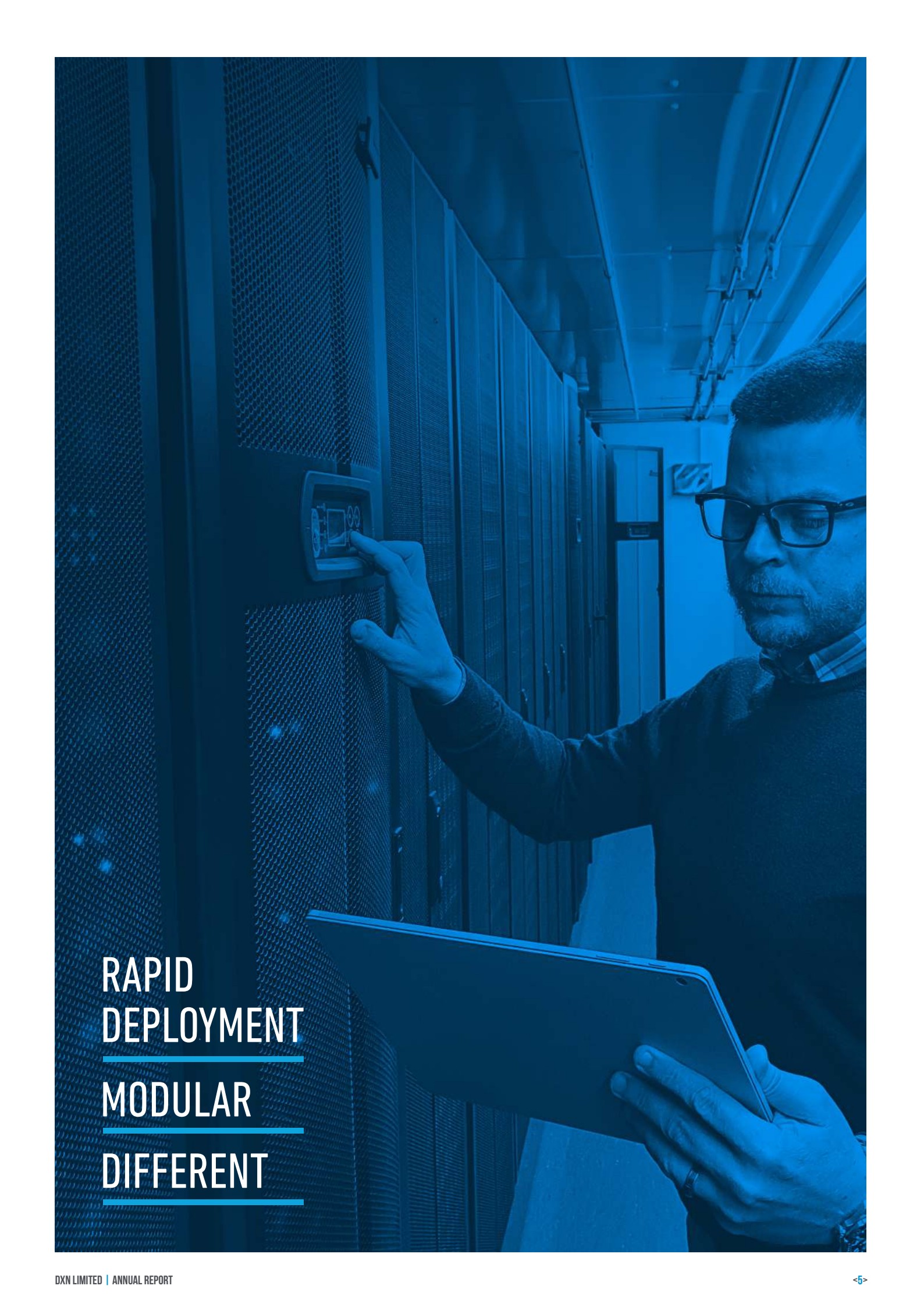
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000
Telephone: +61 8 9321 4000

BANKERS

ANZ
15 Hutton Street
OSBORNE PARK WA 6017

STOCK EXCHANGE LISTING

Australian Securities Exchange
(Home Exchange: Perth,
Western Australia)
Code: DXN, DXNO, DXNOD

A man with glasses and a dark sweater is standing in a server room. He is holding a tablet in his left hand and touching a control panel on a server rack with his right hand. The server racks are blue and have a perforated metal mesh. The background shows a long aisle of server racks with a door at the end. The entire image has a blue tint.

**RAPID
DEPLOYMENT**

MODULAR

DIFFERENT

CEO REPORT

ON BEHALF OF DXN LIMITED, WE WELCOME OUR SHAREHOLDERS TO THIS YEAR'S ANNUAL REPORT, WHICH COVERS THE 12-MONTH FINANCIAL REPORTING PERIOD ENDING 30 JUNE 2020.

THIS YEAR'S FINANCIAL REPORT DETAILS A YEAR OF IMPROVEMENT FOR DXN, INCLUDING IMPROVED SALES, INFRASTRUCTURE DEVELOPMENT AND REVENUE GROWTH.

DXN is Asia Pacific's only vertically integrated manufacturer and operator of modular data centres our core business is designing, engineering, manufacturing, maintenance and operation of Data Centres.

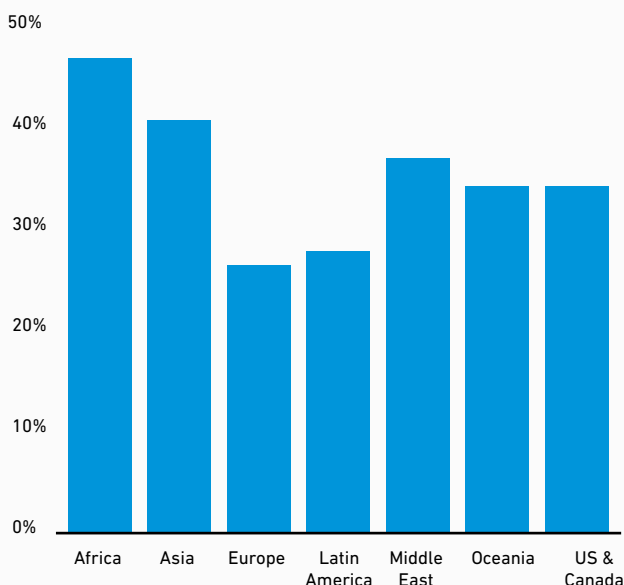
The global pandemic caused by Covid19 has fast tracked demand across the Internet and the infrastructure that supports it. According to TeleGeography Global internet bandwidth rose last year by 35%, a substantial increase over the previous year's "modest" 26%.



"DXN limited is here to define the EDGE by bringing critical communication infrastructure closer to our customers."

Matthew Madden
CEO

Compound Annual Growth Rate, 2016 - 2020



Note: Data as of mid-year

Source: TeleGeography

© 2020 PriMetrica

Driven largely by the response to the COVID-19 pandemic, this represents the largest one year increase since 2013, and has driven up the most recent four-year CAGR to 29%.

Africa and Asia are now growing at a CAGR that exceeds 40% whilst Oceania which includes the Australia, New Zealand and the Pacific Islands are growing at a compound average growth rate (CAGR) of 32% .

The pandemic and the resultant stay-at-home activity has had a pronounced impact on traffic. In 2020 alone, average international internet traffic has increased 48%¹.

All the major regions of the world now show internet traffic growth outpacing capacity growth in 2020. Whilst the global infrastructure to date has largely coped with the increased demand it has now pulled forward capacity upgrades and forward planning for infrastructure to support the growth like new subsea cables, upgrades to existing capacity and data centre capacity. It has also highlighted a number of gaps in the internet architecture especially around the EDGE of the internet.

1. Internet Traffic and capacity in Covid-Adjusted terms TeleGeography Blog – Paul Brodsky August 27, 2020

2. Zoom Revenue and Usage Statistics (2020) Business of Apps – Mansoor Iqbal July 20, 2020

The distance and time that information takes to travel across the internet to get from point A to Point B is referred to as Latency. Latency has become much more relevant and more obvious to business and individuals as they grapple with “the new normal” working remotely using latency sensitive real time video applications like Zoom and Microsoft Teams.

In December 2019 Zoom peak usage participants were at 10 million per day. By April 2020, this had risen to 300 million and it hasn't dropped from its peak. The demand that this placed on the Internet coupled with online shopping and general increase in daily use has pulled forward infrastructure requirements including the Data Centres that have been built to support them.

For DXN, it has placed a firm focus on the EDGE infrastructure and how it would be rolled out. The shift to smaller DC in different settings has placed DXN in a unique position as a vertically integrated operator.

The early adopters of pre-fabricated solutions are in fact the pioneers of EDGE Subsea cable Operators that bring international internet traffic into countries, the resources sector - Australia has the most autonomous vehicles in the world in the mining sector and the emergence of Agritech which will follow the same path as Resources and Mining.

Review of operations

FY20 was a foundational year for DXN with a number of milestones delivered during the period. The delivery of our flag ship data centre, SYD01 at Sydney Olympic Park, fully accredited by the Uptime Institute as a Tier III constructed facility and the first containerised Tier III facility globally, this was a significant step forward for the company.

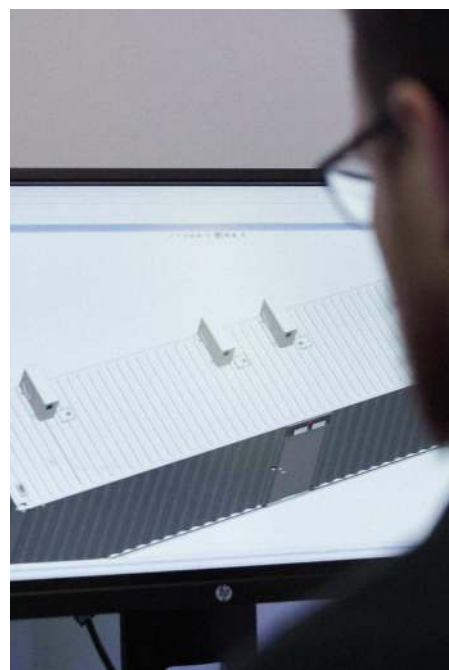
During the year, a number of cable landing station contracts were awarded, including a significant contract with Southern Cross Cable Limited for the Southern Cross NEXT project with the award of three (3) modular cable landing stations.

Revenue from ordinary activities was c\$5.2M up by 270% on prior year. A non-cash impairment of \$3.7m was realised on the Melbourne Data Centre site for the right of use lease. DXN is evaluating a number of alternatives and has entered into a short term sub lease arrangement for the Melbourne site is being finalised to assist in costs associated to the site whilst we work through different scenarios.

Cash management was a strong focus for the company post the completion of SYD01 and employee costs were reduced between our December half year results and our June full year results by \$700,000. An improvement in cost management in our modules business has resulted in an improved margin from 21% in FY19 to 27% in FY20.

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
- Successful completion of a fully underwritten rights issue in October for \$5m
- CFO Greg Blenkiron joined in October 2019
- A number of material contracts were awarded during the year
 - SES Contract
 - SX Contract
 - Teletok Contract
 - AGIG Contract
- Successful completion of a fully underwritten rights issue in May 2020 for \$5.9m
- 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





Modular Division

We have further defined our business into core functions that provide a complete symbiotic relationship that better captures What we do, How we do it and Why we do it.

The two operating business units are;



1. Modular division

- designs, engineers, manufactures, and deploys EDGE facilities and critical DC infrastructure

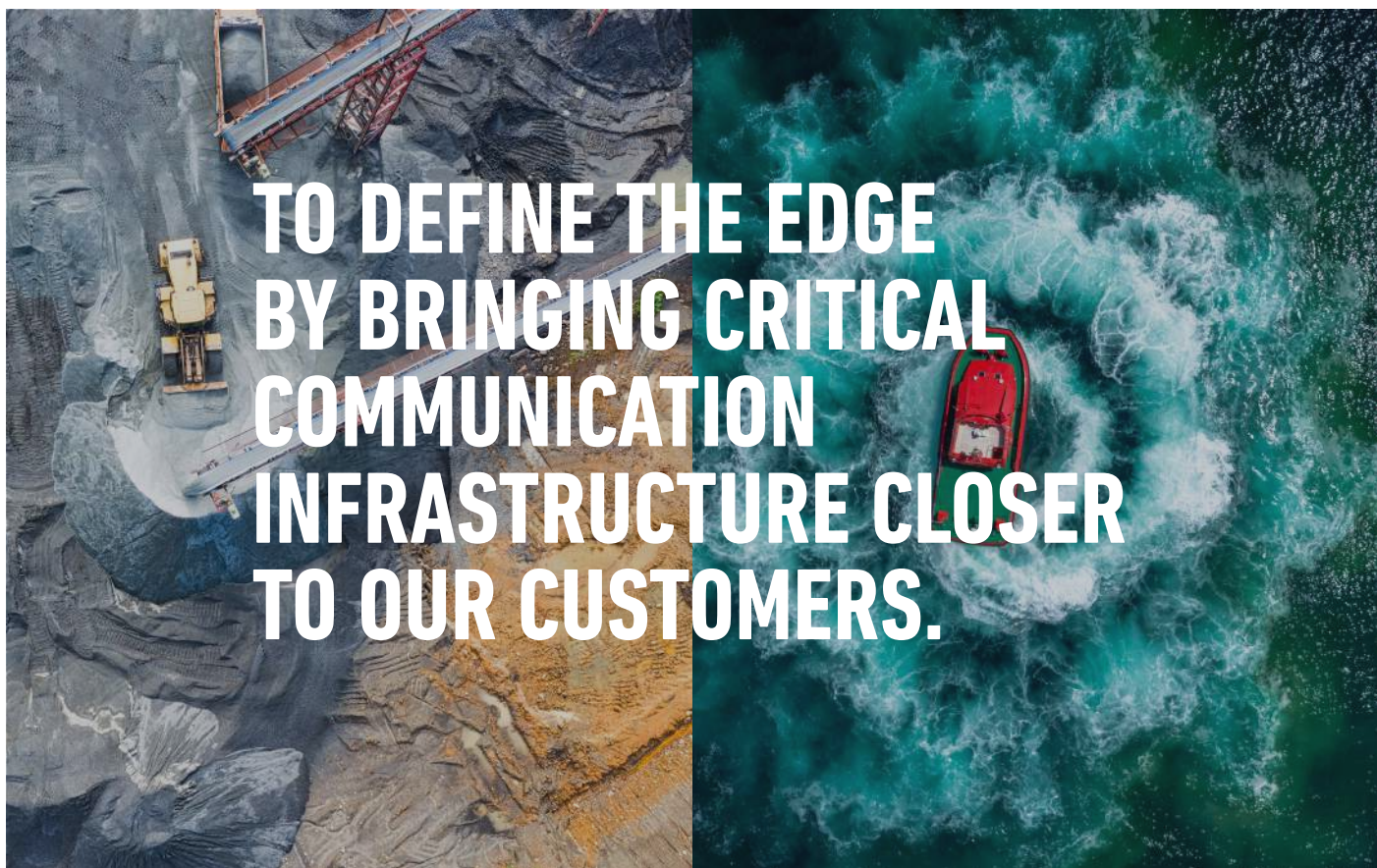


2. Data Centre Operations

- operates, maintains and markets data centres and critical infrastructure for our own DXN data centres as well as our modular customers.

DXN's Board and management have defined our vision, purpose and values to guide the company direction bringing together our team to deliver a better outcome for our customers our people and our shareholders. We would like to share those with you as part of our 2020 annual report.





TO DEFINE THE EDGE BY BRINGING CRITICAL COMMUNICATION INFRASTRUCTURE CLOSER TO OUR CUSTOMERS.

MISSION

We will be the preferred partner of EDGE infrastructure owners and developers supplying, operating and maintaining physical EDGE infrastructure, networks and maintenance products and services building the best modular solutions safely, creating value for our customers, staff and shareholders.

