



## Appendix 4E

### Preliminary Final Report period ending 30 June 2021

#### Results for announcement to the market

Financial Results			June 2021	June 2020
Revenue from ordinary activities	Up	58%	8,202,707	5,188,280
Comprehensive Profit / (Loss) from ordinary activities after tax attributable to members	Up	62%	(4,812,631)	(12,590,529)

Dividends	2021 Final Dividend	2020 Final Dividend
Amount per Ordinary Security	nil	nil
Franked amount per Security	N/A	N/A
Record date for determining entitlements to final dividend	N/A	

Net Tangible Asset Backing	June 2021	June 2020
Net tangible asset backing per ordinary security	0.86 cents	1.25 cents

## COMMENTARY

The 2021 year continued to show revenue growth across the business alongside significant cost reduction. Revenue from ordinary activities increased by 58% from \$5.2m in 2020 to \$8.2m in 2021, propelled by an increase in both the modular business and colocation revenues.

Colocation revenue increased by \$1m due to TAS01 our Tasmania data centre performing to plan. Colocation sales in SYD01 our Sydney Data Centre continue to be slow but our sales strategy implemented in September 2020 has seen an increase in Telco connectivity to the site with 5GN and Fibreconnex installing racks and fibre services.

The DXN Modules manufacturing strategic focus on subsea cables, the resources sector and EDGE data centre opportunities has seen revenue increase 42% to \$7.2m. During the year a significant cable landing station contract was awarded with SUB.CO, as well as modular data centre sales in the mining sector with contracts awarded by Newcrest Mining, Streamline Connect and Covalent Lithium as well as Boeing Defence. The pipeline of new business opportunities in our key markets continues to be strong and this is expected to support sales into FY22.

Operating costs have been a strong focus for the company throughout FY21. The restructuring of the organisation throughout FY21 has resulted in a reduction of operating costs (employee expenses, lease amortisation, travel and telecommunications expenses) of \$2.3m when compared to FY20. Gross margin has remained stable with a slight increase from 27% in FY 20 to 29% in FY21.

Depreciation has increased over prior year by \$2.5m as a direct result of the change in accounting estimates relating to the DC Module assets when compared to FY20. The board has decided to accelerate the depreciation on the SYD01 asset to reflect a change in the market demand or service output of this asset.

DXN's liability to pay rent for the Melbourne data centre is the subject of a dispute. There are currently legal proceedings on foot between the landlord of the Lorimer St property and DXN in which the landlord is claiming unpaid rent since April 2021. DXN has brought a claim alleging that the landlord repudiated the lease, the lease has been terminated and DXN has no ongoing liability to pay rent. In addition, DXN has sued the landlord for loss and damage arising as a result of alleged breaches of the lease by the landlord. Rent has been characterised as a contingent liability pending determination or resolution of the dispute. A \$3.3m lease liability write off has been recorded in the 2021 Financial Statements.

The loss before income tax expense for FY21 is \$4.8m. FY20 the result was a \$12.5m loss, resulting in a 62% improvement.

**PRELIMINARY FINAL REPORT**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

	Note	CONSOLIDATED 2021 \$	CONSOLIDATED 2020 \$
<b>Continuing operations</b>			
Sales to customers		8,202,707	5,188,280
Cost of Sales		(5,787,131)	(3,787,169)
<b>Gross Profit</b>		<b>2,415,576</b>	<b>1,401,111</b>
<b>Revenue</b>			
R&D tax incentive claim		725,766	918,157
Export marketing development grant		100,000	87,774
Government Covid support		291,000	245,000
Other income		187,048	9,391
Lease Liability reversed	5 (ii)	3,302,433	-
Interest received		10,422	64,935
Foreign exchange gain		-	79,190
		<b>4,616,669</b>	<b>1,404,447</b>
<b>Expenses</b>			
Acquisition expenses		(54,487)	(28,808)
Administration expenses		(370,320)	(422,820)
Amortisation – intangibles		(487,328)	(77,550)
Compliance and legal expenses		(365,217)	(205,400)
Consultants and contractors		(160,486)	(559,665)
Depreciation		(4,121,271)	(1,590,639)
Employee expenses		(3,670,467)	(5,401,590)
Finance expenses		(203,495)	(180,435)
Foreign exchange loss		(92,142)	-
Impairment on right of use assets		-	(3,743,255)
Impairment of trade receivables		(167,570)	(36,428)
Impairment of Inventory		(136,006)	-
Lease amortisation		(599,555)	(1,197,751)
Lease interest charge		(295,482)	(217,849)
Loss on sale of plant & equipment		(1,169)	(1,548)
Marketing expenses		(1,942)	(241,801)
Occupancy expenses		(993,353)	(966,801)
Telecommunication and technology expenses		(101,461)	(208,455)
Travel Expenses		(23,125)	(315,292)
		<b>(11,844,876)</b>	<b>(15,396,087)</b>
<b>Loss before income tax expense</b>		<b>(4,812,631)</b>	<b>(12,590,529)</b>
Income tax expense		-	-
<b>Total comprehensive income/ (loss) for the period</b>		<b>(4,812,631)</b>	<b>(12,590,529)</b>
Basic earnings per share (cents per share)		(0.45)	(2.57)

