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DXN

DXN Limited
(ACN 620 888 548)

FINANCIAL REPORT

For the year ended 30 June 2024





 **DXN** INFRASTRUCTURE AT THE EDGE



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CONTENTS

Appendix 4E	3
Vision and mission	6
Corporate directory	7
Chairman's report	8
Directors' report	10
Auditor's independence declaration	25
Consolidated statement of profit or loss and other comprehensive income	26
Consolidated statement of financial position	27
Consolidated statement of changes in equity	28
Consolidated statement of cash flows	29
Notes to the consolidated financial statements	30
Consolidated entity disclosure statement	66
Directors' declaration	67
Independent auditor's report to the members of DXN Limited	68
Shareholder information	72

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1. Company details

Name of entity:	DXN Limited
ABN:	46 620 888 548
Reporting period:	For the year ended 30 June 2024
Previous period:	For the year ended 30 June 2023

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	63.5% to	10,755,354
Loss from ordinary activities after tax attributable to the owners of DXN Limited	down	76.0% to	(2,303,165)
Loss for the year attributable to the owners of DXN Limited	down	76.0% to	(2,303,165)

Dividends

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

Comments

Group revenues increased by 63.5%, which contributed to a 56.8% increase in gross profit to \$5,852,317. The loss for the Group after providing for income tax was \$2,303,165 (FY23: loss of \$9,612,620), which represents a significant improvement in the performance of the Group and reflects the restructure of DXN that commenced in FY23.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') amounted to \$643,944 (FY23: loss of \$4,963,265). EBITDA and Underlying EBITDA are financial measures which are not prescribed by the Australian Accounting Standards ('AAS') and represents the profit or loss under AAS adjusted for non-cash and non-operating items. The directors consider EBITDA and Underlying EBITDA to be core earnings measures of the Group.

The following table summarises key reconciling items between statutory profit or loss after tax attributable to the owners of DXN Limited and Underlying EBITDA.

	Consolidated 2024 \$	2023 \$
Loss after tax	(2,303,165)	(9,612,620)
Add: finance costs	1,450,135	1,531,356
Add: depreciation and amortisation	1,496,974	3,117,999
EBITDA	<u>643,944</u>	<u>(4,963,265)</u>
<i>Less: non-operating / non-cash items</i>		
Restructuring costs	752,405	-
Lease liability reversed	(24,811)	-
Equity-settled employee costs	101,561	36,670
Net foreign exchange loss/(gain)	20,353	(118)
Change in fair value of warrants	(275,000)	-
Underlying EBITDA	<u><u>1,218,452</u></u>	<u><u>(4,926,713)</u></u>

3. Dividends

Current period

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

Previous period

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

4. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.84)</u>	<u>(0.36)</u>

Net tangible assets calculation above includes the right-of-use assets and lease liability.

The net tangible assets per ordinary shares has been calculated based on 184,889,354 ordinary shares being on issue. The net tangible assets per ordinary share reported in the comparative period (30 June 2023) has been calculated based on 114,754,322 ordinary shares being on issue. This is the number of shares that would have been in existence at the end of that reporting period had the consolidation of shares, which occurred in the current period, taken place as at 1 July 2022.

5. Control gained over entities

Not applicable.

6. Loss of control over entities

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Audit qualification or review

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

The financial statements have been audited and an unmodified opinion has been issued.

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9. Attachments

Details of attachments (if any):

The Annual Report of DXN Limited for the year ended 30 June 2024 is attached.

10. Signed



Signed _____

Date: 30 August 2024

Abigail Cheadle
Non-Executive Chair



Signed _____

Shalini Lagrutta
Managing Director

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VISION AND MISSION

OUR VISION:

To define the EDGE by bringing critical communication infrastructure closer to our customers.

OUR MISSION:

We will be Australia's leading edge infrastructure company for colocation and turnkey solutions, building the best modular solutions safely, creating value for our customers, staff and shareholders



OUR KEY VALUE PROPOSITIONS:

DESIGN

Deep domain knowledge in house skills including mechanical electrical and structural engineering.

BUILD

Australian owned Prefabricated Modular manufacturer with the highest quality standards that the data centre industry expects.

OPERATE

Secures, Maintains and Operates critical infrastructure.

CERTIFICATIONS AND GLOBAL STANDARDS



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CORPORATE DIRECTORY



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DIRECTORS

Abigail Cheadle
(Non-Executive Director and Chairman)

Brendan Power
(Non-Executive Director)

Shalini Lagrutta
(CEO and Managing Director)

Myo Myint Ohn
(Non-Executive Director)

REGISTERED OFFICE

c/o Flexispace
Suite 2, Level 16
No. 1 Martin Place
Sydney NSW 2000

PRINCIPAL OFFICE

c/o Flexispace
Suite 2, Level 16
No. 1 Martin Place
Sydney NSW 2000

COMPANY SECRETARY

Shelby Coleman
Hasaka Martin

SHARE REGISTRAR

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

AUDITORS

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

SOLICITORS

Thomson Greer Lawyers Level
23, Rialto South Tower 525
Collins Street
Melbourne VIC 3000 Australia

Arnotts Technology Lawyers
Level 8, 23 Hunter Street
Sydney NSW 2000

HWL Ebsworth Lawyers
Level 14, Australia Square
264-278 George Street
Sydney NSW 2000

BANKERS

ANZ
15 Hutton Street Osborne Park WA 6017
Westpac
341 George Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

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

WEBSITE

<https://dxn.solutions>

CORPORATE GOVERNANCE STATEMENT

The directors and management are committed to conducting the business of DXN Limited in an ethical manner and in accordance with the highest standards of corporate governance. DXN Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate for the size and nature of its operations. The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any recommendations that have not been followed. The Appendix 4G is released to the ASX as part of the Annual Report. The Corporate Governance Statement can be found on the Company's website at <https://dxn.solutions/corporate-governance/>

JOINT LETTER FROM CHAIR AND CEO

We are pleased to present DXN's FY24 Annual Report covering the 12-month financial reporting period ended 30 June 2024.

DXN has two divisions, a modular division which designs, engineers, manufactures and supplies industry leading prefabricated modular on-premises, on-site data centres (PMDC) globally and a data centre division which owns, operates, and maintains critical data centre (DC) infrastructure on behalf of customers in Darwin and Hobart, referred to as SDC Darwin and TAS01, respectively.