AT DXN WE VALUE:



1. SAFETY AND HEALTH ABOVE ALL ELSE

- We look after our work mates as if they are family
- We take action when we see a safety risk
- Not compromising safety for profit



2. CUSTOMER CENTRICITY AT THE CORE OF OUR BUSINESS

- We learn from our customers how to better serve them
- We communicate as quickly as possible with our customers' requests



3. OWNERSHIP AND ACCOUNTABILITY TO DELIVER RESULTS

- Take ownership to ensure that we can deliver on our commitment
- We are accountable for our actions and words
- We recognise and seek to learn from mistakes



4. TEAMWORK AS IT BINDS US TOGETHER

- Share information resources, skills and experience across DXN
- We always look to build teams with our customers, our partners and our suppliers to deliver superior results

On behalf of DXN, we thank you for your ongoing support as we continue to grow our Company we look forward to sharing further updates at our upcoming Annual General Meeting (AGM) in November.



Matthew Madden
CHIEF EXECUTIVE OFFICER
DXN LIMITED

DIRECTORS' REPORT

The directors present the following report on DXN Limited and its controlled entities (“the Group”) during or at the end of the financial year ended 30 June 2020.

1. DIRECTORS

The names and details of the Group’s directors in office during and since the financial year end until the date of the report are as follows.

Mr John Baillie

Mr Matthew Madden *(appointed to Board 26 August 2020)*

Mr Richard Carden

Mr John Duffin *(resigned 26 August 2020)*

Mr Douglas Loh *(resigned 17 March 2020)*

Mr Terry Smart *(resigned 17 March 2020)*

Mr Tim Desmond *(resigned 17 March 2020)*

INFORMATION ON DIRECTORS

John Baillie	Independent Non-Executive Chairman
Qualifications	Graduate of the Australian Institute of Company Directors (GAICD) Graduate Diploma (Securities) from the Securities Institute of Australia
Experience	Mr Baillie has over 25 years’ experience in financial services, including wealth management, corporate advisory, investor relations and private equity capital raisings. Mr Baillie was a Senior Investment Advisor with Shaw and Partners (formally Shaw Stockbroking) for 22 years, with a focus on portfolio management, trading and private equity raisings. In 2015 Mr Baillie established JB & Partners Corporate Advisory that specializes in strategic advice and succession planning for private companies; particularly family businesses. He has advised in a diverse range of industries, including financial services (particularly AFSL issues), FMCG companies, e-Commerce and the funeral industry.
Interest in Equities	2,634,982 Fully paid Ordinary Shares 1,255,807 Listed Options exercisable at \$0.10 on or before 11 November 2020 78,125 Options exercisable at \$0.30 on or before 5 April 2021

Douglas Loh	Non-Executive Chairman (resigned 17 March 2020)
Qualifications	BEC (Hons), CPA, MAICD
Experience	Mr Loh has over 30 years of advisory, company management, investment management, & market research experience with a focus on smaller companies. He was a founding member of Acorn Capital in late 1998, Australia's first boutique investment manager specialising in the microcap sector. His 19-year career at Acorn Capital included roles as the Head of Equities, CFO, COO and Executive Director of the Company. Mr Loh, as Portfolio Manager was responsible for managing microcap portfolios before becoming the Head of Equities, from 2013 to 2016. Mr Loh is also an executive director of Biome Australia Limited, a microbiome health company.
Interest in Equities <i>(Held at resignation date)</i>	2,810,500 Fully paid Ordinary Shares 562,500 Listed options exercisable at \$0.10 on or before 11 November 2020 78,125 Options exercisable at \$0.30 on or before 5 April 2021

Matthew Madden	Chief Executive Officer & Managing Director (appointed 26 August 2020)
Qualifications and Memberships	MBA from Macquarie Graduate School of Management Member of the Australian Institute of Company Directors (MAICD)
Experience	Mr Madden is a highly experienced data centre and telecommunications executive with a solid track record of building and leading high performing teams, as well as a strategic focus on world-class customer care underpinning long term partnerships. Mr Madden has broad experience in B2B telco, data centre and technology companies having held a variety of senior executive positions including General Manager Corporate and Enterprise markets at Nextgen Group, and Managing Director, Infoplex. At Nextgen, Mr Madden was responsible for significant sales into the Metronode data centres for the corporate, enterprise and reseller channels.
Interest in Equities	5,000,000 Fully paid Ordinary Shares 5,000,000 Options exercisable at \$0.10 on or before 19 August 2021 7,500,000 Options exercisable at \$0.10 on or before 19 August 2022 5,000,000 Listed options exercisable at \$0.02 on or before 18 May 2023 6,000,000 Performance Rights

Terry Smart	Independent Non-Executive Director (resigned 17 March 2020)
Qualifications	Nil
Experience	Mr Smart has been Managing Director of The Good Guys at JB Hi-Fi Limited (ASX:JBH) since April 18, 2017. Mr Smart served as the CEO of JB Hi-Fi Limited from May 2010 to June 30, 2014. Mr Smart was a founding Director of JB Hi-Fi and served as the COO from 2000. During his tenure at JB Hi-Fi, Mr Smart was instrumental in developing the company from initial public offering to a dominant Australian retailer with a A\$3B market cap. Prior to JB Hi-Fi, Mr Smart was the General Manager of Operations of Kodaks'.
Interest in Equities <i>(Held at resignation date)</i>	12,012,097 Fully paid Ordinary Shares 2,673,387 Listed options exercisable at \$0.10 on or before 13 May 2020 10,000,000 Options exercisable at \$0.30 on or before 30 November 2020 468,750 Options exercisable at \$0.30 on or before 5 April 2021

INFORMATION ON DIRECTORS (Continued)

Richard Carden	Non-Executive Director
Qualifications	Nil
Experience	Mr Carden is an Asia based business leader with over 25 years of experience in the telecoms, data centre and IT industry. Richard has a solid track record in driving sales productivity and revenue growth. He was previously the SVP Global Enterprise Sales for Speedcast (ASX:SDA). Mr Carden joined Speedcast in 2013 when the company had just been acquired for circa A\$40M and as part of the Executive team developed the M&A plus organic growth strategy that allowed the company to list in 2014 and achieve a market cap of over A\$1.5B in 2018. Prior, Mr Carden was the Global SVP for Pacnet and responsible for over 300 sales staff and revenues of more than A\$800M. Earlier, Mr Carden spent almost 10 years in Japan in roles that included President & CEO of Verizon, Japan.
Interest in Equities	3,312,500 Fully paid Ordinary Shares 652,500 Listed Options exercisable at \$0.10 on or before 11 November 2020 62,500 Options exercisable at \$0.30 on or before 5 April 2021

John Duffin	Independent Non-Executive Director (resigned 26 August 2020)
Qualifications	BSc(Hons), MSc(Dist), CEng, MIMechE, MCIBSE
Experience	Mr Duffin is an Asia-based business professional with over 20 years' local experience in the Asian Data Centre industry leading businesses focussing on engineering Infrastructure consultancy, design, operations and certification. Mr Duffin has extensive experience of critical facilities in the Hyperscale, Colocation, Telecommunications and Financial Services sectors and has held positions including Managing Director, South Asia for Uptime Institute, Technical Director for AECOM (Singapore), Senior Associate for Arup (Australia) and Executive Director for DSCO (Hong Kong). In 2019 Mr Duffin was awarded an Advanced Professional Diploma for successfully completing the globally recognised Financial Times Non-Executive Director Course.
Interest in Equities	Nil

Tim Desmond	Non-Executive Director (resigned 17 March 2020)
Qualifications	Certified Data Centre Expert (CDCE)
Experience	Mr Desmond is a founder of DXN. Mr Desmond has over 15 years of experience in mission critical operations of data centres with a specialisation in modular data centre design, technology, manufacturing and applications. He has a focus on customer lead design, supply chain vertical integration and lean manufacturing. During his term as DXN's Chief Technology Officer, Mr Desmond developed the product set and solutions that make DXNs modules unique and cost effective. He was also responsible for the overall design of the Sydney and Melbourne data centres. Mr Desmond has a multi-industry background within military, mining, police, information technology and banking data centres.
Interest in Equities <i>(Held at resignation date)</i>	27,850,000 Fully paid Ordinary Shares 2,166,666 Options exercisable at \$0.30 on or before 30 November 2020

The Directors have been in office to the date of this report unless otherwise stated.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the three (3) years immediately before the end of the financial period are as follows:

Name	Company	Period of directorship
John Baillie	Blue Sky Alternatives Access Fund Limited	29 November 2018 to present
Richard Carden	-	-
John Duffin	-	-
Matthew Madden	-	-

CHIEF EXECUTIVE OFFICER

MATTHEW MADDEN

Mr Matthew Madden was appointed Chief Executive Officer on 19 August 2019.

Mr Madden is a highly experienced data centre and telecommunications executive with a solid track record of building and leading high performing teams, as well as a strategic focus on world-class customer solutions underpinning long term partnerships. Mr Madden has broad experience in B2B telco, data centre and technology companies having held a variety of senior executive positions including General Manager Corporate and Enterprise markets at Nextgen Group, and Managing Director, Infoplex. At Nextgen, Mr Madden was responsible for significant sales into the Metronode data centres for the corporate, enterprise and reseller channels.

CHIEF FINANCIAL OFFICER

MR GREG BLENKIRON

Mr Greg Blenkiron was appointed Chief Financial Officer on 28 October 2019.

Mr Blenkiron is a highly accomplished, CPA qualified, career finance executive with over 20 years of experience in strategic finance, treasury and operations management within manufacturing, financial services, import / wholesales-orientated businesses. Mr Blenkiron joined DXN from LeasePLUS Group where he was CFO. Prior to this, Mr Blenkiron held senior roles including CFO and CEO of manufacturer and importer Tilling Timber and Group Financial Controller of Fleet Partners (now listed on the ASX as Eclipx).

COMPANY SECRETARY

The following person held the position of Company Secretary during and at the end of the financial period:

MR GEORGE LAZAROU

Mr Lazarou is a qualified Chartered Accountant with over 25 years' experience, including five years as a partner of a mid-tier accounting firm, specialising in the areas of audit, advisory and corporate services. Mr Lazarou has extensive skills in the areas of corporate services, due diligence, independent expert reports, mergers & acquisitions and valuations.

2. PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year was completion of the first stage of our Tier III data centre in Sydney using our prefabricated modular technology. Data centres provide space, power, cooling, and physical security for client 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. Our construction cost (per megawatt) is less than our industry peers.

Our DXN Modules division engineers, constructs and commissions data centre solutions globally. Our data centre infrastructure has a wide range of applications, these include, 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 Modules are ideal for rapid deployments in both urban and remote locations..

3. OPERATING RESULTS

The loss of the Group after providing for income tax amounted to \$12,590,529 (2019: \$7,373,444).

4. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

5. REVIEW OF OPERATIONS

DATA CENTRE OPERATIONS

During the year SYD01, our Sydney Data Centre was commissioned and received accreditation by the Uptime Institute as a Tier III constructed facility. SYD01 commenced operations in September and has focussed activity around the indirect channel to market and wholesale customers. Whilst the progress on colocation sales in SYD01 has been slow, we anticipate a stronger FY21.

We are extremely pleased with the acquisition of the assets and revenue of DC3 (our Hobart Data Centre), and are looking forward to it making a significant contribution to data centre revenue and free cashflow into FY21, minimum annual revenues of \$890,000 are contracted for a period of three years and a strategic relationship established with Tasmanet. There are incentives for Tasmanet to assist in the growth and additional expansion of the facility from its current capacity of 40 racks to 100 racks. A wholesale Masters Supply Agreement has been entered into with Tasmanet for growth of racks as well as an additional incentive for profit improvement.

DXN is focussed on the wholesale or Value Added Reseller's (VAR) to facilitate the growth of our data centres and our new facility in Tasmania further underpins that strategy.

DXN Data Centres	MW at capacity	Racks at capacity
SYD01	6MW	Up to 725
TAS01	1MW	Up to 100
MEL01	Site is currently under evaluation	

MODULAR DIVISION

DXN has been developing its prefabricated design in partnership with its customers to better optimise its solutions towards their needs and ensure that our quality is at the highest standard. Also importantly to standardise The market for prefabricated modular infrastructure has had an increased focus and applicability in the coming years with capacity being outstripped by demand as a direct result of social distancing and hard border closures brought about by Covid19.

DXN have adapted our delivery model around virtual factory acceptance testing and remote deployment and we have successfully implemented and delivered several deployments remotely including a project in PNG for a client during the peak of the pandemic. We are seeing demand being heavily driven by Sub Sea cable operators, Agriculture, Government, Data Centre Operators, Mining Oil and Gas as our near term opportunities.

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Group occurred during the financial year:

- On 23 July 2019, the Group issued 1,800,000 Performance Rights to employees as incentives pursuant to the Group's Employee Incentive Plan, subject to vesting conditions, expiring on 30 April 2020.
- On 4 October 2019, the Group issued 1,008,000 fully paid ordinary shares upon vesting of performance rights and cancelled 166,668 performance rights.
- On 11 October 2019, the Group lodged a Prospectus with ASIC in relation to an underwritten non-renounceable entitlement issue on the basis of one (1) new share for every four (4) shares held by eligible shareholders on the record date, at an issue price of \$0.055 per new share to raise up to approximately \$4,981,247 (before costs). Each subscriber in the entitlement issue received one (1) free-attaching listed option for every new one (1) share subscribed for and issued, exercisable at \$0.10 on or before 11 November 2020. To provide working capital over the offer period, the Group also issued 100 unsecured convertible notes at a face value of \$10,000 per convertible note as part of the offer. At the election of the convertible note investors, these convertible notes all converted at \$0.055 per share on 11 November 2019. A total of 90,568,130 fully paid ordinary shares and 90,568,130 options exercisable at \$0.10 on or before 11 November 2020, were issued on 11 November 2019.
- On 10 December 2019, the Group issued 7,500,000 Performance Rights and 19,500,000 unlisted options to senior management and employees pursuant to the Group's Employee Incentive Plan.
- On 7 January 2020, the Group issued 1,371,111 fully paid ordinary shares upon vesting of performance rights and cancelled 1,440,000 performance rights.
- On 4 March 2020, the Group issued 1,311,813 fully paid ordinary shares upon vesting of performance rights.
- On 30 April 2020, the Group issued 2,850,000 fully paid ordinary shares upon vesting of performance rights.
- On 8 April 2020, the Group lodged a Prospectus with ASIC in relation to an underwritten non-renounceable entitlement issue on the basis of thirteen (13) new share for every ten (10) shares held by eligible shareholders on the record date, at an issue price of \$0.01 per new share to raise up to approximately \$5,921,799 (before costs). Each subscriber in the entitlement issue received one (1) free-attaching listed option for every new one (1) share subscribed for and issued, exercisable at \$0.02 on or before 18 May 2023. A total of 592,179,856 fully paid ordinary shares and 652,179,856 options exercisable at \$0.02 on or before 18 May 2023, were issued on 18 May 2020.

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

7. FUTURE DEVELOPMENTS

Our primary focus is to grow our revenues from our Data Centres and our modules business. Our Sydney DC is in a primary position due to its proximity to the North, West and East of Sydney and represents an opportunity to capitalise on its location as a communications hub. We have refreshed our sales team and marketing initiatives and feel that we have a solid formula for FY21. Tasmania will provide a good contribution to Data Centre Operations revenues this year and is already delivering to plan. Our goal is to expand our Data Centre (DC) footprint to other geographies we are looking at existing privately held DC's as well as new development opportunities to grow revenues and profit. DXN board and management have an agreed principle for new investments they must have an underlying revenue commitment before an investment decision can take place.

8. AFTER REPORTING DATE EVENTS

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

On September 3 2020, the Group obtained a \$500,000 principal and interest loan with Export Finance Australia. The loan is repayable by 30 September 2021.