The accompanying notes form part of the Statement of Comprehensive Income

**PRELIMINARY FINAL REPORT**  
**STATEMENT OF FINANCIAL POSITION**  
AS AT 30 JUNE 2021

	Note	CONSOLIDATED 2021 \$	CONSOLIDATED 2020 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,663,955	3,592,472
Trade and other receivables		666,152	389,726
Other assets		124,854	511,409
Non Current Assets held for sale	2	544,011	-
Inventory / Work in Progress	2	1,231,781	1,204,672
<b>Total Current Assets</b>		<b>4,230,753</b>	<b>5,698,279</b>
<b>Non-Current Assets</b>			
Bank Guarantees	3	1,028,917	3,087,841
Plant and equipment	4	8,701,703	13,139,787
Intangible assets		1,502,016	1,734,707
Lease right of use assets	5	8,407,598	8,180,752
<b>Total Non-Current Assets</b>		<b>19,640,234</b>	<b>26,143,087</b>
<b>TOTAL ASSETS</b>		<b>23,870,987</b>	<b>31,841,366</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	6	2,153,523	785,512
Income in advance	7	387,556	734,573
Borrowings	8	1,027,255	872,920
Provisions		181,290	143,162
Lease liabilities	5	625,417	1,104,312
<b>Total Current Liabilities</b>		<b>4,375,041</b>	<b>3,640,479</b>
<b>Non-current Liabilities</b>			
Borrowings	8	605,011	2,486,586
Lease liabilities	5	7,882,462	10,790,503
<b>Total Non-current Liabilities</b>		<b>8,487,473</b>	<b>13,277,089</b>
<b>TOTAL LIABILITIES</b>		<b>12,862,514</b>	<b>16,917,568</b>
<b>NET ASSETS</b>		<b>11,008,473</b>	<b>14,923,798</b>
<b>EQUITY</b>			
Issued capital		40,345,107	39,604,052
Option reserve		310,302	310,302
Share based payments reserve		866,654	710,403
Accumulated losses		(30,513,590)	(25,700,959)
<b>TOTAL EQUITY</b>		<b>11,008,473</b>	<b>14,923,798</b>

The accompanying notes form part of the Statement of Financial Position

**PRELIMINARY FINAL REPORT**  
**STATEMENT OF CHANGES IN EQUITY**  
AS AT 30 JUNE 2021

	Issued Capital	Option Reserve	Share Payments Reserve	Accumulated Losses	Total
<b>Balance at 1 July 2019</b>	<b>29,662,628</b>	<b>310,302</b>	<b>11,621</b>	<b>(13,110,430)</b>	<b>16,874,121</b>
<b>Total comprehensive income for the period:</b>					
Loss for the period	-	-	-	(12,590,529)	(12,590,529)
	-	-	-	(12,590,529)	(12,590,529)
<b>Transaction with owners in their capacity as owners:</b>					
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)	-	-
<b>Balance at 30 June 2020</b>	<b>39,604,052</b>	<b>310,302</b>	<b>710,403</b>	<b>(25,700,959)</b>	<b>14,923,798</b>
<b>Balance at 1 July 2020</b>	<b>39,604,052</b>	<b>310,302</b>	<b>710,403</b>	<b>(25,700,959)</b>	<b>14,923,798</b>
<b>Total comprehensive income for the period:</b>					
Loss for the period	-	-	-	(4,812,631)	(4,812,631)
	-	-	-	(4,812,631)	(4,812,631)
<b>Transaction with owners in their capacity as owners:</b>					
Issue of shares	732,859	-	-	-	732,859
Capital raising costs	(19,519)	-	-	-	(19,519)
Share-based payment expense	-	-	183,966	-	183,966
Reclass to equity	27,715	-	(27,715)	-	-
<b>Balance at 30 June 2021</b>	<b>40,345,107</b>	<b>310,302</b>	<b>866,654</b>	<b>(30,513,590)</b>	<b>11,008,473</b>