DXN welcomed a new board in 2HFY24 with serial tech entrepreneur Dr. Myo Ohn joining in March 2024, and a new Chair appointed, Abigail Cheadle, with DXN's CEO, Shalini Lagrutta, becoming Managing Director in May 2024. Brendan Power also remains on the board.

During FY24, DXN:

- exited from the Sydney DC (referred to as SYD01) in March 2024 saving approximately \$1.4m per annum in lease costs and related expenses over the remaining nine years of the lease. Achieved cost savings.
- Increased sales efforts on PMDC achieving \$10.7m in revenue for the year including closing a contract for four cable landing stations (CLS) for \$5.7m for East Micronesia Cable System (EMCS), DXN's largest contract to date. DXN also commenced supplying a Global Internet Company.
- Announced its Exclusive Global Distribution Agreement between DXN and Flow2Edge Holdings I Pte Ltd (Flow) is no longer exclusive allowing DXN to pursue international markets directly.
- Raised capital of \$2.1m at \$0.002 per share. DXN also completed a consolidation based on every 15 ordinary shares being consolidated into 1 ordinary share.

FY24 Highlights:

- FY24 revenue of \$10.8m with \$12.6m in modules order intake. An improvement of 202% on FY23, including the largest order in DXN's history to EMCS for \$5.7m and a breakthrough into a Global Internet Company.
- \$1.2m in Underlying EBITDA taking out one-off restructuring costs and \$644k Statutory EBITDA being DXN's first EBITDA positive financial year result.
- \$2.98m in cash at year end.
- Exit from Sydney Data Centre.
- Developed a High-Performance Compute (HPC) Artificial Intelligence (AI) Edge Module design to satisfy customer demand.
- Developed indoor-based application for innovative PMDC product suitable for the telecommunications market.
- Improvements to Darwin and Hobart DCs continue to deliver.
- Continuous improvement in supply chain and logistics management.

Modular Manufacturing

The DXN team are proud to have contracted 80+ modules to date and continues pursuing opportunities for growth from industries such as mining, gas and energy, subsea, telecommunications and government - including Defence needing high density power requirements to meet growing Edge AI demand. DXN is also contracting directly with Global Internet Companies who require PMDC and CLS across the region.

During FY23, DXN implemented various operational processes to track and improve its margins for its modular manufacturing business. This includes implementing systems (financial and operational) in place to improve its margins on projects. DXN now has an analytical view of its build costs across its supply chain and continues to apply improvements to back-end processes and systems.

DXN continues to deliver the high-quality solutions that its renowned for globally, focusing particularly on the Asia Pacific region, and to develop new business models to suit our customer requirements, which will provide DXN with annual recurring revenues.

Data Centre Operations

Following the successful exit of Sydney, DXN worked to streamline its DC businesses in Hobart and Darwin. Efficiencies are being implemented through improved processes as well as new product offerings to customers.

Both Darwin and Hobart continued to perform in FY24 and as customer demand grows in each of these two DC sites, DXN will continue to invest in them.

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Looking to the Future

With \$8.9m in PMDC contracts going into FY25 and deals already closed in FY25 amounting to \$1.03m, DXN is well positioned for positive EBITDA in FY25.

DXN continues to attract blue-chip customers, including global internet companies.

As the demand for digital infrastructure grows globally, and the needs of the networks continue to evolve, the opportunity for prefabricated modular data centres (PMDC) continues to grow. AI and machine learning will grow the demand even further. Customers are demanding high quality quick deployments, in contrast to the long lead times for bricks and mortar alternatives. DXN's PMDC manufacturing is well placed to fill this demand with and sees opportunity for growth in its modular DCs in/ for:

- CLS, where the anticipated APAC addressable market is driven global market in sub-sea deployment.
- Telecommunications shelters (CEVs) where fibre infrastructure is being built on site.
- Telecom exchanges requiring indoor prefabricated modular data centres.
- Mining automation on site.
- HPC solutions for AI based infrastructure deployments for training models and inference sites for finance, manufacturing and automation industries.
- Mobility information communications infrastructure (ICT) for Defence and government agencies.
- Edge data centres (customer colocation sites between 100kw to 500kw power loads) deployed globally with APAC anticipated to be the largest growing market.

Further geographical expansion is also on the radar in FY25. The APAC market is the largest growing market globally for Edge DC and DXN is considered a quality builder of PMDC. Focusing on this market has minimal expense impact for DXN.

As the demand for digital infrastructure grows globally, and the needs of the networks continue to evolve, the opportunity for PMDCs continues to grow. This will be further driven by the rise of AI and machine learning. Customers are demanding high quality quick deployments in contrast to the long lead times for bricks and mortar alternatives. DXN PMDC offering is well placed to fill this demand.

Finally, we wish to thank our fellow board members for their guidance and staff for their considerable contributions in maximising the return for shareholders.

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of DXN Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors

The following persons were directors of DXN Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Brendan Power
Myo Myint Ohn (appointed on 1 March 2024)
Shalini Lagrutta (appointed on 1 May 2024)
Abigail Cheadle (appointed on 1 May 2024)
Peter McGrath (resigned on 1 May 2024)
Tim Hannon (resigned on 1 May 2024)

Principal activities

DXN's data centre manufacturing division (referred to as PMDC) engineers, constructs and commissions data centre (DC) solutions globally. The Group's DC infrastructure has a wide range of applications, which includes edge data centers¹ and telecommunications applications (satellite and cable landing stations (CLS)). The Group's prefabricated modular construction method reduces the on-site labour time and time to deploy and improves quality. DXN's DC manufacturing solutions are ideal for rapid deployment in both urban and remote locations. DXN's PMDC provides space, power, cooling, and physical security for clients to house their computer servers, related storage and networking equipment.

DXN's other division operates data centres for customers in Darwin and Tasmania. During the year DXN exited the data centre it operated in Sydney.

Dividends

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

Review of operations

Revenue increased by 63.5% over FY23 due principally to new modular contracts signed during the reporting year, namely

- On 22 September 2023, DXN announced it executed a contract with the Government of Timor Leste for the design, build and supply of a DXN cable landing station with total contract value of USD1.4m (AUD2.1m).
- On 28 December 2023, DXN announced it executed a contract for design, supply and delivery of a modular data centre with Stanmore SMC Pty Ltd for AUD1.9m.
- On 9 May 2024, DXN announced that it signed contracts to supply four CLSs for a total contract value of \$5.7m (USD3.8m) for the East Micronesia Cable System (EMCS).
- Revenue as at 30 June 2024, amounted to \$10.8m including several purchase order from customers including a global internet company.