On September 24 2020, the Group signed a Master Supply Agreement with Connected Farms to supply fully engineered factory built prefabricated modular data centres for up to 15 sites across Australia. The first purchase order under the agreement is for approximately \$1M and is for two sites.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

9. MEETINGS OF DIRECTORS

During the year, 15 meetings of directors were held. Attendances by each director during the year were as follows:

Director	Directors' Meetings		Audit & Risk		Remuneration & Nomination	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
John Baillie	15	15	3	3	2	2
John Duffin (resigned 26 August 2020)	15	15	3	3	2	2
Richard Carden	15	13	2	1	-	-
Douglas Loh (resigned 17 March 2020)	8	8	1	1	-	-
Tim Desmond (resigned 17 March 2020)	8	8	-	-	-	-
Terry Smart (resigned 17 March 2020)	8	6	3	3	2	2
Matthew Madden (appointed 26 August 2020)	-	-	-	-	-	-

10. ENVIRONMENTAL ISSUES

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

11. OPTIONS

At the date of this report unissued ordinary shares of the Group under option are:

Expiry Date	Exercise Price	Number of Shares
28-Oct-20	\$0.10	750,000
11-Nov-20	\$0.10	105,568,130
30-Nov-20	\$0.30	32,500,000
5-Apr-21	\$0.30	6,828,125
19-Aug-21	\$0.10	5,000,000
28-Oct-21	\$0.10	1,000,000
19-Aug-22	\$0.10	7,500,000
28-Oct-22	\$0.10	1,500,000
31-Dec-22	\$0.10	7,500,000
18-May-23	\$0.02	641,936,886

784,747,986 options with various exercise prices and expiring dates were issued during the year.

82,994,923 options expired and Nil options were exercised during the year.

12. INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer or agent of the Group shall be indemnified out of the property of the Group against any liability incurred by him in his capacity as Officer or agent of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Group has paid premiums to insure each Director and officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of Director or officer of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The total amount of premiums paid was \$32,878.

13. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of these proceedings.

The Group was not a party to any such proceedings during the year.

14. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 29 of the annual report.

15. NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Moore Australia Audit (WA). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Moore Australia or their related or other network entities received or are due to receive the following amounts for the provision of non-audit services:

	2019	2018
	\$	\$
Tax Compliance Services	9,620	8,800
	9,620	8,800

16. DIVERSITY

The Company believes that the promotion of diversity on its Board and within the organisation generally is good practice and is committed to managing diversity as a means of enhancing the Company's performance. There are currently no women on the Company's board and only one woman filling senior management positions within the Company, however the Company (as set out in the Diversity Policy, further information in relation to which is set out on the Company's website at <https://dxn.solutions> in the Corporate Governance section) will focus on participation of women on its Board and within senior management and has set measurable objectives for achieving gender diversity.

Gender diversity objectives for the employment of women are as follows:

- to the Board – 20% by 2022;
- to senior management (including board and company secretary) – 20% by 2022
- to the organisation as a whole – 25% by 2022

As at the date of this report, the Company has the following proportion of women appointed:

- to the Board – 0%
- to senior management (including board and company secretary) – 18%
- to the organisation as a whole – 11%

17. REMUNERATION REPORT - AUDITED

DETAILS OF KEY MANAGEMENT PERSONNEL

The following persons were directors of the Group during the financial period unless otherwise stated:-

Mr John Baillie	Independent Non-Executive Director
Mr Douglas Loh	Non-Executive Chairman (resigned 17 March 2020)
Mr Matthew Madden	Managing Director (appointed to Board 26 August 2020)
Mr Terry Smart	Independent Non-Executive Director (resigned 17 March 2020)
Mr Richard Carden	Non-Executive Director
Mr John Duffin	Independent Non-Executive Director (resigned 26 August 2020)
Mr Tim Desmond	Non-Executive Director (resigned 17 March 2020)

REMUNERATION POLICY

The remuneration policy of the Group has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:-

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in any employee incentive plan the Group adopts.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options and performance rights are valued using a binomial option pricing method.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$500,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group and are able to participate in any employee incentive plan the Group adopts.

Performance based remuneration

The Group has a performance-based remuneration component built into director and executive remuneration packages as disclosed in the "Compensation of Key Management Personnel" for the year table on page 19.

Company performance, shareholder wealth and director's and executive's remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This will be facilitated through the issue of options or performance rights to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Group believes the policy will be effective in increasing shareholder wealth.

Compensation of key management personnel for the year ended 30 June 2020 and 30 June 2019

	SHORT-TERM BENEFITS			POST EMPLOYMENT		EQUITY-BASED BENEFITS		TOTAL
	Salary & Fees \$	Cash Bonus \$	Non-Monetary \$	Super-annuation \$	Termination Benefits \$	Options or Performance Rights \$	% Performance based of Total Remuneration	\$
Directors								
John Baillie – Non-Executive Chairman ⁹								
2020	40,855	-	-	-	-	-	-	40,855
2019	3,888	-	-	-	-	-	-	3,888
Douglas Loh – Non-Executive Chairman ¹								
2020	58,669	-	-	4,063	-	64,260	50.6%	126,992
2019	107,700	-	-	5,700	-	-	-	113,400
Peter Christie – Managing Director ²								
2020	-	-	-	-	-	-	-	-
2019	105,000	-	-	9,975	102,243	-	-	217,218
Terry Smart – Independent Non-Executive Director ³								
2020	25,662	-	-	2,438	-	-	-	28,099
2019	36,000	-	-	3,420	-	-	-	39,420
Richard Carden – Non-Executive Director ⁹								
2020	34,800	-	-	-	-	-	-	34,800
2019	119,000	-	-	-	-	-	-	119,000
John Duffin – Independent Non-Executive Director ^{4,9}								
2020	34,800	-	-	456	-	-	-	35,256
2019	27,000	-	-	-	-	-	-	27,000
Tim Desmond – Non-Executive Director ⁵								
2020	18,000	-	-	-	-	-	-	18,000
2019	135,000	-	-	-	90,000	-	-	225,000
Specified Executives								
Matthew Madden – Chief Executive Officer								
2020	261,538	48,750	-	25,000	-	208,183	38.3%	543,471
2019	-	-	-	-	-	-	-	-
Greg Blenkiron – Chief Financial Officer								
2020	137,572	-	-	13,069	-	34,655	18.7%	185,297
2019	-	-	-	-	-	-	-	-
George Lazarou – Company Secretary ⁶								
2020	57,391	-	-	-	-	15,579	21.3%	72,970
2019	145,000	-	-	-	-	964	0.66%	145,964
Simon Forth – Joint Interim Chief Executive Officer ⁷								
2020	172,104	-	-	16,350	5,228	93,473	32.6%	287,155
2019	132,048	-	-	12,545	-	1,927	1.31%	146,520
Richard Whiting – Joint Interim Chief Executive Officer ⁸								
2020	100,420	-	-	6,640	43,044	45,773	23.4%	195,877
2019	130,800	-	-	-	-	1,927	1.45%	132,727
Dean Coetzee – Chief Sales Officer								
2020	-	-	-	-	-	-	-	-
2019	135,000	-	-	-	90,000	-	-	225,000
Total Remuneration								
2020	941,811	48,750	-	68,016	48,272	461,924	29.44%	1,568,773
2019	1,076,436	-	-	31,640	282,243	4,818	0.35%	1,395,137

1. Mr Loh provided consultancy services amounting to \$15,900 on normal commercial terms, through Emmanuel Investment Holdings Pty Ltd, a Company Mr Loh has an interest in. These are included in the remuneration above. Mr Loh resigned 17 March 2020.

2. Resigned 31 January 2019.

3. Resigned 17 March 2020.

4. Resigned 26 August 2020.

5. Resigned 17 March 2020.

6. Citadel Capital Pty Ltd, a company Mr Lazarou has an interest in, received fees for Chief Financial Officer services and Company Secretarial services for the period 1 July to 25 October 2019 (Mr Lazarou ceased being a key management personnel on this date). Mr Lazarou continues to receive fees for Company Secretarial services and is now an employee of the Group.

7. Resigned 8 May 2020

8. Resigned 20 December 2019

9. Note the directors accepted a 20% reduction in directors' fees for a period of 3 months due to Covid19 from 1 May 2020

OPTIONS OR PERFORMANCE RIGHTS ISSUED AS PART OF REMUNERATION

During the financial year ended 30 June 2020, 9,300,000 performance rights and 19,500,000 options were issued as part of remuneration to directors, key executives, employees and consultants.

For details on the valuation of the Performance Rights, including models and assumptions used, please refer to Note 29. There were no alterations to the terms and conditions of the Performance Rights granted as remuneration since their grant date.

REMUNERATION POLICY OF KEY MANAGEMENT PERSONNEL

The objective of the Group's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

NON-EXECUTIVE DIRECTORS

The constitution of the Group provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Group in a general meeting (currently \$500,000). The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The remuneration policy has been tailored to increase goal congruence between shareholders and Directors. The Group will look to adopt an employee incentive plan to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing wealth.

DIRECTORS' FEES

A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:-

Name:	Matthew Madden
Title:	Chief Executive Officer
Agreement Commenced:	19 August 2019
Term of Agreement:	The employment is for a minimum period of one year and thereafter shall continue until terminated in accordance with the provisions for termination, being by either party with 3 months' notice.
Details:	<p>There are three components to Mr Madden's remuneration:</p> <p>(a) Gross Annual Remuneration Package</p> <p>Mr Madden will be paid a base annual remuneration of \$300,000 plus statutory superannuation contributions, which is capped at \$25,000 per annum. The employer may review the employee's performance, remuneration and benefits in accordance with the employer policy from time to time.</p> <p>(b) Short Term Incentive Benefits</p> <p>Subject to the Mr Madden's continued employment by the Group at the relevant Review Date, the Board may, in its absolute discretion, elect to provide the Executive with an annual bonus up to an amount equal to 30% of the Base Salary, plus superannuation, based on the Annual Review (STI Bonus).</p> <p>Mr Madden (in his sole discretion) can elect to have the STI Bonus (in whole or in part) paid in Shares. The value of the Shares shall be the 15-day volume weighted average price (VWAP) of Shares calculated on the day after release of the Group's full year financial accounts</p> <p>(c) Long Term Incentive Benefits</p> <p>Subject to compliance with the ASX Listing Rules and the Corporations Act, within 30 business days after the Commencement Date, being 19 August 2019, the Group will issue the following Performance Rights to Mr Madden (or his nominee) in accordance with the terms and conditions of the Employee Incentive Plan:</p> <p>(a) 6,000,000 Performance Rights subject to the following vesting conditions:</p> <p>(i) Milestone 1: 3,000,000 Performance Rights will vest on or before 30 June 2022, upon the achievement of the Sydney Data Centre owned by the Group achieving either:</p> <p>A. an annual gross revenue equal to or in excess of \$15,000,000; or</p> <p>B. filled capacity of 5 MW; or</p> <p>C. sales equal to or in excess of 500 server racks; and</p> <p>(ii) Milestone 2: 3,000,000 Performance Rights will vest upon DXN Modules achieving total sales equal to or in excess of \$50,000,000 or total sales equal to or in excess of \$25,000,000 are achieved over a rolling 12-month period, both on or before 30 June 2022,</p> <p>Subject to compliance with the ASX Listing Rules and the Corporations Act, within 30 business days after the Commencement Date, being 19 August 2019, the Group will issue the following options to subscribe for shares in the Group:</p> <ul style="list-style-type: none"> • 3,750,000 1-year Options (Tranche 1); • 5,000,000 2-year Options (Tranche 2); and • 7,500,000 3-year Options (Tranche 3), <p>on the terms and conditions as set out below:</p> <p>(a) Tranche 1: to vest on achieving a Share price that is at least \$0.15 for 10 consecutive trading days on ASX, calculated on a daily VWAP basis, within 1 year from the Commencement Date or 31 August 2019, whichever is earlier;</p> <p>(b) Tranche 2: to vest on achieving a Share price that is at least \$0.25 for 10 consecutive trading days on ASX, calculated on a daily VWAP basis, within 2 years from the Commencement Date or 31 August 2019, whichever is earlier; and</p> <p>(c) Tranche 3: to vest on achieving a Share price that is at least \$0.35 for 10 consecutive trading days on ASX, calculated on a daily VWAP basis, within 3 years from the Commencement Date or 31 August 2019, whichever is earlier.</p>

Name:	Greg Blenkiron
Title:	Chief Financial Officer
Agreement Commenced:	28 October 2019
Term of Agreement:	The employment is for a minimum period of six months and thereafter shall continue until terminated in accordance with the provisions for termination, being by either party with 3 months' notice.
Details:	<p>There are three components to Mr Blenkiron's remuneration:</p> <p>(a) Gross Annual Remuneration Package</p> <p>Mr Blenkiron will be paid a base annual remuneration of \$200,000 plus statutory superannuation contributions, which is capped at \$25,000 per annum. The employer may review the employee's performance, remuneration and benefits in accordance with the employer policy from time to time.</p> <p>(b) Short Term Incentive Benefits</p> <p>Subject to the Mr Blenkiron's continued employment by the Group at the relevant Review Date, the Board may, in its absolute discretion, elect to provide the Executive with an annual bonus up to an amount equal to 30% of the Base Salary, plus superannuation, based on the Annual Review (STI Bonus).</p> <p>Mr Blenkiron (in his sole discretion) can elect to have the STI Bonus (in whole or in part) paid in Shares. The value of the Shares shall be the 15-day volume weighted average price (VWAP) of Shares calculated on the day after release of the Group's full year financial accounts</p> <p>(c) Long Term Incentive Benefits</p> <p>Subject to compliance with the ASX Listing Rules and the Corporations Act, within 30 business days after the Commencement Date, being 19 August 2019, the Group will issue the following Performance Rights to Mr Blenkiron (or his nominee) in accordance with the terms and conditions of the Employee Incentive Plan:</p> <p>(a) 1,200,000 Performance Rights subject to the following vesting conditions:</p> <p>(i) Milestone 1: 600,000 Performance Rights will vest on or before 30 June 2022, upon the achievement of the Sydney Data Centre owned by the Group achieving either:</p> <p>A. an annual gross revenue equal to or in excess of \$15,000,000; or</p> <p>B. filled capacity of 5 MW; or</p> <p>C. sales equal to or in excess of 500 server racks; and</p> <p>(ii) Milestone 2: 600,000 Performance Rights will vest upon DXN Modules achieving total sales equal to or in excess of \$50,000,000 or total sales equal to or in excess of \$25,000,000 are achieved over a rolling 12-month period, both on or before 30 June 2022,</p> <p>Subject to compliance with the ASX Listing Rules and the Corporations Act, within 30 business days after the Commencement Date, being 28 October 2019, the Group will issue the following options to subscribe for shares in the Group:</p> <ul style="list-style-type: none"> • 750,000 1-year Options (Tranche 1); • 1,000,000 2-year Options (Tranche 2); and • 1,500,000 3-year Options (Tranche 3), <p>on the terms and conditions as set out below:</p> <p>(a) Tranche 1: to vest on achieving a Share price that is at least \$0.15 for 10 consecutive trading days on ASX, calculated on a daily VWAP basis, within 1 year from the Commencement Date;</p> <p>(b) Tranche 2: to vest on achieving a Share price that is at least \$0.25 for 10 consecutive trading days on ASX, calculated on a daily VWAP basis, within 2 years from the Commencement Date and</p> <p>(c) Tranche 3: to vest on achieving a Share price that is at least \$0.35 for 10 consecutive trading days on ASX, calculated on a daily VWAP basis, within 3 years from the Commencement Date.</p>

Name:	John Baillie
Title:	Non-Executive Chairman
Agreement Commenced:	17 March 2020
Term of Agreement:	Subject to re - election every 3 years
Details:	Base salary of \$60,000 plus superannuation per annum (if applicable), to be reviewed annually by the Board.

Name:	Richard Carden
Title:	Non-Executive Director
Agreement Commenced:	4 August 2017
Term of Agreement:	Subject to re - election every 3 years
Details:	Base salary of \$36,000 plus superannuation per annum (if applicable), to be reviewed annually by the Board.