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

**PRELIMINARY FINAL REPORT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	<b>Consolidated 2021 \$</b>	<b>Consolidated 2020 \$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	7,363,041	5,350,036
Payments to suppliers and employees	(11,056,801)	(12,526,572)
Interest received	19,141	108,790
Interest paid	(70,520)	(150,748)
R&D tax incentive claim	725,766	918,157
Government grants	454,000	269,774
Payment of deposit	-	-
Receipt of deposit	-	-
<b>Net cash flows provided by (used in) operating activities</b>	<b>(2,565,373)</b>	<b>(6,030,563)</b>
<b>Cash flows from investing activities</b>		
Refund / (Payment) of deposits and guarantees	2,058,925	(12,821)
Purchase of plant and equipment	(140,112)	(3,281,314)
Purchase of intangible assets	(39,036)	(157,201)
Acquisition of the assets from Data Centre 3	-	(2,700,000)
<b>Net cash flows provided by (used in) investing activities</b>	<b>1,879,777</b>	<b>(6,151,336)</b>
<b>Cash flows from financing activities</b>		
Proceeds from convertible notes	-	1,000,000
Proceeds from the issue of shares and options	732,860	9,903,285
Payment of capital raising costs	(19,520)	(867,772)
Finance facility drawdown	1,179,429	1,315,885
Repayment of finance facility	(3,037,522)	(944,287)
Loans made to employee	-	-
Repayment of loans made to employees	-	5,125
<b>Net cash flows provided by (used in) financing activities</b>	<b>(1,144,753)</b>	<b>10,412,236</b>
Net increase / (decrease) in cash held	(1,830,349)	(1,769,663)
Effect of movement in exchange rates on cash held	(98,168)	-
Cash and cash equivalents at beginning of period	3,592,472	5,362,135
<b>Cash and cash equivalents at end of the period</b>	<b>1,663,955</b>	<b>3,592,472</b>

The accompanying notes form part of the Statement of Cash Flows

**PRELIMINARY FINAL REPORT**  
**NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**1. SEGMENT INFORMATION**

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) in order to effectively allocate Group resources and assess performance.

The group has identified its operating segments based on internal reports that are reviewed and used by the Chief Executive Officer (CEO) in the capacity of CODM. Two operating segments have been identified:

- Data Centre Manufacturing
- Data Centre Operations

<b>Year ended 30 June 2021</b>	<b>Data Centre Manufacturing</b>	<b>Data Centre Operations</b>	<b>Other (Corporate)</b>	<b>Total</b>
Revenue from external customers	7,218,506	984,201	-	8,202,707
Other Income	-	43,696	4,572,973	4,616,669
<b>Total Revenue</b>	<b>7,218,506</b>	<b>1,027,897</b>	<b>4,572,973</b>	<b>12,819,376</b>
<b>Profit / (loss) before income tax expense</b>	<b>849,864</b>	<b>(5,166,389)</b>	<b>(496,106)</b>	<b>(4,812,631)</b>
<b>Total segment assets</b>	<b>2,639,828</b>	<b>18,463,810</b>	<b>2,767,349</b>	<b>23,870,987</b>
<b>Total segment liabilities</b>	<b>1,781,997</b>	<b>9,631,800</b>	<b>1,448,717</b>	<b>12,862,514</b>

  