Underlying EBITDA of \$643,944 being the first full financial year of positive EBITDA for DXN. The loss for the Group after providing for income tax amounted to \$2,303,165 (FY23: loss of \$9,612,620).

Earnings before interest, taxation, depreciation and amortisation ('EBITDA') and Underlying EBITDA are financial measure which are not prescribed by Australian Accounting Standards ('AAS') and represents the profit or loss under AAS adjusted for non-cash and non-operating items. The directors consider EBITDA and Underlying EBITDA to reflect the core earnings of the Group. The following table summarises key reconciling items between statutory profit or loss after tax attributable to the owners of DXN Limited and Underlying EBITDA.

¹ Edge data centres are smaller, decentralized data centres that are located closer to the end users or devices they serve. These facilities are designed to process data locally, reducing latency and improving performance for applications that require real-time data processing. Ideal for prefabricated modular data centres (PMDC) such as the ones DXN manufacture.

	2024 \$	2023 \$	Change \$	Change %
Loss after tax	(2,303,165)	(9,612,620)	7,309,455	(76.0%)
Add: finance costs	1,450,135	1,531,356	(81,221)	(5.3%)
Add: depreciation and amortisation	1,496,974	3,117,999	(1,621,025)	(52.0%)
EBITDA	<u>643,944</u>	<u>(4,963,265)</u>	<u>5,607,209</u>	<u>(113.0%)</u>
<i>Less: non-operating / non-cash items</i>				
Restructuring costs	752,405	-	752,405	-
Lease liability reversed	(24,811)	-	(24,811)	-
Equity-settled employee costs	101,561	36,670	64,891	177.0%
Net foreign exchange loss/(gain)	20,353	(118)	20,471	(17348.3%)
Change in fair value of warrants	(275,000)	-	(275,000)	-
	<u>574,508</u>	<u>36,552</u>	<u>537,956</u>	<u>1471.8%</u>
Underlying EBITDA	<u><u>1,218,452</u></u>	<u><u>(4,926,713)</u></u>	<u><u>6,145,165</u></u>	<u><u>(124.7%)</u></u>

PMDC Manufacturing Division

The \$5.7m contract to design and construct four CLSs for the East Micronesia Cable System (EMCS) is DXN's largest contract to date.

The Exclusive Global Distribution License Agreement (Distribution Agreement) between DXN and Flow2 Edge Holdings I Pte Ltd (Flow) is no longer exclusive, allowing DXN to pursue international markets directly.

During the reporting period, DXN continued to design, build, and deploy orders for blue chip customers.

DXN's PMDC division realised the benefits of the cost savings from the restructure and efficiencies implemented across the manufacturing and delivery process of the business.

DC Operations Division

On 22 November 2023, DXN announced it exited the Sydney data centre lease, thereby saving the Company \$1.4m in cash costs per annum in lease liabilities over the remaining nine years of the lease. In March 2024, DXN completed the sale of the existing infrastructure assets for \$600k.

DXN's Hobart and Darwin DCs continue to perform as expected with plans to optimise but no plans to sell presently.

Business risks

DXN Limited, faces several material business risks that could impact its operations and financial performance. These risks include market competition, as the data centre industry is highly competitive with numerous established players, which could affect DXN's market share and profitability. Additionally, the company is exposed to technological risks, given the rapid pace of innovation in data centre technology. Failure to keep up with technological advancements or shifts in industry standards could result in obsolete products or services. DXN is also subject to operational risks, such as the potential for supply chain disruptions or failures in infrastructure and systems, which could impact its ability to deliver projects on time and within budget. Moreover, regulatory and compliance risks, including changes in environmental regulations or data protection laws, could lead to increased costs or operational constraints. Lastly, financial risks, including fluctuations in exchange rates, interest rates, and the availability of capital, could affect DXN's ability to finance its growth initiatives and maintain financial stability.

Significant changes in the state of affairs

On 21 August 2023, the Company issued 2,025,000 fully paid ordinary shares at \$0.003 per share in lieu of fees payable to a corporate advisor as approved by the Board of Directors.

AUD2.1m placement was made in two tranches to existing shareholders and new investors and was executed at 0.2cps (\$0.002 per share).

- Tranche 1 of the placement for the issue of 430m ordinary shares was made within the Company's ASX Listing Rule 7.1 and 7.1A placement capacity and shares were allotted on 5 December 2023 raising an initial \$860,000 (before costs).
- Tranche 2 of the placement for the issue of 620m ordinary shares was completed following receipt of Shareholder Approval at an Extraordinary General Meeting held on 22 January 2024 and the shares were allotted on 29 January 2024 raising an additional \$1,240,000 (before costs).

On 22 January 2024, the Company held a general meeting of shareholders where shareholders ratified the issue of 430m ordinary shares issued under Tranche 1 of the placement; approved an issue of 545m ordinary shares under Tranche 2 of the placement; approved an issue of 75m shares to Directors participating under the Tranche 2 capital raise, approved an issue of 70m options to directors; and approved a consolidation of capital on the basis of every 15 ordinary shares being consolidated into 1 ordinary share in DXN. The consolidation of share capital was completed on 12 February 2024.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

DXN continues to look for opportunities to reduce costs in relation to corporate operating costs, DC operating costs and costs of modular manufacturing builds particularly.