Name:	Douglas Loh
Title:	Non-Executive Chairman
Agreement Commenced:	16 April 2018
Term of Agreement:	Subject to re - election every 3 years
Details:	Base salary of \$60,000 per annum, plus superannuation, to be reviewed annually by the Board. Issued 1,260,000 performance rights which vested on 7 January 2020. The Company has entered into a Consultancy Agreement with Emmanuel investment Holdings Pty Ltd, with Douglas Loh being the nominated person, for which Mr Loh will receive \$1,200 (exclusive of GST) per day until the commencement of the new CEO, being 19 August 2019.
Resignation Date:	17 March 2020

Name:	John Duffin
Title:	Non-Executive Director
Agreement Commenced:	1 October 2018
Term of Agreement:	Subject to re - election every 3 years
Details:	Base salary of \$36,000 plus superannuation per annum (if applicable), to be reviewed annually by the Board.
Resignation Date:	26 August 2020

Name:	Terry Smart
Title:	Non-Executive Director
Agreement Commenced:	4 August 2017
Term of Agreement:	Subject to re - election every 3 years
Details:	Base salary of \$36,000 plus superannuation per annum (if applicable), to be reviewed annually by the Board.
Resignation Date:	17 March 2020

Name:	Tim Desmond
Title:	Non-Executive Director
Agreement Commenced:	1 October 2018
Term of Agreement:	Subject to re - election every 3 years
Details:	Base salary of \$36,000 plus superannuation per annum, to be reviewed annually by the Board, commencing from 1 October 2019.
Resignation Date:	17 March 2020

Name:	George Lazarou
Title:	Company Secretary
Agreement Commenced:	28 October 2019
Term of Agreement:	Shall continue until terminated in accordance with the provisions for termination, being by either party with 2 months' notice.
Details:	Base salary of \$90,000 per annum, plus superannuation, to be reviewed annually.

Name:	Simon Forth
Title:	Chief Operating Officer
Agreement Commenced:	1 February 2019
Term of Agreement:	3 month termination notice by either party.
Details:	Base salary of \$200,000 per annum, plus superannuation, to be reviewed annually, plus payment of all reasonable travelling and other incidental costs incurred while performing his duties.
Resignation Date:	8 May 2020

Name:	Richard Whiting
Title:	Chief Commercial Officer
Agreement Commenced:	1 February 2019
Term of Agreement:	3 month termination notice by either party.
Details:	Base salary of \$200,000 per annum, plus superannuation, to be reviewed annually, plus payment of all reasonable travelling and other incidental costs incurred while performing his duties.
Resignation Date:	20 December 2019

Note: The non executive directors agreed to a 20% fee reduction for the period 1 May 2020 to 31 July 2020 in an effort to conserve working capital as a result of Covid19.

RETIREMENT BENEFITS

Other retirement benefits may be provided directly by the Group, if approved by shareholders.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

The movement during the reporting period in the number of options over ordinary shares in the Group held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

2020	Balance at 1 July 2019	Received on exercise of right or option	Bought & (Sold)	Holding on Date of Resignation	Balance at 30-Jun-20
Douglas Loh *	1,387,500	1,260,000	163,000	2,810,500	-
Richard Carden	2,650,000	-	662,500	-	3,312,500
Terry Smart **	12,012,097	-	-	12,012,097	-
John Duffin ***	-	-	-	-	-
Tim Desmond ****	27,850,000	-	-	27,850,000	-
John Baillie	1,379,175	-	1,255,807	-	2,634,982
George Lazarou	1,140,625	900,000	(2,040,625)	-	-
Greg Blenkiron	-	-	500,000	-	500,000
Matthew Madden	-	-	5,000,000	-	5,000,000
Simon Forth*****	700,000	1,800,000	(2,500,000)	-	-
Richard Whiting*****	700,000	900,000	(1,600,000)	-	-
	47,819,397	4,860,000	1,440,682	42,672,597	11,447,482

* Resigned 17 March 2020

** Resigned 17 March 2020

*** Resigned 26 August 2020

**** Resigned 17 March 2020

***** Resigned 8 May 2020

***** Resigned 20 December 2019

2019	Balance at 1 July 2018	Holding on Date of Appointment	Bought& (Sold)	Holding on Date of Resignation	Balance at 30-Jun-19
Douglas Loh	587,500	-	800,000	-	1,387,500
Richard Carden	650,000	-	2,000,000	-	2,650,000
Peter Christie*	13,925,000	-	-	13,925,000	-
Terry Smart	5,375,000	-	6,637,097	-	12,012,097
John Duffin**	-	-	-	-	-
Tim Desmond***	27,850,000	-	-	-	27,850,000
John Baillie ****	-	1,379,175	-	-	1,379,175
George Lazarou	875,000	-	265,625	-	1,140,625
Simon Forth*****	-	-	700,000	-	700,000
Richard Whiting*****	-	-	700,000	-	700,000
Dean Coetzee *****	27,850,000	-	-	27,850,000	-
	77,112,500	1,379,175	11,102,722	41,775,000	47,819,397

* Resigned 31 January 2019

** Appointed as a Director on 1 October 2018

*** Appointed as a Director on 1 October 2018, resigned as a KMP on 31 March 2019

**** Appointed as a Director on 23 May 2019

***** Appointed Joint Interim CEO on 1 February 2019

***** Resigned as KMP on 31 March 2019

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

The movement during the reporting period in the number of options over ordinary shares in the Group held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

2020	Balance at 1 July 2019	Received as Remuneration	Expired	Acquired	Holding at Date of Resignation	Balance at 30 June 2020	Total Vested at 30 June 2020	Total Exercisable at 30 June 2020
Douglas Loh *	478,125	-	-	162,500	640,625	-	-	-
Richard Carden	1,062,500	-	(1,000,000)	652,500	-	715,000	715,000	715,000
Terry Smart **	13,142,137	-	-	2,673,387	13,142,137	-	-	-
John Duffin***	-	-	-	-	-	-	-	-
Tim Desmond****	2,166,666	-	-	-	2,166,666	-	-	-
John Baillie	316,838	-	(316,838)	1,333,932	-	1,333,932	1,333,932	1,333,932
George Lazarou	429,305	-	(273,055)	-	-	156,250	156,250	156,250
Greg Blenkiron	-	3,250,000	-	500,000	-	3,750,000	500,000	500,000
Matthew Madden	-	16,250,000	-	5,000,000	-	21,250,000	5,000,000	5,000,000
Simon Forth*****	350,000	-	-	-	350,000	-	-	-
Richard Whiting*****	350,000	-	-	-	350,000	-	-	-
	18,295,572	19,500,000	(1,589,893)	7,648,932	16,649,428	27,205,182	7,705,182	7,705,182

* Resigned 17 March 2020

** Resigned 17 March 2020

*** Resigned 26 August 2020

**** Resigned 17 March 2020

***** Resigned 8 May 2020

***** Resigned 20 December 2019

2019	Balance at 1 July 2018	Holding on Date of Appointment	Expired	Acquired	Holding at Date of Resignation	Balance at 30 June 2019	Total Vested at 30 June 2019	Total Exercisable at 30 June 2019
Douglas Loh	78,125	-	-	400,000	-	478,125	478,125	478,125
Richard Carden	62,500	-	-	1,000,000	-	1,062,500	1,062,500	1,062,500
Peter Christie*	2,166,667	-	-	-	2,166,667	-	-	-
Terry Smart	10,468,750	-	-	2,673,387	-	13,142,137	13,142,137	13,142,137
John Duffin**	-	-	-	-	-	-	-	-
Tim Desmond***	2,166,666	-	-	-	-	2,166,666	2,166,666	2,166,666
John Baillie ****	-	316,838	-	-	-	316,838	316,838	316,838
George Lazarou	156,250	-	-	273,055	-	429,305	429,305	429,305
Simon Forth*****	-	-	-	350,000	-	350,000	350,000	350,000
Richard Whiting*****	-	-	-	350,000	-	350,000	350,000	350,000
Dean Coetzee*****	2,166,667	-	-	-	2,166,667	-	-	-
	17,625,625	316,838	-	5,046,442	4,333,334	18,295,572	18,295,572	18,295,572

* Resigned 31 January 2019

** Appointed as a Director on 1 October 2018

*** Appointed as a Director on 1 October 2018, resigned as a KMP on 31 March 2019

**** Appointed as a Director on 23 May 2019

***** Appointed Joint Interim CEO on 1 February 2019

***** Resigned as KMP on 31 March 2019

PERFORMANCE RIGHT HOLDINGS OF KEY MANAGEMENT PERSONNEL

The movement during the reporting period in the number of performance rights in the Group held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

2020	Balance at 1 July 2019	Issued During the Year	Lapsed / Expired	Exercised	Balance at 30 June 2020	Total Vested at 30 June 2020	Total Unvested at 30 June 2020
Matthew Madden	-	6,000,000	-	-	6,000,000	-	6,000,000
Greg Blenkiron	-	1,200,000	-	-	1,200,000	-	1,200,000
Simon Forth *	1,800,000	-	-	(1,800,000)	-	1,800,000	-
Doug Loh	-	1,800,000	(540,000)	(1,260,000)	-	1,260,000	-
Richard Whiting **	1,800,000	-	(900,000)	(900,000)	-	1,800,000	-
George Lazarou	900,000	-	-	(900,000)	-	900,000	-
	4,500,000	9,000,000	(1,440,000)	(4,860,000)	7,200,000	5,760,000	7,200,000

* Resigned 8 May 2020

** Resigned 20 December 2019

2019	Balance at 1 July 2018	Issued During the Year	Expired		Balance at 30 June 2019	Total Vested at 30 June 2019	Total Unvested at 30 June 2020
Simon Forth	-	1,800,000	-		1,800,000	-	1,800,000
Richard Whiting	-	1,800,000	-		1,800,000	-	1,800,000
George Lazarou	-	900,000	-		900,000	-	900,000
	-	4,500,000	-		4,500,000	-	4,500,000

OTHER TRANSACTIONS WITH RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Please refer to Note 24 for details of other transactions with key management personnel or their related entities.

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

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

Dated this 30th day of September 2020

A man with glasses and a beard, wearing a dark sweater, is standing in a server room. He is holding a tablet in his left hand and touching a small screen on a server rack with his right hand. The server racks are dark and have a perforated metal mesh. The room is dimly lit with blue lighting. The text 'RAPID DEPLOYMENT', 'MODULAR', and 'DIFFERENT' is overlaid on the left side of the image, each on a separate line with a horizontal line underneath.

**RAPID
DEPLOYMENT**
MODULAR
DIFFERENT



Moore Australia Audit (WA)

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000

PO Box 5785, St Georges Terrace, WA 6831

T +61 8 9225 5355

F +61 8 9225 6181

www.moore-australia.com.au

**AUDITOR'S 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 year ended 30 June 2020 there have been no contraventions of:

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

SUAN-LEE TAN
PARTNER

MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 30th day of September 2020

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	Consolidated 2020 \$	Parent 2019 \$
Continuing operations			
Sales to customers	2	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 support		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	13	(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	3	(5,401,590)	(3,201,662)
Finance expenses		(180,435)	(96,207)
Foreign exchange loss		-	(42,680)
Impairment of 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	4	-	-
Total comprehensive loss for the period		(12,590,529)	(7,373,444)
Basic and diluted earnings per share (cents per share)	26	(2.57)	(3.50)

The Group's potential ordinary shares were not considered dilutive as the Group is in a loss position.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	Consolidated 2020	Parent 2019
ASSETS			
Current Assets			
		\$	\$
Cash and cash equivalents	7	3,592,472	5,362,135
Trade and other receivables	8	389,726	1,046,945
Other assets	9	511,409	428,838
Inventory	10	1,204,672	988,342
Total Current Assets		5,698,279	7,826,260
Non-Current Assets			
Bank guarantees	11	3,087,841	3,071,000
Plant and equipment	12	13,139,787	11,142,255
Intangible	13	1,734,707	290,459
Lease right of use assets	14	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	15	785,512	1,152,021
Income in advance	16	734,573	1,261,112
Borrowings	17	872,920	869,849
Provisions	18	143,162	84,499
Lease liabilities	14	1,104,312	-
Total Current Liabilities		3,640,479	3,367,481
Non-Current Liabilities			
Borrowings	17	2,486,586	2,088,372
Lease liabilities	14	10,790,503	-
Total 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	20	39,604,052	29,662,628
Option reserve	21	310,302	310,302
Share based payments reserve	22	710,403	11,621
Accumulated losses	23	(25,700,959)	(13,110,430)
TOTAL EQUITY		14,923,798	16,874,121

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGE IN EQUITY

For the year ended 30 June 2020

	Issued Capital	Option Reserve	Share Payments Reserve	Accumulate d Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	20,137,584	310,302	-	(5,736,986)	14,710,900
<i>Total comprehensive income for the period</i>					
Loss for the period	-	-	-	(7,373,444)	(7,373,444)
	-	-	-	(7,373,444)	(7,373,444)
<i>Transaction with owners in their capacity as owners:</i>					
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
	Issued Capital	Option Reserve	Share Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	29,662,628	310,302	11,621	(13,110,430)	16,874,121
<i>Total comprehensive income for the period</i>					
Loss for the period	-	-	-	(12,590,529)	(12,590,529)
	-	-	-	(12,590,529)	(12,590,529)
<i>Transaction with owners in their capacity as owners:</i>					
Issue of shares	10,903,046	-	-	-	10,903,046
Capital raising costs	(867,532)	-	-	-	(867,532)
Capital raising costs-share based payments	(437,604)	-	437,604	-	-
Share based payment expense	-	-	604,692	-	604,692
Reclass to equity	343,514	-	(343,514)	-	-
Balance at 30 June 2020	39,604,052	310,302	710,403	(25,700,959)	14,923,798

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	Consolidated 2020 \$	Parent 2020 \$
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	27(a)	(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	19	(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 the period	7,27(b)	3,592,472	5,362,135

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

DXN Limited and its controlled entity (referred to as the “Consolidated Group” or “Group”) is domiciled in Australia and listed on the ASX.

The address of the Group’s registered office is 5 Parkview Drive, Sydney Olympic Park NSW 2127. The full year financial statements of the Group as at and for the twelve months ended 30 June 2020 comprises DXN Limited and its controlled entity.

The principal activities of the Group during the period was to manufacture modular data centre solutions for other operators and to operate modular colocation data centres.

BASIS OF PREPARATION

The accounting policies set out below have been consistently applied to all periods presented.

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 for profit-oriented entities. The financial report of the Group complies with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the Board of Directors on 30 September 2020.

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Australian dollars, which is the Group’s functional currency.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 \$12,590,529 for the year ended 30 June 2020 (2019: \$7,373,444) and operating cash outflows of \$ 6,030,563 (2019: \$6,847,261).

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group successfully raising additional share capital, refinancing debt facilities and generating sufficient revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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 appointed a debt advisor to assist with the refinancing of current debt facilities
- the Directors have an appropriate plan to contain certain operating expenditure such as reducing employee and administrative costs, if appropriate funding is unavailable;
- 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 colocation sites and additional modules sales.

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.

(a) Critical Accounting Judgements Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

INCOME TAX EXPENSES

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

IMPAIRMENT

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, eg., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash-generating unit (CGU) at fair value less costs of disposal.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

ESTIMATION OF USEFUL LIFE OF ASSETS

The entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite-life intangible assets. The useful lives could change significantly as a result of technical innovations, or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

CORONAVIRUS (COVID-19) PANDEMIC

Judgment has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, staffing and geographic regions in which the Group operates. On June 23 2020 DXN announced to the market that its contracted sales to June 30 2020 was expected to be \$8m which is less than the \$12m that was previously announced to the market in February 2020. The shortfall was a result of customers delaying capital decisions as a result of COVID 19. As at the date of this report, the full effect of the COVID-19 pandemic outbreak on the Group's future operations remains uncertain. The effects cannot be reliably estimated or quantified. The Company will monitor the ongoing developments and be proactive in mitigating the impact on its future operations.

(b) New and amended accounting policies adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- AASB 16: Leases

The Group has adopted the modified retrospective approach under AASB 16 from 1 July 2019. Refer to Note 1(q) for the initial impact of AASB 16 and updated accounting policy on leases.