<b>Year ended 30 June 2020</b>	<b>Data Centre Manufacturing</b>	<b>Data Centre Operations</b>	<b>Other (Corporate)</b>	<b>Total</b>
Revenue from external customers	5,070,234	118,046	-	5,188,280
Other Income	-	-	1,404,447	1,404,447
<b>Total Revenue</b>	<b>5,070,234</b>	<b>118,046</b>	<b>1,404,447</b>	<b>6,592,727</b>
<b>Profit / (loss) before income tax expense</b>	<b>(136,148)</b>	<b>(3,610,734)</b>	<b>(8,843,647)</b>	<b>(12,590,529)</b>
<b>Total segment assets</b>	<b>1,863,085</b>	<b>20,490,935</b>	<b>9,487,346</b>	<b>31,841,366</b>
<b>Total segment liabilities</b>	<b>1,010,593</b>	<b>11,496,961</b>	<b>4,410,014</b>	<b>16,917,568</b>

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period. 100% of the Group's revenue from external customers is recognised over time.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment profit represents the profit earned by each segment without allocation of the share of central administration costs including directors' salaries, finance income, non-operating gains and losses in respect of financial instruments and finance costs, and income tax expense. This is the measure reported to the Group's Managing Director for the purpose of resource allocation and assessment of segment performance.

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

**PRELIMINARY FINAL REPORT**  
**NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**Major customers**

The Group has a number of customers to which it provides services and products. The Group supplies 2 single external customers in the Data Centre Manufacturing segment which accounts for 25% and 22% of external revenue (2020: 21%, 18%, 15%). The next most significant customer accounts for 10% (2020:14%) of external revenue. Within the Data Centre Operations segment, The Group supplies 1 single external customers which accounts for 92% of external revenue (2020: 86%).

	Consolidated 2021	Consolidated 2020
	\$	\$
<b>2(a) INVENTORIES</b>		
Materials and consumables	660,956	963,376
Work in progress - Customers <sup>1</sup> (Contract asset)	570,825	241,296
	<u>1,231,781</u>	<u>1,204,672</u>

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

**2(b) NON-CURRENT ASSETS HELD FOR SALE**

Non Current Assets held for sale	544,011	-
	<u>544,011</u>	<u>=</u>

	Consolidated 2021	Consolidated 2020
	\$	\$
<b>3. BANK GUARANTEES</b>		
9 Mumford Place, Balcatta WA <sup>1</sup>	-	76,000
5 Parkview Drive, Olympic Park, Sydney NSW <sup>1</sup>	495,000	507,128
286-292 Lorimer Street, Port Melbourne, Victoria <sup>1</sup>	500,000	504,713
3 Dampier Road, Welshpool, WA <sup>1</sup>	33,917	-
ANZ Chattel Finance Facility <sup>2</sup>	-	2,000,000
	<u>1,028,917</u>	<u>3,087,841</u>

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

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



**PRELIMINARY FINAL REPORT**  
**NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**4. PLANT AND EQUIPMENT**

	Consolidated 2021 \$	Consolidated 2020 \$
<b>Plant and Equipment</b>		
At cost	260,685	2,896,793
Accumulated depreciation	(116,195)	(464,102)
	<u>144,490</u>	<u>2,432,691</u>
<b>DC Modules</b>		
At cost	11,227,465	9,297,085
Accumulated depreciation	(4,608,445)	(1,114,648)
	<u>6,619,020</u>	<u>8,182,437</u>
<b>ICT Hardware</b>		
At cost	340,736	376,629
Accumulated depreciation	(259,378)	(139,543)
	<u>81,358</u>	<u>237,086</u>
<b>Office Equipment</b>		
At cost	61,126	86,104
Accumulated depreciation	(37,678)	(37,030)
	<u>23,448</u>	<u>49,074</u>
<b>Motor Vehicles</b>		
At cost	26,016	26,016
Accumulated depreciation	(8,780)	(5,528)
	<u>17,236</u>	<u>20,488</u>
<b>Leasehold Improvements</b>		
At cost	2,285,853	2,292,567
Accumulated depreciation	(469,702)	(91,436)
	<u>1,816,151</u>	<u>2,201,131</u>
<b>Assets Under Construction</b>		
At cost	-	16,880
Accumulated depreciation	-	-
	<u>-</u>	<u>16,880</u>
<b>Total cost</b>	<b>14,201,881</b>	<b>14,992,074</b>
<b>Total accumulated depreciation</b>	<b>(5,500,178)</b>	<b>(1,852,287)</b>
<b>Total Written Down Value</b>	<b><u>8,701,703</u></b>	<b><u>13,139,787</u></b>