DXN expects to continue generating sales as DC demand is expected to grow.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Brendan Power
Title:	Non-Executive Director
Qualifications:	Brendan is GAICD and holds an MBA plus various diplomas in various disciplines.
Experience and expertise:	Brendan is the Managing Director of Clear to Work and Safe Food Pro Partners, both large successful private companies in the education, hospitality, and software industries. Brendan is also Chair of Bronco's League Clubs and Power Tynan. Along with these roles Brendan sits on numerous advisory boards. With over 30 years business management experience he is a commercially astute project manager, public speaker and published author with exceptional communication and negotiation skills, an in-depth knowledge of purchasing, wholesaling, retail (including online) and employee engagement. Brendan has a strong, proven history of successful business improvement in a variety of challenging environments and is known for building high-performance teams and cultures, and successfully coaching and mentoring individuals and groups to achieve exceptional results.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit & Risk Committee and Member of the Nomination and Remuneration Committee
Interests in shares:	6,044,444 fully paid ordinary shares
Interests in options:	1,333,333 Unlisted Options, exercisable at \$0.03 expiring 22 January 2028
Interests in rights:	None

<p>Name:</p> <p>Title:</p> <p>Qualifications:</p> <p>Experience and expertise:</p> <p>Other current directorships:</p> <p>Former directorships (last 3 years):</p> <p>Special responsibilities:</p> <p>Interests in shares:</p> <p>Interests in options:</p> <p>Interests in rights:</p> <p>Contractual rights to shares:</p>	<p>Myo Myint Ohn (appointment on 1 March 2024) Non-Executive Director Dr Ohn has an EMBA from Queensland University, a PhD in Aerospace Engineering and a MAsc in Photonics all from University of Toronto. Dr Ohn has been the Founder of several start-ups that have made advancements in engineering leading to new products in established and emerging markets that involve, Space Age Advanced Materials, Hypersonic Ballistics, Photonic Components, Fiber Optic Communications, Financial Technologies and Internet Web 3.0. Dr Ohn has worked for large cap NASDAQ listed companies in various roles from Business Unit General Management, Corporate Strategy Head to Corporate M&A. At present, he is CEO of several start-up companies that includes Campana Group, an operator of wireline telecommunication services in South-East Asia. The One Matrix Ventures None Chair of the Nomination and Remuneration Committee and Member of the Audit & Risk Committee 28,333,333 fully paid ordinary shares None None None</p>
<p>Name:</p> <p>Title:</p> <p>Qualifications:</p> <p>Experience and expertise:</p> <p>Other current directorships:</p> <p>Former directorships (last 3 years):</p> <p>Special responsibilities:</p> <p>Interests in shares:</p> <p>Interests in options:</p> <p>Interests in rights:</p>	<p>Shalini Lagrutta (appointed as Managing Director on 1 May 2024) Chief Executive Officer and Managing Director Bachelors of Engineering BEng (Malaya), MAICD (Australian Company Directors) Shalini has been CEO of DXN since September 2022 and steps into the role as CEO/Managing Director. On the back of the exit of the Sydney lease, a successful capital raise as well as several modular data wins during FY24, Shalini and her team has achieved DXN's first full financial year EBITDA positive result. None None None 173,267 fully paid ordinary shares None 553,333 performance rights vesting on or before 30 June 2024</p>
<p>Name:</p> <p>Title:</p> <p>Qualifications:</p> <p>Experience and expertise:</p> <p>Other current directorships:</p> <p>Former directorships (last 3 years):</p> <p>Special responsibilities:</p> <p>Interests in shares:</p> <p>Interests in options:</p> <p>Interests in rights:</p>	<p>Abigail Cheadle (appointed on 1 May 2024) Non-Executive Director and Chair Bachelor of Business, Member of the Institute of Chartered Accountants Abigail's career has spanned Asia, Europe, the Middle East, and Australia. Ms Cheadle has led professional services practices for global firms, including EY, Deloitte, Kroll and KordaMentha. With a focus on corporate strategy and risk management, she turned around listed entities during the Asian Financial Crisis, most notably, Indonesian-listed consumer finance company, BFI Finance Indonesia, during which time its market cap increased over 13 times. She has been on nine ASX listed boards, two as Chair, seven as ARC Chair and once as RNC Chair with an extensive background in professional services, technology, consumer products, infrastructure, and renewable energy. Shriro Holdings (ASX: SHM) (Chair), LGI Ltd (ASX: LGI) and Reef Casino Trust (ASX: RCT). Booktopia Group Ltd (ASX: BKG); Novatti Group Ltd (ASX: NOV) and Isentia Group Ltd (ASX: ISD) Chair of the Board and Member of the Audit & Risk Committee and Member of the Nomination and Remuneration Committee None None None</p>

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Name: **Peter McGrath** (resigned on 1 May 2024)
 Title: Former Independent Non-Executive Director and Chair
 Qualifications: B Eng MBA
 Experience and expertise: Peter's business career spans 30 years in telecommunications, ICT and corporate advisory, with over 20 years in senior leadership positions. Peter has been involved in leadership as CEO of a number of major Australian telecommunications firms and he also has extensive experience in equity capital markets and corporate finance. Peter is currently an Executive Director and Chief Executive Officer of Comms Group Limited.
 Other current directorships: Comms Group Limited (CCG) - CEO & MD
 Former directorships (last 3 years): Powerhouse Ventures Limited (PVL)
 Special responsibilities: Former Member of the Audit & Risk Committee
 Interests in shares: Not applicable as no longer a director
 Interests in options: Not applicable as no longer a director
 Interests in rights: Not applicable as no longer a director

Name: **Tim Hannon** (resigned on 1 May 2024)
 Title: Former Non-Executive Director
 Qualifications: Tim holds a Bachelor of Economics, Postgraduate Finance qualifications and an MBA from Melbourne Business School.
 Experience and expertise: Tim is Managing Director of Natural Capital investment firm Gaia Natural Capital. Tim is also a principal of Conrad Capital Group, a corporate advisory and funds management group. Tim has 25 years' experience in the investment and securities markets. Tim was a former partner of Goldman Sachs where he enjoyed an 18-year tenure, holding roles such as Head of Australian Equities, Head of Real Estate and Co-Manager of Global Real Estate Securities portfolios. Tim was also founder and co-manager of the Goldman Sachs Australian Infrastructure Securities Fund, and co-manager of the award-winning Goldman Sachs Emerging Leaders Fund.
 Other current directorships: None
 Former directorships (last 3 years): Pure Profile and member of the investment committee
 Special responsibilities: None
 Interests in shares: Not applicable as no longer a director
 Interests in options: Not applicable as no longer a director
 Interests in rights: Not applicable as no longer a director

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Shelby Coleman was appointed as a Joint Company Secretary on 13 May 2024. Shelby holds a Bachelor of Laws and a Bachelor of Arts from Victoria University of Wellington. She is experienced in ASX and ASIC compliance, providing advice on corporate governance and compliance issues as well as other regulatory matters. Shelby is an appointed Company Secretary for a number of ASX listed, unlisted public and proprietary companies across a range of industries.