(c) Principles of consolidation

SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of DXN Ltd ("the Company" or "parent entity") as at 30 June 2020 and the results of all subsidiaries for the year then ended. DXN Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'the Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

ASSOCIATES

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

(d) Intangible assets

Internally generated software

Internally developed software is capitalised at cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over the asset's useful economic life which is generally three years. Their useful lives and potential impairment are reviewed at the end of each financial year.

Licences/trademarks/copyrights

Certain licences, trademarks and copyrights that the Group possesses will be amortised over their useful life and are carried at cost less impairment losses and are subject to impairment review at least annually and whenever there is an indication that it may be impaired. Other licences that the Group acquires are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

Software under development

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services and employee costs.

Assets in the course of construction include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Software under development shall only commence being amortised when the software is completed and ready for use.

Other licences that the Group acquires are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

Customer Contracts

This relates to the minimum estimated EBITDA arising from the acquisition of the data centre in Hobart, Tasmania which have been guaranteed for three years by the vendor. This asset is recorded at original cost and is amortised on a straight-line basis over its useful economic life which is three years from its acquisition date.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of the consideration transfer over the acquisition date fair value of any identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, which represent the lowest level at which goodwill is monitored.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

(f) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

DEPRECIATION

The depreciable amount of all fixed assets relating to newly constructed greenfield data centres (such as DXN-SYD01) is depreciated using the reducing balance method to allocate their cost, net of any residual values, over their estimated useful lives.

The depreciable amount of fixed assets of existing data centres (such as the recently acquired DXN-TAS01) and other fixed assets are depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset Depreciation	Rate
Plant & Equipment	13% – 73%
DC Modules	10% – 73%
ICT Hardware	40% – 67%
Office Equipment	20% – 67%
Motor Vehicles	25%
Leasehold improvements	10% – 67%

Depreciation on assets under construction shall only commence when the assets construction is completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss in the statement of comprehensive income.

(g) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(h) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(i) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed over an ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured using a forward looking "expected credit loss" (ECL) model. Refer to notes 1(m) for further discussion on the application of the expected credit loss model under AASB 9 Financial Instruments.

(j) Trade and other payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Revenue Recognition

The Group's revenue recognition policy complies with AASB 15: Revenue from Contracts with Customers. AASB 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Group's contracts with the customer, identify performance obligations in the contract, and recognise revenue when performance obligations are satisfied.

Revenue generated by the Group is categorised into the following major business activities:

Data Centre Services

Revenue is recognised only when the service has been provided, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group. Any upfront discounts provided to customers are amortised over the contract term. This approach is considered consistent with AASB 15 in that revenue is deferred and recognised over the term of the contract with the customer. As the performance obligation is fulfilled over time, such revenue is recognised over time.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

DXN Module Sales

The Group custom builds turnkey data centre modules for customers. Revenue is recognised based on key milestones and in proportion to the stage of completion of the work performed at the reporting date. Revenue from these sales is based on the price stipulated in the contract and any agreed variations to the contract sum. Revenue is only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur. As the performance obligation is fulfilled over time, such revenue is recognised over time.

AASB 15 also provides guidance relating to the treatment of contract costs, such as incremental costs of obtaining a contract. From 1 July 2018, eligible costs that are expected to be recovered are capitalised as a contract asset and amortised over the term of the contract with the customer.

Interest Income

Interest income is recognised over time using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Refundable Research & Development Tax Offset

The Group recognises refundable R & D tax offset as a government grant under AASB 120 Government Grants. Such refunds are recognised on an accrual basis only when the amount can be measured reliably, and it is probable that the economic benefits associated with the offset will flow to the Group. Accordingly, revenues from the receipt of refundable R & D tax offset is recognised only at a point in time.

(I) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- (a) The initial recognition of goodwill; or
- (b) The initial recognition of an asset or liability in a transaction which:
 - (i) is not a business combination; and
 - (ii) at the time of the transaction, affects neither accounting profit nor taxable profit

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(m) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a Group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3:Business Combinations applies, the Group has the option to make an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss. The Group currently has no equity instrument financial assets.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

DERECOGNITION

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

IMPAIRMENT

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approach to impairment, as applicable under AASB 9: Financial Instruments:

- the simplified approach

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

(n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Equity-settled compensation

The Group operates an employee option and performance rights plan. Share-based payments to employees are measured at the fair value of the instruments at grant date and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The corresponding amounts are recognised in the share payment reserve and statement of profit and loss respectively. The fair value of options and performance rights are determined using the Black-Scholes or Binomial pricing model. The number of performance rights and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(p) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: purchase cost on a first-in/first-out basis; and
- Finished goods and work in progress: cost of direct materials and labour and a portion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

(q) Leases

Accounting policy applied until 30 June 2019

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to the Group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

Accounting policy applied from 1 July 2019

THE GROUP AS LESSEE

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

INITIAL APPLICATION OF AASB 16: LEASES

The Group has adopted the modified retrospective approach under AASB 16: Leases at 1 July 2019. In accordance with AASB 16 the comparatives for the 2018/19 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee. At 1 July 2019, the Group has also elected to measure the ROU asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at transition date. As a result, there is no adjustment to opening retained earnings.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

Refer to Note 14 for the disclosure of the Group's application of AASB 16.

(r) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The directors have decided not to early-adopt any of the new and amended pronouncements. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Consolidated 2020 \$	Parent 2019 \$
2. REVENUE FROM CONTINUING ACTIVITIES		
Sales to customers ¹	5,188,280	1,403,528

¹ 97% of revenues relate to DXN Module sales which are recognised over time

3. EXPENSES

Loss has been determined after the following specific expenses:

- Amortisation of intangibles	77,550	17,863
- Auditing or reviewing the financial report	50,000	47,000
- Depreciation	1,590,639	244,776
- Impairment of ROU Assets	3,743,255	-
- Lease amortisation	1,197,751	-
- Lease interest charge	217,849	-
- Operating lease expense - rental	-	2,097,420
 Employee benefits expense:		
- Annual leave	58,664	65,421
- Allowances	28,750	76,863
- Commissions / Bonuses	181,353	51,463
- Director's fees	196,885	158,998
- Fringe benefits tax	16,766	15,997
- Long service leave	-	(6,119)
- Payroll tax	145,308	192,592
- Recruitment	50,482	28,278
- Share based payments	604,692	11,621
- Staff onboarding, training & welfare	18,715	2,444
- Superannuation	354,230	280,700
- Wages	3,745,745	2,323,404
	5,401,590	3,201,662

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

4. INCOME TAX	Consolidated 2020 \$	Parent 2019 \$
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2019: 27.5%)	(3,462,395)	(2,027,697)
Add tax effect of:		
- Revenue losses not recognised	2,673,431	2,420,674
- Other non-deductible items	178,094	12,218
- Other non-assessable income	(252,493)	(326,302)
- Other deferred tax balances not recognised	863,363	(78,893)
Income tax expense	-	-
(c) Deferred tax recognised at 27.5% (2019: 27.5%) (Note 1):		
Deferred tax liabilities		
Accrued income	(19,759)	(14,494)
Prepayment	-	(16,818)
Leased right of use asset	(2,249,706)	-
Deferred tax assets		
Carried forward revenue losses	2,269,465	31,312
Net tax deferred	-	-
(d) Unrecognised deferred tax assets at 27.5% (2019: 27.5%) (Note 1):		
Carried forward revenue losses	2,691,244	2,834,410
Capital raising costs	578,182	414,999
Provisions and accruals	92,707	89,009
Lease liability	3,271,074	-
Customer contracts	22,474	-
	6,655,681	3,338,418

(e) The tax benefits of the above Deferred Tax Assets will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in income tax legislation adversely affect the Group in utilising the benefits.

Note 1 - the corporate tax rate for eligible companies will reduce from 30% to 25% by 30 June 2022 providing certain turnover thresholds and other criteria are met. Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The Directors have determined that the deferred tax balances be measured at the tax rates stated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

5. AUDITOR'S REMUNERATION	Consolidated 2020 \$	Parent 2019 \$
Remuneration of the auditor Moore Australia Audit (WA) (formerly Moore Stephens):		
- Auditing and reviewing the financial statements of the Group	50,000	47,000

6. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid during the period. No recommendation for payment of dividends has been made.

7. CASH AND CASH EQUIVALENTS	Consolidated 2020 \$	Parent 2019 \$
Current		
Cash at bank and on hand	3,592,472	5,362,135
	<u>3,592,472</u>	<u>5,362,135</u>

8. TRADE AND OTHER RECEIVABLES	Consolidated 2020 \$	Parent 2019 \$
Current		
Trade receivables ¹	330,878	695,472
Less: Provision for loss allowance/impairment	-	(131,657)
	<u>330,878</u>	<u>563,815</u>
GST receivable	49,996	425,298
Interest receivable	8,852	52,707
Loan to employee	-	5,125
	<u>389,726</u>	<u>1,046,945</u>

¹ Aging of gross carrying amounts due

0-30 days	306,074	433,082
30-60 days	23,957	18,597
60-90 days	-	18,597
90+ days	847	225,196
Loss allowance provision	-	(131,657)
Total	<u>330,878</u>	<u>563,815</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following table shows the movement in lifetime expected credit loss that has been recognised for trade and other receivables in accordance with the simplified approach set out in AASB 9: *Financial Instruments*.

	Opening balance under AASB 139 1 July 2018 \$	Adjust- ment for AASB 9 \$	Net measure- ment of loss allowance \$	Closing balance 30 June 2019 \$
a. Lifetime Expected Credit Loss: Credit Impaired				
(i) Current trade receivables	-	-	131,657	131,657
	-	-	131,657	131,657
	Opening balance under AASB 139 1 July 2019 \$	Adjust- ment for AASB 9 \$	Net measure- ment of loss allowance \$	Closing balance 30 June 2020 \$
(i) Current trade receivables – amount written off as bad debts	131,657		-(131,657)	-
	131,657		-(131,657)	-

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 8. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor (where applicable) and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques used or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two or more years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

The Group does not currently hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

9. OTHER ASSETS	Consolidated 2020	Parent 2019
	\$	\$
Current		
Prepayments	497,853	411,261
Deposits	13,556	17,577
	<u>511,409</u>	<u>428,838</u>

10. INVENTORIES	Consolidated 2020	Parent 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

11. BANK GUARANTEES	Consolidated 2020	Parent 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 17.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

12. PLANT AND EQUIPMENT	Consolidated 2020 \$	Parent 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>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

12. PLANT AND EQUIPMENT (CONTINUED)

Movements in carrying amounts	Consolidated 2020 \$	Parent 2019 \$
<i>Plant and Equipment</i>		
Carrying amount at beginning of reporting period	2,639,695	23,821
Additions	75,626	2,793,786
Disposals	-	-
Depreciation expense	(282,630)	(177,912)
Carrying amount at end of reporting period	<u>2,432,691</u>	<u>2,639,695</u>
<i>DC Modules</i>		
Carrying amount at beginning of reporting period	-	-
Transferred from assets under construction	7,038,892	-
Additions	925,858	-
Acquisition of DC3	1,332,335	-
Depreciation expense	(1,114,648)	-
Carrying amount at end of reporting period	<u>8,182,437</u>	<u>-</u>
<i>ICT Hardware</i>		
Carrying amount at beginning of reporting period	95,693	125,409
Additions	225,300	18,244
Disposals	(2,627)	(1,066)
Depreciation expense	(81,280)	(46,894)
Carrying amount at end of reporting period	<u>237,086</u>	<u>95,693</u>
<i>Office Equipment</i>		
Carrying amount at beginning of reporting period	65,800	33,286
Additions	4,297	49,010
Disposals	-	(2,432)
Depreciation expense	(21,023)	(14,064)
Carrying amount at end of reporting period	<u>49,074</u>	<u>65,800</u>
<i>Motor Vehicles</i>		
Carrying amount at beginning of reporting period	23,740	-
Additions	-	26,016
Disposals	-	-
Depreciation expense	(3,252)	(2,276)
Carrying amount at end of reporting period	<u>20,488</u>	<u>23,740</u>
<i>Leasehold Improvements</i>		
Carrying amount at beginning of reporting period	548,315	-
Additions	1,740,622	551,945
Disposals	-	-
Depreciation expense	(87,806)	(3,630)
Carrying amount at end of reporting period	<u>2,201,131</u>	<u>548,315</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

12. PLANT AND EQUIPMENT (CONTINUED)	Consolidated 2020 \$	Parent 2019 \$
<i>Assets Under Construction</i>		
Carrying amount at beginning of reporting period	7,769,012	173,396
Additions	-	7,595,616
Transferred to DC Modules	(7,038,892)	-
Transferred to inventory	(713,240)	-
Disposals	-	-
Depreciation expense	-	-
Carrying amount at end of reporting period	<u>16,880</u>	<u>7,769,012</u>
Total	<u>13,139,787</u>	<u>11,142,255</u>

13. INTANGIBLES	Consolidated 2020 \$	Parent 2019 \$
Non-Current		
Software at cost ¹	164,819	51,632
Accumulated amortisation	(49,368)	(26,621)
	<u>115,451</u>	<u>25,011</u>
Patents and Trademarks at cost ²	36,480	36,480
Accumulated amortisation	(4,480)	(2,592)
	<u>32,000</u>	<u>33,888</u>
Software Development at cost ³	272,526	231,560
Accumulated amortisation	-	-
	<u>272,526</u>	<u>231,560</u>
Customer Contracts ⁴	1,342,104	-
Accumulated amortisation	(52,915)	-
	<u>1,289,189</u>	-
Goodwill ⁵	25,541	-
Accumulated amortisation	-	-
	<u>25,541</u>	-
Total cost	1,841,470	319,672
Total accumulated amortisation	(106,763)	(29,213)
Total Written Down Value	<u>1,734,707</u>	<u>290,459</u>

¹ Relates to acquired software and is amortised over a period of 3 years.

² Relates to patents and is amortised over the estimated useful life of the patents.

³ Relates to the development costs spent to date on IoT software.

⁴ 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 is amortised over a period of 3 years.

⁵ Goodwill on the acquisition of assets and revenue of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

14. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

The Group's lease portfolio includes land and buildings only. These leases have varying lease terms ranging from 3 to 15 years and typically contain the option to renew the lease after that date.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 8.5%.

Options to Extend or Terminate

The options to extend or terminate are contained in all of the property leases of the Group. These clauses provide the Group opportunities to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the Group. The extension options or termination options which management were reasonably certain to be exercised have been included in the calculation of the lease liability.

Information about leases for which the Group is a lessee is presented below.

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

The measurement principles of AASB 16 are only applied from 1 July 2019. At the date of initial application, the right-of-use assets equals to the lease liabilities and there was no adjustment to the retained earnings. The lease liabilities are presented below:

Operating lease commitments disclosed as at 30 June 2019	21,971,307
Changes to extension options assumptions and discounted using incremental borrowing rate at the date of initial application	(8,849,549)
Balance at 1 July 2019	<u>13,121,758</u>
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>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

14. RIGHT-OF-USE ASSETS / LEASE LIABILITIES (CONTINUED)

iii. Amounts recognised in profit or loss

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.

	Consolidated 2020 \$	Parent 2019 \$
15. TRADE & OTHER PAYABLES		
Trade Creditors ¹	467,556	675,832
Other creditors & accruals ²	151,050	150,876
Payroll liabilities	166,906	325,313
	<u>785,512</u>	<u>1,152,021</u>

Terms and conditions relating to the above financial instruments.

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

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

For further details refer to note 24 Financial Instruments.

	Consolidated 2020 \$	Parent 2019 \$
16. INCOME IN ADVANCE		
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

17. BORROWINGS	Consolidated 2020 \$	Parent 2019 \$
Current		
Chattel mortgage ¹	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 ¹	2,615,697	2,165,861
Less: unexpired charges	(129,111)	(77,489)
	<u>2,486,586</u>	<u>2,088,372</u>

¹ A \$5 million secured Chattel Finance Facility (revolving) with ANZ Bank to finance generators, chillers and battery/power supply equipment.

Security

- Specific Commercial Agreement (Fixed Charge) – Cash Deposits with ANZ of \$2m given by the Company; and
- General Security Agreement (Fixed & Floating Charge) over the assets of the Company.