**PRELIMINARY FINAL REPORT**  
**NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**5. RIGHT-OF-USE ASSETS / LEASE LIABILITIES**

i. Right-of-use-assets	<b>2021</b>
	<b>\$</b>
<b>Land &amp; Buildings</b>	
Balance at 1 July 2020	8,180,752
Depreciation expense	(599,555)
Tas01 Right of Use	826,401
Balance at 30 June 2021	<u>8,407,598</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:

Balance at 1 July 2020	11,894,815
Payments	(1,206,386)
Melbourne Lease Liability reversal	(3,302,433)
Tas01 Lease Liability	826,401
Interest charges during period	295,482
Balance at 30 June 2021	<u>8,507,879</u>

Lease liability recognised as at 30 June 2021

Of which are:

Current lease liabilities	625,417
Non-current lease liabilities	7,882,462
	<u>8,507,879</u>

**6. TRADE & OTHER PAYABLES**

	<b>Consolidated 2021 \$</b>	<b>Consolidated 2020 \$</b>
Trade Creditors <sup>1</sup>	1,354,906	467,556
Other creditors & accruals <sup>2</sup>	271,601	151,050
GST Payable	102,614	-
Payroll liabilities	424,402	166,906
	<u>2,153,523</u>	<u>785,512</u>

*Terms and conditions relating to the above financial instruments.*

<sup>1</sup> Trade creditors are non-interest bearing and generally on 30 day terms.

<sup>2</sup> Other creditors are non-interest bearing have no fixed repayment terms..

**PRELIMINARY FINAL REPORT**  
**NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Consolidated 2021 \$	Consolidated 2020 \$
<b>7. INCOME IN ADVANCE</b>		
Income in advance	387,555	734,573
	<u>387,555</u>	<u>734,573</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*

	Consolidated 2021 \$	Consolidated 2020 \$
<b>8. BORROWINGS</b>		
<b>Current</b>		
Chattel mortgage <sup>1</sup>	366,145	949,296
Export Finance Loan <sup>2</sup>	639,364	-
Insurance premium funding	54,765	55,026
Less: unexpired charges	(33,018)	(131,402)
	<u>1,027,256</u>	<u>872,920</u>
<b>Non-Current</b>		
Chattel mortgage <sup>1</sup>	628,384	2,615,697
Less: unexpired charges	(23,373)	(129,111)
	<u>605,011</u>	<u>2,486,586</u>

<sup>1</sup> An initial \$5 million secured Chattel Finance Facility (revolving) with ANZ Bank to finance generators, chillers and battery/power supply equipment. Facility has been reduced to \$971,000 at 30 June 2021

<sup>2</sup> A \$500,000 loan facility was drawdown with Export Finance in October 2021 with \$136,363 remaining to be repaid. A second loan facility of \$503,000 was drawdown with Export Finance in June 2021. Repayments will start in Oct 2021 with the last money owing to be paid in December 2021.

**PRELIMINARY FINAL REPORT**  
**NOTES TO AND FORMING PART OF PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**9. ASSOCIATE**

Nil

**10. INVESTMENT**

Nil

**11. SIGNIFICANT EVENTS**

Nil

**12. EVENTS AFTER THE BALANCE SHEET DATE**

Nil

**13. CONTINGENT ASSETS & LIABILITIES**

DXN's liability to pay rent on the Melbourne datacentre is the subject of a dispute. There are currently legal proceedings on foot between the landlord of the Lorimer St property and DXN in which the landlord is claiming unpaid rent since April 2021. DXN has brought a claim alleging that the landlord repudiated the lease, the lease has been terminated and DXN has no ongoing liability to pay rent. In addition, DXN has sued the landlord for loss and damage arising as a result of alleged breaches of the lease by the landlord. Rent has been characterised as a contingent liability pending determination or resolution of the dispute.

**14. BASIS FOR PREPARATION**

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

**15. UNAUDITED APPENDIX 4E**

This report is in the process of being audited.

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