Hasaka Martin was appointed as a Joint Company Secretary on 13 May 2024. Hasaka is a Principal at Automic Group and has over 15 years' experience working with listed companies across many industries, in both in-house roles, as well as through corporate service providers. Hasaka is an appointed Company Secretary for a number of listed entities. He is also a fellow of the Governance Institute of Australia, a chartered secretary and holds post-graduate qualifications in corporate and securities law.

Andrew Metcalfe resigned as Company Secretary on 13 May 2024. Andrew (CPA, FGIA, GAICD) is an experienced Chartered Secretary and Governance Adviser with more than 25 years' experience across a broad industry base, having worked with a variety of Board and senior management team of ASX listed companies.

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Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit & Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Brendan Power	6	6	1	1	2	2
Myo Myint Ohn ¹	3	3	1	1	1	1
Shalini Lagrutta ²	6	6	1	1	2	2
Abigail Cheadle ³	1	1	-	-	-	-
Peter McGrath ⁴	5	5	-	-	2	2
Tim Hannon ⁵	5	5	-	-	2	2

¹ Myo was appointed on 1 March 2024

² Shalini was appointed as Managing Director on 1 May 2024

³ Abigail was appointed on 1 May 2024

⁴ Peter resigned on 1 May 2024

⁵ Tim resigned on 1 May 2024

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The KMP of the Group consisted of the following directors of DXN Limited:

- Brendan Power - Non-Executive Director (appointed on 27 March 2023)
- Myo Myint Ohn - Non-Executive Director (appointed on 1 March 2024)
- Shalini Lagrutta - Chief Executive Officer and Managing Director (appointed as Managing Director on 1 May 2024)
- Abigail Cheadle - Non-Executive Director and Chair (appointed on 1 May 2024)
- Peter McGrath - Former Independent Non-Executive Director and Chair (resigned on 1 May 2024)
- Tim Hannon - Former Non-Executive Director (resigned on 1 May 2024)
- Craig Beaton - Head of Finance (appointed on 18 January 2022, date of redundancy 31 August 2023)
- Laila Green – Interim Chief Financial Officer (appointed 13 June 2024)

Changes since the end of the reporting period:

None

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

In consultation with external remuneration consultants as required (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having earnings as a core component of the plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on capital as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high caliber executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of other non-executive directors based on comparable roles in the external market. The Chair does not vote on any resolutions relating to the determination of her own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 4 August 2017, where the shareholders approved a maximum annual aggregate remuneration of \$500,000.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- long-term incentives; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives (STI) program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators (KPIs) being achieved. KPIs include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives (LTI) include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2024.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on earnings. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders' return for the last five years.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

During the year ended 30 June 2024, the Group did not engage the services of any external consultants.

Voting and comments made at the Company's 2023 Annual General Meeting ('AGM')

At the 2023 AGM, 96.57% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2023. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of KMP of the Group are set out in the following tables.

2024	Cash salary and fees \$	Short term benefits			Post-employment benefits		Share-based payments	Total \$
		Cash bonus \$	Non-monetary \$	Commissions ⁶ \$	Super-annuation \$	Termination payments \$	Equity-settled \$	
<i>Non-Executive Directors:</i>								
Brendan Power	41,900	-	-	-	4,609	-	40,000	86,509
Myo Myint Ohn ¹	14,032	-	-	-	-	-	-	14,032
Shalini Lagrutta ²	300,000	-	-	172,670	25,729	-	-	498,399
Abigail Cheadle ³	13,614	-	-	-	-	-	-	13,614
Peter McGrath ⁴	68,142	-	-	-	-	-	60,000	128,142
Tim Hannon ⁴	36,603	-	-	-	-	-	40,000	76,603
<i>Other KMP:</i>								
Craig Beatton ⁵	33,333	-	-	-	3,667	28,086	-	65,086
Laila Green ⁷	-	-	-	-	-	-	-	-
	507,624	-	-	172,670	34,005	28,086	140,000	882,385

- 1 Represents remuneration from 1 March 2024 to 30 June 2024.
2 Represents remuneration from 1 July 2023 to 30 June 2024, but only appointed as Managing director on 1 May 2024
3 Represents remuneration from 1 May 2024 to 30 June 2024.
4 Represents remuneration till 1 May 2024.
5 Represents remuneration till 31 August 2023.
6 Represents commission earned on modular data centre manufacturing sales.
7 Appointed as Interim Chief Financial Officer on 13 June 2024 - no KMP accruals/payments during the year ended 30 June 2024.

	Cash salary and fees \$	Short term benefits			Post-employment benefits		Share-based payments	Total \$
		Cash bonus \$	Non-monetary \$	Commissions ⁽⁵⁾ \$	Super-annuation \$	Termination payments \$	Equity-settled \$	
2023								
<i>Non-Executive Directors:</i>								
Brendan Power ¹	11,308	-	-	-	1,187	-	-	12,495
Peter McGrath ²	40,995	-	-	-	-	-	-	40,995
Tim Hannon ¹	18,076	-	-	-	-	-	-	18,076
Richard Carden ³	21,550	-	-	-	-	-	-	21,550
John Baillie ⁴	63,000	-	-	-	6,615	-	-	69,615
John Dimitropoulos ⁴	38,925	-	-	-	4,087	-	-	43,012
<i>Other KMP:</i>								
Shalini Lagrutta	300,000	-	-	59,776	25,000	-	36,670	421,446
Craig Beatton	200,000	-	-	-	21,000	-	-	221,000
	<u>693,854</u>	-	-	<u>59,776</u>	<u>57,889</u>	-	<u>36,670</u>	<u>848,189</u>

- 1 Represents remuneration from 27 March 2023 to 30 June 2023
2 Represents remuneration from 25 November 2022 to 30 June 2023, appointed as Chairman on 30 March 2023
3 Represents remuneration from 1 July 2022 to 25 November 2022
4 Represents remuneration from 1 July 2022 to 27 March 2023
5 Represents commission earned on modular data centre manufacturing sales

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2024	2023	2024	2023	2024	2023
<i>Non-Executive Directors:</i>						
Brenan Power	54.0%	100.0%	-	-	46.0%	-
Myo Myint Ohn	100.0%	-	-	-	-	-
Shalini Lagrutta	65.4%	77.1%	34.6%	14.2%	-	8.7%
Abigail Cheadle	100.0%	-	-	-	-	-
Peter McGrath	53.0%	100.0%	-	-	47.0%	-
Tim Hannon	48.0%	100.0%	-	-	52.0%	-
Richard Carden	-	100.0%	-	-	-	-
John Baillie	-	100.0%	-	-	-	-
John Dimitropoulos	-	100.0%	-	-	-	-
<i>Other KMP:</i>						
Craig Beatton	100.0%	100.0%	-	-	-	-
Laila Green	-	-	-	-	-	-

Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. Details of these agreements are as follows:

Name: **Shalini Lagrutta**
 Title: Chief Executive Officer and Managing Director (appointed as Managing Director on 1 May 2024)
 Agreement commenced: 19 January 2022
 Term of agreement: The employment is continuous until terminated in accordance with the provisions for termination, being by either party with 3 months' notice.
 Details: There are three components to Shalini's remuneration:

(i) Gross annual remuneration package

Shalini will be paid a base annual remuneration of \$300,000 plus statutory superannuation contributions, which is capped at \$27,500 per annum. The employer may review the employee's performance, remuneration and benefits in accordance with the employer policy from time to time.

(ii) Short term incentive benefits

Shalini will be entitled to receive an STI component of up to \$125,000 based on achieving agreed KPI's.

(iii) Long term incentive benefits

The LTI component has an annual grant value of up to 25% of the executive remuneration package. The number of performance rights and/or options will depend on the share price at the allocation or grant date.

On 22 July 2021, Shalini was issued with 8,300,000 performance rights, subject to the following vesting conditions:

(a) 3 years of service (continued employment) with the Company from 1 July 2021 to 30 June 2024; and

(b) the Company achieving the following Compound Growth in Total Shareholder Return (TSR CAGR) over the 3-year period from 1 July 2021 to 30 June 2024:

TSR CAGR	% Vesting
Less than 35	35.0%
35 – 45%	50 – 100% on a pro-rata basis
Greater than 45%	100%

In the event of cessation of employment during the 3-year period, without cause, retirement or resignation, the Performance Rights will lapse.

In the event of cessation of employment during the 3-year period due to retrenchment, death or disability, the Performance Rights will be pro-rated with Board discretion based on the circumstances.

Any Performance Rights that do not vest and become exercisable in accordance with the Vesting Conditions will automatically lapse.

Name: **Brendan Power**
 Title: Non-Executive Director
 Agreement commenced: 27 March 2023
 Term of agreement: Subject to re-election every 3 years
 Details: From 1 May 2023, the Director received a fixed director's fee of \$41,900 per annum
 From 1 July 2024, the Director receives a fixed director's fee of \$60,000 per annum, plus superannuation payments where applicable

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Name: **Myo Myint Ohn**
 Title: Non-Executive Director (appointment on 1 March 2024)
 Agreement commenced: 1 March 2024
 Term of agreement: Subject to re-election every 3 years
 Details: From 1 July 2024, the Director receives a fixed director's fee of \$60,000 per annum, plus superannuation payments where applicable

Name: **Abigail Cheadle**
 Title: Non-Executive Director (appointed on 1 May 2024)
 Agreement commenced: 1 May 2024
 Term of Agreement: Subject to re-election every 3 years
 Details: From 1 July 2024, the Director receives a fixed director's fee of \$90,000 per annum, plus superannuation payments where applicable

KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no other shares issued to directors and other KMP as part of compensation during the year ended 30 June 2024.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Brendan Power	1,333,333	23/01/2024	23/01/2024	22/01/2028	\$0.0300	\$0.022
Peter McGrath	2,000,000	23/01/2024	01/05/2024	22/01/2028	\$0.0300	\$0.022
Tim Hannon	1,333,333	23/01/2024	01/05/2024	22/01/2028	\$0.0300	\$0.022

Name	Number of options granted during the year 2024	Number of options granted during the year 2023	Number of options vested during the year 2024	Number of options vested during the year 2023
Brendan Power	1,333,333	-	-	-
Peter McGrath	2,000,000	-	2,000,000	-
Tim Hannon	1,333,333	-	1,333,333	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other KMP as part of compensation during the year ended 30 June 2024 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed/vested during the year \$	Remuneration consisting of options for the year %
Brendan Power	40,000	-	-	46%
Peter McGrath	60,000	-	-	47%
Tim Hannon	40,000	-	-	52%

The number of options granted are adjusted for the share consolidation. Refer to note 27.

Options granted carry no dividend or voting rights.

Performance rights

There were no performance rights over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2024.

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Share price hurdle for vesting	Fair value per right at grant date
Shalini Lagrutta	533,333	22 July 2021	14 July 2024	\$0.0000	\$0.013

The number of performance rights granted are adjusted for the share consolidation. Refer to note 27.

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the five years to 30 June 2024 are summarised below:

	2024 \$	2023 \$	2022 \$	2021 \$	2020 \$
Sales revenue	10,755,354	6,576,190	15,386,453	8,035,137	5,188,280
EBITDA	643,944	(4,963,265)	(1,814,952)	(2,619,320)	-
Loss after income tax	(2,303,165)	(9,612,620)	(6,902,449)	(4,812,631)	(12,590,529)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2024	2023*	2022	2021	2020
Share price at financial year end (\$)	-	-	-	0.01	0.01
Basic earnings per share (cents per share)	(1.55)	(8.52)	(0.50)	(0.45)	(2.57)
Diluted earnings per share (cents per share)	(1.55)	(8.52)	(0.50)	(0.45)	(2.57)

EPS is calculated based on the number of ordinary shares that would have been in existence had the share consolidation occurred on 1 July 2022.