Conditions & Covenants

- Provision of semi-annual Financial Statements within 30 days of the end of each financial half year;
- The Adjusted Gearing Ratio for each financial half year of the Company will not be greater than 1:1; and
- Adjusted Gearing Ratio is calculated as (Total Liabilities - Non-Current Subordinated Debt) divided by (Tangible Net Worth + Non-Current Subordinated Debt).

The Company is in compliance with its financial covenants.

18. PROVISIONS	Consolidated 2020 \$	Parent 2019 \$
Current		
Annual Leave	143,162	84,499
	<u>143,162</u>	<u>84,499</u>

The Group currently has 30 employees including Directors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

19. INTERESTS IN SUBSIDIARIES

a) Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		2020	2019	2020	2019
		%	%	%	%
Tas01 Pty Ltd	Tasmania	100	-	-	-

b) Acquisition

On 18 May 2020, the Parent Entity acquired the assets and revenue of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd via a newly incorporated wholly-owned subsidiary, Tas01 Pty Ltd.

	Fair Value
Purchase consideration:	\$
Cash	<u>2,700,000</u>
Less:	
Customer Contracts ¹	1,342,104
Property, plant and equipment	<u>1,332,355</u>
Identifiable assets acquired and liabilities assumed	<u>2,674,459</u>
Goodwill	<u><u>25,541</u></u>

¹ The directors believe the customer contracts are fully recoverable and no provision for impairment is required

No amount of the goodwill is deductible for tax purposes.

Revenue of Tas01 Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 18 May 2020 amounted to \$101,876. Loss of Tas01 Pty Ltd included in consolidated loss of the Group since the acquisition date amounted to (\$25,944).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

20. ISSUED CAPITAL	Consolidated 2020 \$	Parent 2019 \$
1,050,552,642 (2019:361,271,724) fully paid ordinary shares	39,604,052	29,662,628
<hr/>		
(a) Movements in fully paid ordinary shares on issue	2020	
	\$	Number
At the beginning of the reporting period	29,662,628	361,271,724
Shares issued during the period:		
Shares subscribed for in placement at \$0.055	4,981,247	90,568,130
Shares subscribed for in placement at \$0.01	5,921,799	592,179,856
Issue of shares on exercise of performance rights	343,514	6,532,932
Less: Capital raising costs	(1,305,136)	-
Balance at 30 June 2020	39,604,052	1,050,552,642
<hr/>		
	2019	
	\$	Number
At the beginning of the reporting period	20,137,584	182,312,501
Shares issued during the period:		
Shares subscribed for in placement at \$0.155	2,010,274	12,969,512
Rights entitlement issue at \$0.05	8,299,486	165,989,711
Less: Capital raising costs	(784,716)	-
Balance at 30 June 2019	29,662,628	361,271,724
<hr/>		

(b) Terms of Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholder's meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands. These fully paid ordinary shares have no par value.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

The Company has been able to have put in place a \$5 million secured Chattel Finance Facility (revolving) with ANZ Bank to finance generators, chillers and battery/power supply equipment and a \$200,000 secured Chattel Finance Facility with the ANZ Bank to finance various vehicles. Due to the nature of the Company's activities, the primary source of funding being equity raisings, given the early stage of its business. Accordingly, the objective of the Company's capital risk management is to balance the current working capital position against the requirements of the Company to meet the building of its colocation data centres and general corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The Group is not subject to any externally imposed capital requirements other than as disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

21. OPTION RESERVE	Consolidated 2020	Parent 2019
	\$	\$
824,076,111 (2019:122,323,048 options)	310,302	310,302
	2020	
(a) Movements in listed options on issue:	\$	Number
<i>Options</i>		
At the beginning of the reporting period	310,302	122,323,048
Options issued during the period:		
Options subscribed for as part of placement	-	682,747,986
Options issued to senior management (refer note 29)	-	19,500,000
Options issued as part of capital raise (refer note 29)	-	82,500,000
Options expired during the period	-	(82,994,923)
Balance at 30 June 2020	310,302	824,076,111
	2019	
	\$	Number
<i>Options</i>		
At the beginning of the reporting period	310,302	39,328,125
Options issued during the period:		
Options subscribed for as part of placement	-	82,994,923
Balance at 30 June 2019	310,302	122,323,048

(b) Terms of Options

At the end of reporting period, there are 824,076,111 options over unissued shares as follows:

Expiry Date	Exercise Price	Number of Options
19-Aug-20 ¹	\$0.10	3,750,000
28-Oct-20	\$0.10	750,000
11-Nov-20	\$0.10	105,568,130
30-Nov-20	\$0.30	32,500,000
5-Apr-21	\$0.30	6,828,125
19-Aug-21	\$0.10	5,000,000
28-Oct-21	\$0.10	1,000,000
19-Aug-22	\$0.10	7,500,000
28-Oct-22	\$0.10	1,500,000
31-Dec-22	\$0.10	7,500,000
18-May-23	\$0.02	652,179,856
		824,076,111

¹ These options expired on 19 August 2020 and were not exercised

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

22. SHARE BASED PAYMENTS RESERVE	Consolidated 2020 \$	Parent 2019 \$
Share based payments at the beginning of the year	11,621	-
Capital raising costs - options (refer note 29)	437,604	-
Employee equity settled transactions (refer note 29)	604,692	11,621
Reclassified to issued capital	(343,514)	-
Share based payments at the end of the year	<u>710,403</u>	<u>11,621</u>

23. ACCUMULATED LOSSES	Consolidated 2020 \$	Parent 2019 \$
Accumulated losses at the beginning of the reporting period	(13,110,430)	(5,736,986)
Net loss attributable to members	<u>(12,590,529)</u>	<u>(7,373,444)</u>
Accumulated losses at the end of the reporting period	<u>(25,700,959)</u>	<u>(13,110,430)</u>

24. RELATED PARTY DISCLOSURES

(a) Loans to key management personnel

There were no loans to key management personnel at the end of the period.

(b) Other transactions and balances with key management personnel

Mr Douglas Loh is a director and shareholder of Emmanuel Investment Holdings Pty Ltd. During the period Emmanuel Investment Holdings Pty Ltd received \$15,900 (2019: \$47,700) for the provision of Executive Chairman services. These costs have been included in the compensation of key management personnel for the period ended 30 June 2020. All transactions were entered into on normal commercial terms.

Mr George Lazarou is a director and shareholder of Citadel Capital Pty Ltd. During the period Citadel Capital Pty Ltd received \$60,000 (2019: \$145,000) for the provision of Company Secretarial and Chief Financial Officer services. These costs have been included in the compensation of key management personnel for the period ended 30 June 2020. All transactions were entered into on normal commercial terms.

(c) Executive Agreement

On 19 August 2019, Mr Matthew Madden was appointed Chief Executive Officer of the Group.

On 28 October 2019, Mr Greg Blenkiron was appointed Chief Financial Officer of the Group.

On 20 December 2019, Mr Richard Whiting, who was Chief Commercial Officer of the Group resigned.

On 8 May 2020, Mr Simon Forth, who was Chief Operating Officer of the Group resigned.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

24. RELATED PARTY DISCLOSURES (CONTINUED)

24 (d) Key management personnel compensation

	Consolidated 2020 \$	Parent 2019 \$
The key management personnel compensation comprised:		
Short term employment benefits	941,811	1,076,436
Bonus payments	48,750	-
Post-employment benefits	68,016	31,640
Termination payments	48,272	282,523
Share based payments	461,924	4,818
	<u>1,568,773</u>	<u>1,395,137</u>

Detailed remuneration disclosures are provided in the Remuneration Report on page 19

25. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group has exposure to the following risks from their use of financial instruments:

- (a)! credit risk;
- (b)! liquidity risk;
- (c)! market risk; and
- (d)! Interest rate risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group's principal financial instruments comprise cash. The Group also has other financial instruments such as receivables and payables which arise directly from its operations. For the period under review, it has been the Group's policy not to trade in financial instruments.

Financial Instruments	Consolidated 2020 \$	Parent 2019 \$
Financial assets		
Cash and cash equivalents	3,592,472	5,362,135
Trade and other receivables	389,726	1,046,945
Bank guarantees	3,087,841	3,071,000
	<u>7,070,039</u>	<u>9,480,080</u>
Financial liabilities		
At amortised cost:		
Trade and other payables	785,512	1,152,021
Borrowings	3,359,506	2,958,221
Lease liabilities	11,894,815	-
	<u>16,039,833</u>	<u>4,110,242</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

25. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above.

The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

The Group does not have any significant credit risk exposure to the bank, given total borrowings are \$3,359,506 and the bank has security over the borrowing via a \$2,000,000 term deposit. The credit risk on liquid funds is reduced because the counterparty is a bank with a high credit rating assigned by international credit rating agencies.

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. The Group had \$5,200,000 in bank facilities available, with \$3,359,506 currently utilised and \$1,840,494 in undrawn facilities at its disposal as at reporting date.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 1 year	1-2 years	2-5 years	>5 years	Total contractual cash flows	Carrying Amount
30-Jun-20	\$	\$	\$	\$		\$
Trade and other payables	785,512	-	-	-	785,512	785,512
Borrowings	872,920	1,236,801	1,249,785	-	3,359,506	3,359,506
Lease liabilities	1,104,311	1,093,886	3,542,476	6,154,142	11,894,815	11,894,815
Net maturity	2,762,743	2,330,687	4,792,261	6,154,142	16,039,833	16,039,833

Contractual maturities of financial liabilities	Less than 1 year	1-2 years	2-5 years	>5 years	Total contractual cash flows	Carrying Amount
30-Jun-19	\$	\$	\$	\$		\$
Trade and other payables	1,152,021	-	-	-	1,152,021	1,152,021
Borrowings	869,849	881,617	1,206,755	-	2,958,221	2,958,221
Net maturity	2,021,870	881,617	1,206,755	-	4,110,242	4,110,242

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

25. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market risk

Market risk is the risk that changes in the market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or value of its holdings of financial instruments. The Group does not have any interest bearing short or long-term debt and therefore the risk is minimal. The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature. The Group's cash and cash equivalents at 30 June 2020 are fixed interest rate instruments. Therefore, they are not subject to interest rate risk.

Fair value measurements

The fair values of cash, receivables, trade and other payables approximate their carrying amounts as a result of their short-term maturity.

26. EARNINGS PER SHARE

(a) Loss used in the calculation of basic and dilutive earnings per share for continuing operations

Consolidated 2020	Parent 2019
\$	\$
12,590,529	7,373,444

(b) Weighted average number of ordinary shares outstanding during the reporting period used in calculation of basic and diluted earnings per share

Number of shares 2020	Number of shares 2019
489,941,094	210,822,978

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

27. CASH FLOW INFORMATION

	Consolidated 2020	Parent 2019
	\$	\$
(a) Reconciliation of cash flow from operations with loss from ordinary activities after income tax.		
Loss after income tax	(12,590,529)	(7,373,444)
Adjustment for;		
- Amortisation - intangibles	77,550	17,863
- Lease amortisation	1,197,751	-
- Lease interest charge	217,849	-
- Chattel Mortgage interest charge	29,687	-
- Depreciation	1,590,639	244,776
- Foreign exchange gain/loss	(79,190)	42,680
- Gain/loss on sale of plant and equipment	(7,843)	2,432
- Provision for doubtful debts	83,768	136,153
- Share based payment	604,692	11,621
- Impairment of assets	3,743,255	-
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	669,150	268,750
- (Increase)/decrease in prepayments	(86,591)	(319,069)
- (Increase)/decrease in inventory	84,314	(768,229)
- (Increase)/decrease in deposits	4,020	(17,577)
- Increase/(decrease) in trade and other payables	(1,101,209)	(255,914)
- Increase/(decrease) in income in advance	(526,539)	1,155,331
- Increase/(decrease) in provisions	58,663	7,366
Net cash flow used in operating activities	<u>(6,030,563)</u>	<u>(6,847,261)</u>

(b) Reconciliation of cash and cash equivalents

	Consolidated 2020	Parent 2019
	\$	\$
Cash and cash equivalents comprises:		
Cash at bank and on hand	3,592,472	5,362,135
Term deposit	-	-
	<u>3,592,472</u>	<u>5,362,135</u>

(c) Acquisition of Entities

There was no acquisition of entities during the period.

(d) Non-cash financing and investing activities

There was no non-cash financing and investing activities during the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

28. 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.

Major customers

During the period ended 30 June 2020, the Group supplied 9 (2019:7) single external customers with data centre infrastructure, consulting services and computer equipment which accounted for 99.2%, 0.3% and 0.5% of external revenue.

29. SHARE BASED PAYMENTS

(a) Recognised employee share based payment expenses

The expense recognised for employee services received during the period are as follows:

	Consolidated 2020 \$	Parent 2019 \$
Total expense rising from employee, consultant and Director share based payment transactions;		
- Performance rights	470,932	11,621
- Options	133,760	-
	604,692	11,621

Performance Rights – 30 June 2020

During the period, the Group granted 9,300,000 performance rights, subject to various vesting conditions, expiring on various dates from 16 April 2020 to 30 June 2022.

A summary of main vesting conditions are as follows:

Senior Executives

- Milestone 1: DXN-SYD01 achieving either;
 - i. an annual gross revenue equal to or in excess of \$15,000,000;
- or
 - ii. filled capacity of 5 MW; or
 - iii. Sales equal to or in excess of 500 server racks; and
- Milestone 2: DXN Modules achieving total sales equal to or in excess of \$25,000,000 over a rolling 12-month period, both on or before 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

29. SHARE BASED PAYMENTS (CONTINUED)

Sales Staff

- twelve (12) months from date of issue ¹;
- twenty-four (24) months from date of issue ¹; and

¹ These performance rights were later amended to date of employment rather than date of issue.

The value of performance rights granted during the period was calculated using the Black-Scholes Option Pricing Model incorporating a Monte Carlo simulation. The performance right issue expense for FY2020 amounted to \$470,932 (2019: \$11,621). The values and inputs are as follows:

2020 Performance Rights	
Performance rights issued	9,300,000
Underlying share value	0.050-0.053
Exercise price of performance rights	Nil
Risk free interest rate	0.92-0.77%
Share price volatility	75%
Expiration periods	6 April 2020 to 30 June 2022
Probability of meeting milestone hurdle	100%
Valuation per performance right	0.050-0.053

2019 Performance Rights	
Performance rights issued	7,535,448
Underlying share value	\$0.053
Exercise price of performance rights	Nil
Risk free interest rate	0.92-0.90%
Share price volatility	75%
Expiration periods	30 September 2019 to 26 June 2022
Probability of meeting milestone hurdle	100%
Valuation per performance right	\$0.053

The expected life of the performance rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The performance rights were subscribed for nil consideration per performance right, and no performance rights have vested since the financial period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

(b) Equity-settled share based payments

Options issued to CEO

On 19 August 2019, the Group issued three (3) tranches of options to senior management;

- i) 3,750,000 options exercisable at \$0.10 on or before 19 August 2020
- ii) 5,000,000 options exercisable at \$0.10 on or before 19 August 2021
- iii) 7,500,000 options exercisable at \$0.10 on or before 19 August 2022

Inputs for measurement of issue date fair value

Options

The options were issued during the financial period and were provided at no cost to the recipient.

Tranche 1

The expense during the year ended 30 June 2020 amounted to \$35,938. The values and inputs are as follows:

Options – 19 August 2020 (\$0.10)	
Options issued	3,750,000
Underlying share value	\$0.05
Exercise price of options	\$0.10
Risk free interest rate	1%
Expected future volatility	75%
Dividend yield	0%
Expiration period	19-Aug-20
Valuation per option	\$0.011

Tranche 2

The expense during the year ended 30 June 2020 amounted to \$34,787. The values and inputs are as follows:

Options – 19 August 2021 (\$0.10)	
Options issued	5,000,000
Underlying share value	\$0.05
Exercise price of options	\$0.10
Risk free interest rate	1%
Expected future volatility	75%
Dividend yield	0%
Expiration period	19-Aug-21
Valuation per option	\$0.016

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

29. SHARE BASED PAYMENTS (CONTINUED)

Tranche 3

The expense during the year ended 30 June 2020 amounted to \$45,015. The values and inputs are as follows:

Options – 19 August 2022 (\$0.10)	
Options issued	7,500,000
Underlying share value	\$0.05
Exercise price of options	\$0.10
Risk free interest rate	1%
Expected future volatility	75%
Dividend yield	0%
Expiration period	19-Aug-22
Valuation per option	\$0.02

On 28 October 2019, the Group issued three (3) tranches of options to senior management;

- i) 750,000 options exercisable at \$0.10 on or before 28 October 2020
- ii) 1,000,000 options exercisable at \$0.10 on or before 28 October 2021
- iii) 1,500,000 options exercisable at \$0.10 on or before 28 October 2022

Inputs for measurement of issue date fair value

Options

The options were issued during the financial period and were provided at no cost to the recipient.