Additional disclosures relating to KMP

The number of shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Adjustment on share consolidation	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>						
Brendan Power	40,666,666	-	50,000,000	(84,622,222)	-	6,044,444
Myo Myint Ohn ¹	-	-	28,333,333	-	-	28,333,333
Shalini Lagrutta	3,383,877	-	(3,158,285)	-	(52,325)	173,267
Abigail Cheadle	-	-	-	-	-	-
Peter McGrath ²	15,511,060	-	25,000,000	(37,810,323)	(2,700,737)	-
Tim Hannon	-	-	-	-	-	-
	59,561,603	-	100,175,048	(122,432,545)	(2,753,062)	34,551,044

¹ Additions represent shares held at date of appointment

² Other represents shares held at resignation date

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Adjustment on capital consolidation	Expired/ exercised/ forfeited	Balance at the end of the year
<i>Options over ordinary shares</i>					
Brendan Power	-	20,000,000	(18,666,667)	-	1,333,333
Peter McGrath	-	30,000,000	(28,000,000)	-	2,000,000
Tim Hannon	-	20,000,000	(18,666,667)	-	1,333,333
	-	70,000,000	(65,333,334)	-	4,666,666

Performance rights holding

The number of performance rights in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Adjustment on capital consolidation	Expired/ exercised/ forfeited	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Shalini Lagrutta	8,300,000	-	(7,746,667)	-	553,333

	Vested	Unvested	Balance at the end of the year
<i>Performance rights over ordinary shares</i>			
Shalini Lagrutta	-	553,333	553,333

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of DXN Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price*	Number under option
22/10/2021	22/10/2024	\$0.2100	725,924
23/01/2024	22/01/2028	\$0.0300	4,666,666
			<u>5,392,590</u>

* Adjusted on share consolidation

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of DXN Limited issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

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Shares under performance rights

Unissued ordinary shares of DXN Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
22/07/2021	14/07/2024	\$0.0000	553,333

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of performance rights

There were no ordinary shares of DXN Limited issued on the exercise of performance rights during the year ended 30 June 2024 and up to the date of this report.

Shares under warrants

Unissued ordinary shares of DXN Limited under warrants at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under warrants
22/10/2021	22/10/2025	\$0.0300	13,333,333

No person entitled to exercise the warrants had or has any right by virtue of the retention right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of warrants

There were no ordinary shares of DXN Limited issued on the exercise of warrants during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of officers and auditor

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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The directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Moore Australia Audit (WA)

There are no officers of the Company who are former partners of Moore Australia Audit (WA).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

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



Abigail Cheadle
Non-Executive Chair

30 August 2024

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Auditor's Independence Declaration
Under Section 307c of the Corporations Act 2001

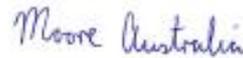
To the directors of DXN Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2024, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Shuan Williams
Partner – Audit and Assurance
Moore Australia Audit (WA)
Perth
30th day of August 2024



Moore Australia Audit (WA)
Chartered Accountants

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	Note	Consolidated 2024 \$	Consolidated 2023 *Re- presented \$
Revenue from continuing operations			
Sales to customers	5	10,755,354	6,576,190
Cost of goods sold		<u>(4,903,037)</u>	<u>(2,844,872)</u>
Gross margin		5,852,317	3,731,318
Other income	6	498,113	1,175,180
Expenses			
Administration expenses		(524,947)	(432,954)
Compliance and legal expenses		(489,028)	(406,915)
Consultants and contractors		(685,270)	(463,694)
Depreciation and amortisation expenses	7	(1,496,974)	(3,117,999)
Employee benefits expenses		(2,677,674)	(3,356,562)
Impairment of non-financial assets	7	-	(3,561,289)
Impairment of inventories		(49,298)	(494,760)
Impairment of receivables	11	(22,174)	(18,311)
Loss on disposal of assets		(2,047)	(51,185)
Marketing expenses		(26,566)	(25,533)
Occupancy expenses		(989,609)	(776,869)
Research and development expenses		-	(38,970)
Telecommunication and technology expenses		(132,968)	(177,343)
Travel expenses		(106,905)	(65,378)
Finance costs	7	<u>(1,450,135)</u>	<u>(1,531,356)</u>
Loss before income tax expense		(2,303,165)	(9,612,620)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of DXN Limited		(2,303,165)	(9,612,620)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of DXN Limited		<u>(2,303,165)</u>	<u>(9,612,620)</u>
	Note	2024 Cents	2023 Cents
Earnings per share for loss attributable to the owners of DXN Limited			
Basic earnings per share	9	(1.55)	(8.52)
Diluted earnings per share	9	(1.55)	(8.52)

* Refer to note 18 for details.

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

	Note	Consolidated 2024 \$	Consolidated 2023 \$
Assets			
Current assets			
Cash and cash equivalents	10	2,983,785	710,209
Trade and other receivables	11	1,248,749	221,316
Inventories/work in progress	12	372,587	375,705
Bank guarantees and deposits	13	118,000	-
Other assets	14	161,746	141,436
		<u>4,884,867</u>	<u>1,448,666</u>
Assets of disposal groups classified as held for sale	18	-	6,588,989
Total current assets		<u>4,884,867</u>	<u>8,037,655</u>
Non-current assets			
Property, plant and equipment	15	1,806,872	1,159,693
Right-of-use assets	16	3,523,943	8,358,447
Intangibles	17	2,997,902	236,942
Bank guarantees and deposits	13	708,144	265,302
Other assets	14	238,333	423,333
Total non-current assets		<u>9,275,194</u>	<u>10,443,717</u>
Total assets		<u>14,160,061</u>	<u>18,481,372</u>
Liabilities			
Current liabilities			
Trade and other payables	19	1,548,799	976,154
Contract liabilities	20	3,484,648	698,271
Borrowings	21	84,848	143,844
Lease liabilities	22	660,519	716,011
Employee benefits	23	225,974	148,343
Income in advance	24	-	416,667
Other financial liabilities	25	300,000	910,315
		<u>6,304,788</u>	<u>4,009,605</u>
Liabilities directly associated with assets classified as held for sale	26	-	1,928,973
Total current liabilities		<u>6,304,788</u>	<u>5,938,578</u>
Non-current liabilities			
Borrowings	21	4,080,385	4,113,450
Lease liabilities	22	3,494,225	8,190,144
Employee benefits	23	36,278	14,344
Other financial liabilities	25	656,658	400,000
Total non-current liabilities		<u>8,267,546</u>	<u>12,717,938</u>
Total liabilities		<u>14,572,334</u>	<u>18,656,516</u>
Net liabilities		<u>(412,273)</u>	<u>(175,144)</u>
Equity			
Issued capital	27	47,395,502	45,424,949
Reserves	28	405,789	1,428,566
Accumulated losses		<u>(48,213,564)</u>	<u>(47,028,659)</u>
Total deficiency in equity		<u>(412,273)</u>	<u>(175,144)</u>