Tranche 1

The expense during the year ended 30 June 2020 amounted to \$5,595. The values and inputs are as follows:

Options – 28 October 2020 (\$0.10)	
Options issued	750,000
Underlying share value	\$0.06
Exercise price of options	\$0.10
Risk free interest rate	1%
Expected future volatility	75%
Dividend yield	0%
Expiration period	28-Oct-20
Valuation per option	\$0.01

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

29. SHARE BASED PAYMENTS (CONTINUED)

Tranche 2

The expense during the year ended 30 June 2020 amounted to \$5,416. The values and inputs are as follows:

Options – 28 October 2021 (\$0.10)	
Options issued	1,000,000
Underlying share value	\$0.06
Exercise price of options	\$0.10
Risk free interest rate	1%
Expected future volatility	75%
Dividend yield	0%
Expiration period	28-Oct-21
Valuation per option	\$0.02

Tranche 3

The expense during the year ended 30 June 2020 amounted to \$7,009. The values and inputs are as follows:

Options – 28 October 2022 (\$0.10)	
Options issued	1,500,000
Underlying share value	\$0.06
Exercise price of options	\$0.10
Risk free interest rate	1%
Expected future volatility	75%
Dividend yield	0%
Expiration period	28-Oct-22
Valuation per option	\$0.02

Options issued as part of capital raise

On 11 November 2019, the Group issued 15,000,000 options exercisable at \$0.10 on or before 11 November 2020 as part of the placement.

Inputs for measurement of issue date fair value

Options

The options were issued during the financial period and were provided at no cost to the recipient.

The value of the options issued during the period was calculated using a binomial option pricing model and totalled \$103,617. The values and inputs are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

29. SHARE BASED PAYMENTS (CONTINUED)

Options – 11 November 2020 (\$0.10)	
Options issued	15,000,000
Underlying share value	\$0.06
Exercise price of options	\$0.10
Risk free interest rate	1%
Expected future volatility	75%
Dividend yield	0%
Expiration period	11-Nov-20
Valuation per option	\$0.007

On 7 January 2020, the Group issued 7,500,000 options exercisable at \$0.10 on or before 31 December 2022 as part of the placement.

Inputs for measurement of issue date fair value

Options

The options were issued during the financial period and were provided at no cost to the recipient.

The value of the options issued during the period was calculated using a binomial option pricing model and totalled \$113,419. The values and inputs are as follows:

Options – 31 December 2022 (\$0.10)	
Options issued	7,500,000
Underlying share value	\$0.05
Exercise price of options	\$0.10
Risk free interest rate	1%
Expected future volatility	75%
Dividend yield	0%
Expiration period	31-Dec-22
Valuation per option	\$0.015

On 19 May 2020, the Group issued 60,000,000 options exercisable at \$0.2 on or before 18 May 2023 as part of placement.

Inputs for measurement of issue date fair value

Options

The options were issued during the financial period and were provided at no cost to the recipient.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

29. SHARE BASED PAYMENTS (CONTINUED)

The value of the options issued during the period was calculated using a binomial option pricing model and totalled \$220,568. The values and inputs are as follows:

Options – 31 December 2022 (\$0.10)	
Options issued	60,000,000
Underlying share value	\$0.01
Exercise price of options	\$0.02
Risk free interest rate	0.3%
Expected future volatility	75%
Dividend yield	0%
Expiration period	18-May-23
Valuation per option	\$0.00367

	Number	Weighted Average Exercise Price
Options outstanding as at 4 August 2017	-	-
Options subscribed for	32,500,000	\$0.30
Convertible noteholder options	6,828,125	\$0.30
Options outstanding as at 30 June 2018	39,328,125	\$0.30
Options issued as part of placement	82,994,923	\$0.10
Options outstanding as at 30 June 2019	122,323,048	\$0.165
Options issued to senior executives	19,500,000	\$0.10
Options issued as part of placement	113,068,130	\$0.10
Options issued as part of placement	652,179,856	\$0.02
Options expired during the period	(82,994,923)	\$0.10
Options outstanding as at 30 June 2020	824,076,111	\$0.46
Options exercisable as at 30 June 2019	122,323,048	
Options exercisable as at 30 June 2020	824,076,111	

As at the date of this report, 10,242,970 options have been exercised at \$0.02 since the end of the financial period.

30. EVENTS SUBSEQUENT TO REPORTING DATE

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

On September 3 2020, the Group obtained a \$500,000 principal and interest loan with Export Finance Australia. The loan is repayable by 30 September 2021.

On September 24 2020, the Group signed a Master Supply Agreement with Connected Farms to supply fully engineered factory built prefabricated modular data centres for up to 15 sites across Australia. The first purchase order under the agreement is for approximately \$1M and is for two sites.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

31. CONTINGENT LIABILITIES

In the opinion of the directors there were no contingent liabilities at 30 June 2020, and the interval between 30 June 2020 and the date of this report.

32. COMMITMENTS

	Consolidated 2020	Parent 2019
	\$	\$
Operating lease expenditure commitments		
No later than 1 year	-	1,447,072
Between 1 and 5 years	-	6,702,812
Greater than 5 years	-	13,821,423
	<u>-</u>	<u>21,971,307</u>

The Company is currently leasing premises at 9 Mumford Place, Balcatta WA for a period of 3 year commencing 20 November 2017, with an option to renew for a further 3 years.

The Company is currently sub-leasing premises at 5 Parkview Drive, Sydney Olympic Park NSW for a period of 15 year commencing 1 February 2018, with an option to renew for a further 5 years.

The Company is currently leasing premises at 286-292 Lorimer Street, Port Melbourne, Victoria for a period of 10 year commencing 1 February 2018, with an option to renew for 2 further terms of 5 years each.

The above leases are now recognised as right-of-use assets and lease liabilities in the Statement of Financial Position.

	Consolidated 2020	Parent 2019
	\$	\$
Capital expenditure commitments		
No later than 1 year	53,449	2,198,663
Between 1 and 2 years	-	-
Greater than 2 years	-	-
	<u>53,499</u>	<u>2,198,663</u>

	Consolidated 2020	Parent 2019
	\$	\$
Finance Lease / Chattel Mortgage Commitments		
Payable – minimum payments:		
– not later than 1 year	1,004,321	975,731
– between 1 and 5 years	2,615,697	2,165,861
Minimum payments	3,620,018	3,141,592
Less future finance charges	(260,512)	(183,371)
Present value of minimum payments	<u>3,359,506</u>	<u>2,958,221</u>

33. COMPANY DETAILS

The registered office of business address is;

5 Parkview Drive
Sydney Olympic Park NSW 2127

The principal place of business address is:

9 Mumford Place
Balcatta WA 6021

Other business addresses in Australia are;

40-50 Innovation Drive
Dowsing Point Tas 7010

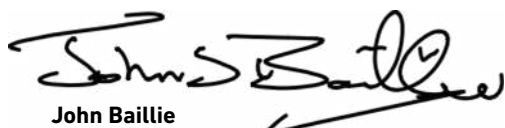
288 Lorimer Street
Port Melbourne VIC 320

DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements, notes and additional disclosures included in the Directors' report and designated as audited, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and Corporations Regulations 2001;
 - (b) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the period ended on that date;
 - (c) the financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.
2. The Chief Executive Officer and Chief Financial Officer have declared that:
 - (a) the financial records of the Group for the financial period have been properly maintained in accordance with section 295A of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial period comply with Accounting Standards; and
 - (c) the financial statements and notes for the financial period give a true and fair view.
3. In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



John Baillie
Non-Executive Chairman

Dated this 30th day of September 2020

Report on the Audit of the Financial Report**Opinion**

We have audited the financial report of DXN Ltd (the "Company") and its controlled entity (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the 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 report.

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without modification to our opinion expressed above, we draw attention to Note 1 "Going Concern" of the financial statements which states that the financial statements have been prepared on a going concern basis. Should the Company be unable to achieve the funding and operational outcomes described in Note 1 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Customer contracts – revenue recognition, valuation of works in progress (WIP), trade accounts receivable and income received in advance

Refer to Notes 1(k), 8, 10 & 16

For the year ended 30 June 2020, the Group's revenue is predominantly derived from the sales of DXN Modules. At balance date, DXN Module-related Works in Progress (WIP) balance was \$0.24 million, trade debtors were \$0.33 million and income in advance was \$0.73 million.

The accurate recording of revenue is highly dependent upon the following key factors:

- Knowledge of the individual characteristics and status of contracts.
- Management's invoicing process including
 - Accurate measurement of work done based on the Module build's stage of completion
 - Invoices prepared in compliance with contract terms and conditions described in the contract, provided they fulfil the criteria of AASB 15 Revenue from Contracts with Customers.
 - Recognition of any variations in accordance with contractual terms and based on an assessment as to when the Group believes it is highly probable that a significant reversal in revenue recognised will not occur.

We focused on this matter as a key audit matter due to the significance of contract-based revenue to the Group combined with the need to comply with a variety of contractual conditions, leading to judgemental risk associated with revenue recognition.

Our procedures included among others:

- Obtained an understanding of the processes and relevant controls relating to accounting for customer contracts to ensure compliance with AASB 15
- Read significant customer contracts to understand the terms/conditions and their revenue recognition impact, & accuracy of income in advance.
- Tested the accuracy and completeness of contracting revenue and related cost of sales to supporting documentation on a sample basis
- Performed cut-off testing on revenue and income in advance to ensure they were recorded accurately and in the appropriate reporting period
- Examined costs included within WIP balances on a sample basis by verifying the amounts to source documentation and tested its recoverability through subsequent invoicing (if applicable), discussions with management & review of other supporting evidence
- Reviewed ageing of trade receivables and testing its recoverability to subsequent receipts. We also reviewed Board minutes and other documents concerning any expected credit loss
- Reviewed the relevant disclosures contained in the financial statements.

Implementation of AASB 16 Leases

Refer to Note 1(a), 1(b), 1(q) & 14 Right-of-Use Assets & Lease Liabilities

The Company adopted AASB 16 Leases with effect from 1 July 2019, which resulted in changes to the accounting policies. The Company has elected not to restate comparative information as permitted by the transitional provisions contained within AASB 16.

The impact of AASB 16 is a change in the accounting policy for operating leases. This change of accounting policy resulted in right-of-use (ROU) assets of \$8.18 million and lease liabilities of \$11.89 million being recognised at balance date in the statement of financial position. An impairment charge of \$3.74 million has been recognised in relation to the Melbourne right-of-use lease asset.

Because of the judgements which have been applied and the estimates made in determining the impact of AASB 16, this area is considered as a key audit matter.

Our procedures included, amongst others:

- Assessed whether the Group's new accounting policies are in accordance with the requirements of AASB 16 through consideration of the Group's application of the accounting principles
- Assessed the discount rates and other assumptions applied in determining lease liabilities and discussing with management the basis for impairing the Melbourne ROU asset under AASB 136 Impairment.
- Verified the accuracy of the underlying lease data by agreeing to lease contracts, or other supporting information, and assessing the integrity and mechanical accuracy of the AASB 16 calculations for each lease.
- Considered the completeness of the lease data by reconciling the lease liabilities to operating lease commitments
- Review of adequacy of disclosures in the financial statements, including AASB 16 transition disclosures

Key Audit Matters (continued)

Plant & Equipment - Carrying values of capitalised costs, Existence of Assets	
Refer to Note 12 Plant & Equipment and Note 19(b) Acquisition	
<p>During the year ended 30 June 2020, construction of the Sydney Data Centre (DXN-SYD01) was completed with the facility officially opening in September 2019. Major capital expenditures were incurred in completing DXN-SYD01 including significant leasehold improvements related to the Sydney premises.</p> <p>In May 2020, the Company completed the purchase of the assets and revenues of Data Centre 3 Pty Ltd (DXN-TAS01), a data centre in Hobart, Tasmania. Total plant and equipment acquired amounted to \$1.33 million under the purchase agreement.</p> <p>At 30 June 2020, total Plant and Equipment amounted to \$13.14 million (representing the Group's single largest asset) which comprised 3 core categories, namely:</p> <ul style="list-style-type: none"> • DC Modules \$8.18 million (62%) • Plant & equipment \$2.43 mill (18%) & • Leasehold improvements \$2.2 mill (17%) <p>Note that given the infancy of the Group's operations, particularly in relation to DXN-SYD01, we were unable to rely on forecast cash flows as a reliable estimate of this asset's value-in-use. The plant and equipment of DXN-SYD01 were subject to a professional independent valuation during the year to ensure the carrying book values of the underlying assets were not higher than their recoverable amounts (market value) pursuant to AASB 136 Impairment.</p> <p>The assets acquired under the DXN-TAS01 purchase agreement were also subject to an independent market appraisal.</p> <p>The carrying values of plant and equipment were considered key audit matters given the significance of these assets to the Group and the judgement involved in the assessment of impairment.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Reviewing minutes of Board meetings, ASX announcements and other reports for evidence of any impairment indicators • Testing expenditures related to capitalised costs during the year on a sample basis against supporting documentation such as supplier invoices and purchase agreements and ensuring such expenditures are appropriately recorded in accordance with AASB 116 Property Plant & Equipment • Evaluation of the independent professional valuation (of DXN-SYD01) including the external expert's competence, capabilities, and objectivity. We also assessed the methodology adopted by the expert to estimate market values and considered the appropriateness of any critical assumptions adopted by the expert. • Checking, on a sample basis, the accuracy and relevance of the input data provided by management to the external valuer. • Evaluation of the independent appraiser (of DXN-TAS01 assets) including their competence, capabilities, and objectivity. • Held discussions with management concerning excess core capital assets which management assert can either be sold on a standalone basis, deployed across the Group's DXN Module-Sales or be fully utilised in the future expansion of DXN-SYD01. We obtained detailed tender submissions (incorporating these assets) and correspondence with prospective customers to ensure their book values are not impaired. Our assessment was extended to the recent contracts awarded to DXN • In addressing the existence assertion for major assets located at both DXN-SYD01 and DXN-TAS01, we noted both properties were physically inspected by the respective independent valuer & appraiser during the year. • Comparing the market capitalisation (\$16.8 mill) of the Company against the Group's total net assets (\$14.9 mill) at balance date for any impairment triggers. • Reviewed the relevant disclosures contained in the financial statements

Share-Based Payments	
Refer to Remuneration Report, Note 1(o) & 29 Share-Based Payments	
<p>During the year, the Group transacted with Key Management Personnel (KMPs) and employees/consultants including:</p> <ul style="list-style-type: none"> • Awarding share-based payments amounting to \$604,692 in the form of performance rights and share options to Key Management Personnel and employees • Awarding share-based payments amounting to \$437,604 to various corporate advisors for capital raising costs <p>There are associated inherent risks with transactions with related parties and KMPs including the potential for them to be made on terms and conditions more favourable than if they had been with an independent third party.</p> <p>The value of the share-based payments is a key audit matter due to it being a key material transaction (as outlined above), the valuation of which involves significant judgment and accounting estimation.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Reviewing minutes of meetings, ASX announcements including results of shareholder meetings and noting their approval of share-based payments to KMPs, and relevant agreements during the year • Assessing the valuation methodology used by management to estimate the fair value of share based payments including testing the integrity of the information provided, assessing the appropriateness of key assumptions input into the valuation model and recalculating the valuation using the Black Scholes Valuation model • Assessing whether the share-based payments have been appropriately classified and accounted for in the financial statements • Assessing the appropriateness of the relevant disclosures in the financial statements

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our audit report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of DXN Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



SUANN LEE TAN
PARTNER

Signed at Perth on the 30th day of September 2020



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

CORPORATE GOVERNANCE STATEMENT

1.1. Roles and Responsibilities of Board and Management

THE ROLE OF THE BOARD AND DELEGATIONS

The Board is accountable to shareholders for the activities and performance of DXN by overseeing the creation of sustainable shareholder value within an appropriate risk framework and having regard for stakeholder interests and community expectations.

The Board is responsible for setting DXN's vision and strategy. DXN's vision is to bring critical communication infrastructure closer to our customers. We will be the preferred partner of EDGE infrastructure owners and developers supplying, operating and maintaining physical EDGE infrastructure, networks and maintenance products and services. This is a long-term vision and the Board sets strategic priorities each year to work towards fulfilling this vision.

Directors are actively involved in setting, approving and regularly monitoring DXN's strategic priorities and holding management accountable for progress.

This process includes one annual Board strategy offsite, regular Board reporting and meetings, and discussion and review with management. Similarly, the Board ensures that rigorous governance processes operate effectively to guide decision making across the business.

The Board's responsibilities are set out in the Board Charter, which is available at: > https://dxn.solutions/wp-content/uploads/2020/07/DXN_LTD-Corporate-Governance-Plan-4th-Edition-Compliant-6-June-2020.pdf

The Board's role and responsibilities include:

- establishing, promoting and maintaining the strategic direction of DXN;
- approving business plans, budgets and financial policies;
- considering management recommendations on strategic business matters;
- establishing, promoting and maintaining proper processes and controls to maintain the integrity of accounting and financial records and reporting;
- fairly and responsibly rewarding executives, having regard to the performance of the executives, DXN's risk management framework and culture, the interests of shareholders, market conditions and DXN's overall performance;
- adopting and overseeing of implementation of corporate governance practices;
- overseeing the establishment, promotion and maintenance of effective risk management policies and processes;
- reviewing Board composition and performance;
- appointing, evaluating and remunerating the Chief Executive Officer (CEO) and approving the appointment of the Chief Financial Officer (CFO) and Company Secretary; and
- determining the CEO's delegated authority.

The Board has established committees to assist in carrying out its responsibilities and to consider certain issues and functions in detail.

The Board committees are discussed at section 1.3.

MANAGEMENT RESPONSIBILITY

The Board has delegated to the CEO the authority and powers necessary to implement the strategies approved by the Board and to manage the business affairs of DXN within the policies and delegation limits specified by the Board from time to time. The CEO may delegate authority to management but remains accountable for all authorities delegated to management.

1.2. Directors' Skills Matrix

The Board has determined that its current members have an appropriate collective mix of skills, experience and expertise to:

- exercise independent judgement;
- have a proper understanding of, and competence to deal with, current and emerging issues of the business;
- encourage enhanced DXN performance; and
- effectively review and challenge the performance of management.

The Board's competencies are assessed annually and the results of the most recent (August 2020) assessment are shown in the table below.

Areas of expertise/leadership qualities	Average Self-Assessment Rating*
Administration	3.50
Capital raising expertise	3.75
Early stage companies/start-ups	3.75
Financial oversight/audit expertise	3.25
Government	2.50
Leadership skills	4.50
Legal	2.25
Marketing, public relations	3.75
Mergers & acquisitions	3.00
Human resources/compensation expertise	2.75
Industry knowledge/expertise	4.75
Operational expertise	4.25
Risk management expertise	3.50
Strategic planning	4.00
Sales	4.25
Technology	4.00

*Self-assessment rating from 1 to 5, with 1 being the lowest and 5 being the highest.

Given the relatively small size of the Board at present the Board skills matrix shows some skill gaps. The Board will consider adding Non-Executive Directors with complementary skills to augment, add perspective and to help improve diversity on the Board.

1.3. Board Committees

To assist it in undertaking its duties, the Board has established the following standing committees:

- Audit & Risk Committee; and
- Nomination & Remuneration Committee.

Each committee has its own charter, copies of which are available at: https://dxn.solutions/wp-content/uploads/2020/07/DXN_LTD-Corporate-Governance-Plan-4th-Edition-Compliant-6-June-2020.pdf.

The charters specify the composition, responsibilities, duties, reporting obligations, meeting arrangements, authority and resources available to the committees and the provisions for review of the charter.

Details of Directors' membership of each committee and those eligible members' attendance at meetings throughout the period from 1 July 2019 to 30 June 2020 are set out below.

During the period, 15 meetings of directors were held. Attendances by each director during the period were as follows:

Directors	Directors' Meetings		Audit & Risk		Nomination & Remuneration	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
John Baillie	15	15	3	3	2	2
John Duffin (resigned 26 August 2020)	15	15	3	3	2	2
Richard Carden	15	13	2	1	-	-
Douglas Loh (resigned 17 March 2020)	8	8	1	1	-	-
Tim Desmond (resigned 17 March 2020)	8	8	-	-	-	-
Terry Smart (resigned 17 March 2020)	8	6	3	3	2	2
Matthew Madden (appointed 26 August 2020)	-	-	-	-	-	-

1.4. Risk Management Framework

DXN's Board is responsible, in conjunction with senior management, for the management of risks associated with the business and implementing structures and policies to adequately monitor and manage these risks.

The Board has established the Audit & Risk Committee (ARC) to assist in discharging its risk management responsibilities. In particular, this committee assist the Board in setting the appropriate risk appetite and for ensuring that there is an effective risk management framework that is able to manage, monitor and control the various risks to which the business is exposed.

On a day-to-day basis, the CEO, has the responsibility for monitoring the implementation of the risk framework, including the monitoring, reporting and analysis of the various risks faced by the business, and providing effective challenge to activities and decisions that may materially affect DXN's risk profile.

DXN has a risk management framework which supports its operating segments, and its risk appetite distinguishes risks from which DXN will seek to make an economic return from those which it seeks to minimise and which it does not consider will provide a return. The management of these risks is fundamental to DXN's business, customers and to building long-term shareholder value.

In addition to having a separate risk management function, DXN recognises that a requirement for an effective risk management framework is for there to be a strong risk culture throughout the organisation, where risk is everybody's business. The foundation of this risk culture is a set of values, the DXN values. All employees are assessed against the DXN values as part of the annual performance review process, and this outcome contributes to the overall performance rating and remuneration outcomes. In addition to this, DXN regularly assesses its risk culture through external audits to ensure that the management of risk and day-to-day compliance remains entrenched within the way in which DXN operates. The Board is responsible for setting and monitoring the risk appetite for DXN when pursuing its strategic objectives. The Board's approach to, and appetite for risk provides that, subject to earning acceptable economic returns, it can retain exposure to credit risk, liquidity risk and market risk.

- Credit default risk – is the risk of loss in the value of an asset due to a counterparty failing to discharge its contractual obligations when they fall due;
- Liquidity risk – is the potential impact of DXN's short, medium and long-term funding and liquidity management requirements; and
- Market risk – is the risk that changes in the market prices such as foreign exchange rates, interest rates and equity prices will affect DXN's income or value of its holdings of financial instruments.

DXN seeks to minimise or hedge the risks for which it does not consider an appropriate return can be generated.

These risks include:

- Foreign exchange risk – is the risk of a change in asset values as a result of movements in foreign exchange rates;
- Inflation risk – is the risk of a change in asset values and DXN's earnings as a result of movements in inflation both in Australia and jurisdictions in which DXN owns assets;
- Operational risk – is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; and
- Regulatory and compliance risk – is the risk of legal or regulatory sanctions or loss as a result of DXN's failure to comply with laws, regulations or regulatory policy applying to its business.

ADDITIONAL SHAREHOLDER INFORMATION

SHAREHOLDING

The distribution of members and their holdings of equity securities in the Group as at 18 September 2020 were as follows:

	Class of Equity Securities
Number Held as at 18 September 2020	Fully Paid Ordinary Shares
1- 1,000	33
1,001 - 5,000	105
5,001 – 10,000	128
10,001 - 100,000	1,907
100,001 and over	1,323
TOTALS	3,496

Holders of less than a marketable parcel: 656

Substantial Shareholders

The names of the substantial shareholders listed in the Group's register as at 18 September 2020:

Shareholder	Number
SG Hiscock & Company	98,939,694

Voting Rights

Ordinary Shares

In accordance with the Group's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

On-market buyback

There is no current on-market buy-back.

Securities subject to escrow

The Group has the following restricted securities:

- (a) 5,000,000 fully paid ordinary shares are voluntarily escrowed until 11 April 2021.

Unquoted Securities

Securities	Number of Securities	Number of Holders	Holders with more than 20%
Options – 28 October 2020	750,000	1	Mr Greg Blenkiron – 100%
Options - 30 November 2020	32,500,000	8	Smart Capital Investments Pty Ltd <Smart Capital Investment A/C> – 30.77%; WG Holdings Pty Ltd – 23.08%
Options – 5 April 2021	6,828,125	29	Ellerston Capital Limited <Ellerston Special Opportunities A/C> – 32.04%
Options – 19 August 2021	5,000,000	1	Mr Matthew Madden – 100%
Options – 28 October 2021	1,000,000	1	Mr Greg Blenkiron – 100%
Options – 19 August 2022	7,500,000	1	Mr Matthew Madden – 100%
Options – 28 October 2022	1,500,000	1	Mr Greg Blenkiron – 100%
Options – 31 December 2022	7,500,000	1	Canaccord Genuity (Australia) Limited – 100%
Performance Rights	8,245,848	5	Mr Matthew Madden – 72.8%

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 18 September 2020 are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
HSBC Custody Nominees (Australia) Limited	135,762,791	12.80
Mr Brendan Erin Joseph Power	29,593,245	2.79
Mr Andrew Walsh	24,120,000	2.27
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	18,637,797	1.76
Citicorp Nominees Pty Ltd	16,639,993	1.57
Mrs Kim Sorensen <Sorensen Family A/C>	11,671,929	1.10
J P Morgan Nominees Australia Pty Ltd	10,018,750	0.94
Mr Thiam Huat Low	9,330,588	0.88
Mr Hung Dung Nguyen	9,000,000	0.85
Mr Ross Ellwood Shannon & Mrs Ruth Shona Shannon & Shannon Trustee Company Ltd	8,560,000	0.81
Mr Robert Steel Renton	8,000,000	0.75
Thang Pty Ltd	6,500,000	0.61
Mr Keith Pires	6,276,007	0.59
ZW 2 Pty Ltd	6,066,990	0.57
Catch 88 Pty Ltd <Mitchell Super Fund A/C>	6,000,000	0.57
IWG Holdings Pty Ltd	5,071,592	0.48
Mr Matthew Madden	5,000,000	0.47
Mr Cameron James Vallve & Mrs Jessica Mary Vallve <The Vallve Family S/F A/C>	5,000,000	0.47
R J & A Investments Pty Ltd <Muller Morvan Family A/C>	5,000,000	0.47
TOTAL	326,249,682	30.75

Option Holders

The distribution of members and their holdings of listed options in the Group as at 18 September 2020 were as follows:

	Class of Equity Securities
Number Held as at 18 September 2020	Listed options exercisable at \$0.10 on or before 11 November 2020
1- 1,000	6
1,001 - 5,000	63
5,001 - 10,000	42
10,001 - 100,000	193
100,001 and over	136
TOTALS	440
Holders of less than a marketable parcel:	440

Twenty Largest Option Holders

The names of the twenty largest listed option holders as at 18 September 2020 are as follows:

Name	Number of Listed Options exercisable at \$0.10 on or before 11 November 2020 Held	% Held of Listed Options
The Quiet Bay Pty Ltd	10,000,000	9.47
HSBC Custody Nominees (Australia) Limited	9,163,217	8.68
Mr Lee Vernon	5,000,000	4.74
Mr Richard Karolewicz & Mrs Gaye Lorraine Karolewicz	4,000,000	3.79
Lazarus Corporate Finance Pty Ltd <Facilitation Trading A/C>	3,700,003	3.50
Ms Sigrid-Eva Munzel & MR Dieter Ernst Paussa <Reefpac S/F A/C>	3,000,000	2.84
CS Fourth Nominees Pty Ltd <HSBC Cust Nom AU Ltd 11 A/C>	2,509,875	2.38
Mr Andrew Guy Hargreaves & Mr Zhi Chen <Aghargreaves Superfund A/C>	2,400,000	2.27
Mr Martin Music	2,270,046	2.15
F & T Spagnolo Pty Ltd <Fred Spagnolo Family A/C>	2,014,689	1.91
Miss Shimol Balkrishna Sheth	2,000,000	1.89
JP Morgan Nominees Australia Pty Ltd	1,508,750	1.43
Mr Amrik Singh	1,500,000	1.42
Mr Trent Russell Burlace	1,500,000	1.42
Big F Investments Pty Ltd <BFF Superannuation Fund A/C>	1,393,750	1.32
Thang Pty Ltd	1,109,090	1.05
Bezique Pty Ltd	1,046,294	0.99
Mrs Kim Sorensen <Sorensen Family A/C>	1,024,832	0.97
Mr Mark Coomas	1,000,000	0.95
Mr Malcolm John McClure	1,000,000	0.95
TOTAL	57,140,546	54.12

ADDITIONAL SHAREHOLDER INFORMATION (CONTINUED)

The distribution of members and their holdings of listed options in the Group as at 18 September 2020 were as follows:

	Class of Equity Securities
Number Held as at 18 September 2020	Listed options exercisable at \$0.02 on or before 18 May 2023
1- 1,000	4
1,001 - 5,000	9
5,001 – 10,000	3
10,001 - 100,000	150
100,001 and over	381
TOTALS	547
Holders of less than a marketable parcel:	98

Twenty Largest Option Holders

The names of the twenty largest listed option holders as at 18 September 2020 are as follows:

Name	Number of Listed Options exercisable at \$0.02 on or before 18 May 2023 Held	% Held of Listed Options
National Nominees Pty Ltd	85,000,000	13.24
HSBC Custody Nominees (Australia) Limited	47,546,013	7.41
Jorac Pty Ltd	43,327,076	6.75
Mr Brendan Erin Joseph Power	25,000,000	3.89
R J & A Investments Pty Ltd <Muller Morvan Family A/C>	17,000,000	2.65
Thang Pty Ltd	16,000,000	2.49
Smart Capital Investments Pty Ltd <Smart Capital Invest A/C>	13,702,420	2.13
Mrs Kim Sorensen <Sorensen Family A/C>	11,934,134	1.86
Mr Andrew Walsh	10,356,622	1.61
Mr Salim Panjwani & Miss Shailee Oza	10,017,075	1.56
Mr Aaron Yuk Leung Chan	10,000,000	1.56
Mr Bilal Ahmad	7,600,000	1.18
Mr Karim Rayli	6,800,000	1.06
Thang Pty Ltd <BCY Hui Super FundA/C>	6,800,000	1.06
Ms Limei Chen	6,500,000	1.01
Three Zebras Pty Ltd <The Judd Family A/C>	6,000,000	0.93
Mr Didier Henri Marchand	5,590,000	0.87
Mr Ross William McGuigan	5,031,494	0.78
Mr Matthew Madden	5,000,000	0.78
Mr Vimal Ramesh Adnani	5,000,000	0.78
TOTAL	344,204,834	53.60

COMPANY SECRETARY

The name of the Group Secretary is George Lazarou.

ADDRESS AND TELEPHONE DETAILS OF THE ENTITY'S REGISTERED OFFICE

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

ADDRESS AND TELEPHONE DETAILS OF THE ENTITY'S ADMINISTRATIVE OFFICE

9 Mumford Place
Balcatta WA 6021
Telephone: 1300 328 239

SECURITIES EXCHANGE ON WHICH THE GROUP'S SECURITIES ARE QUOTED

The Group's listed equity securities are quoted on the Australian Securities Exchange.



DXN

**GIVING YOU
THE EDGE**