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

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2022	43,471,842	1,391,896	(37,416,039)	7,447,699
Loss after income tax expense for the year	-	-	(9,612,620)	(9,612,620)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(9,612,620)	(9,612,620)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares (note 27)	2,125,000	-	-	2,125,000
Capital raising costs (note 27)	(171,893)	-	-	(171,893)
Share-based payments (note 28)	-	36,670	-	36,670
Balance at 30 June 2023	<u>45,424,949</u>	<u>1,428,566</u>	<u>(47,028,659)</u>	<u>(175,144)</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2023	45,424,949	1,428,566	(47,028,659)	(175,144)
Loss after income tax expense for the year	-	-	(2,303,165)	(2,303,165)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(2,303,165)	(2,303,165)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares (note 27)	2,100,000	-	-	2,100,000
Issue of shares - share-based payments (note 27)	6,075	-	-	6,075
Capital raising costs (note 27)	(135,522)	-	-	(135,522)
Transfer from accumulated losses	-	(1,118,260)	1,118,260	-
Share-based payments (note 28)	-	95,483	-	95,483
Balance at 30 June 2024	<u>47,395,502</u>	<u>405,789</u>	<u>(48,213,564)</u>	<u>(412,273)</u>

	Note	Consolidated 2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers		12,900,580	8,850,520
Payments to suppliers and employees		(10,743,611)	(11,034,015)
R&D tax incentive claim		-	1,029,786
Government grants		246,895	67,567
Interest received		5,800	9,356
Interest paid		(363,056)	(453,733)
Bank guarantee for projects		(875,497)	-
Net cash from/(used in) operating activities	39	<u>1,171,111</u>	<u>(1,530,519)</u>
Cash flows from investing activities			
Payments for plant and equipment		(38,937)	(136,278)
Payments for intangible assets		-	(197,786)
Warranty repayment		(144,436)	-
Net cash (used in) investing activities		<u>(183,373)</u>	<u>(334,064)</u>
Cash flows from financing activities			
Proceeds from issue of shares and options	27,39	1,775,000	2,125,000
Payment of capital raising costs	27	(135,522)	(171,893)
Repayment of lease liabilities	39	(869,084)	(728,679)
Net cash from financing activities		<u>770,394</u>	<u>1,224,428</u>
Net increase/(decrease) in cash and cash equivalents		1,758,132	(640,155)
Cash and cash equivalents at the beginning of the financial year		1,268,293	1,924,767
Effects of exchange rate changes on cash and cash equivalents		(42,640)	(16,319)
Cash and cash equivalents at the end of the financial year	10	<u><u>2,983,785</u></u>	<u><u>1,268,293</u></u>

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

Note 1. General information

The financial statements cover DXN Limited and the entities it controlled (together referred to as the 'Group') at the end of, or during, the year. The financial statements are presented in Australian dollars, which is DXN Limited's functional and presentation currency.

DXN Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

c/o Flexispace
Suite 2, Level 16
No. 1 Martin Place
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention except for liabilities for cash-settled share-based payment arrangements which are measured at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern

These financial statements 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 \$2,303,165 (FY23: a loss of \$9,612,620) for the period ended 30 June 2024 and operating cash inflow of \$1,171,111 (FY23: cash outflow of \$1,530,519). The working capital deficit at balance date is \$1,419,921 (FY23: surplus \$2,099,077).

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group refinancing debt facilities, successfully raising additional share capital, and generating ongoing revenue from new and existing modular DC contracts and data centre operations.

Note 2. Material accounting policy information (continued)

The directors are of the view that there is sufficient working capital in the Group to pay its debts as and when they fall due on the basis that DXN continues to generate ongoing revenues at current levels. The directors believe it is appropriate to prepare these accounts on a going concern basis because:

- of contracts which will generate \$8.9m in revenue over the next 12-month period;
- a developing pipeline of contracts that generate revenues over a 12–24-month period;
- positive operating cash flows from operations with a cash balance of \$2,983,785 as at 30 June 2024;
- recurring revenue from DC operations;
- DC assets reliable at more than book value; and
- the ability to raise capital.

The financial statements 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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 37.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of DXN Limited ('Company' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. DXN Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Group.

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.

Where the Group 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 Group 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.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is DXN Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 2. Material accounting policy information (continued)

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised based on the transfer of control of goods or services to the customer, reflecting the consideration to which the Group expects to be entitled. For each contract, the Group first identifies the contract and the performance obligations within it. The transaction price is then determined, taking into account estimates of variable consideration and the time value of money. This transaction price is allocated to each performance obligation based on their relative stand-alone selling prices. Revenue is recognised when or as performance obligations are satisfied. For contracts where performance obligations are satisfied over time, the Group uses the percentage-of-completion method. This method recognises revenue based on the progress toward completing the performance obligations, measured using either input methods (such as costs incurred) or output methods (such as milestones achieved), whichever method more accurately reflects the transfer of control to the customer.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

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 aligns with AASB 15, as revenue is deferred and recognised over the duration of the contract with the customer. Since the performance obligation is fulfilled over time, the revenue is recognised progressively over the contract period.

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 as of the reporting date. Revenue from these sales is determined by the price stipulated in the contract, including any agreed-upon variations to the contract amount. Revenue is recognised only to the extent that there is a high probability that a significant reversal of revenue will not occur. Since the performance obligation is fulfilled over time, the revenue is recognised progressively over the duration of the project.

Incremental costs of obtaining a contract that are expected to be recovered are capitalised as a contract asset and amortised over the term of the contract with the customer.

Interest

Interest revenue is recognised as it accrues using the effective interest method. This method calculates the amortised cost of a financial asset and allocates interest income over the relevant period using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to the asset's net carrying amount.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 2. Material accounting policy information (continued)

Research and development tax incentive claim

The Group recognises refundable R&D tax offset as a government grant under AASB120 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.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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.

Note 2. Material accounting policy information (continued)

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 2. Material accounting policy information (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives at the following rates:

Leasehold improvements	10%-67%
Plant and equipment	13%-73%
Motor vehicles	25%
Office equipment	20%-67%
DC modules	10%-73%
ICT hardware	40%-67%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development (Module development)

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being finite life of 3 years for Tasmania and 10 years for Secure Data Centre.

Note 2. Material accounting policy information (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. 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.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Warrants

Warrants issued by the Group in connection with borrowings are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. The entire financial instrument (being the loan and warrants) is accounted for as a compound financial instrument and for warrants that meet the definition of equity, the debt component is fair valued on initial recognition, and the residual amount is allocated to the equity (warrant) component. There is no subsequent remeasurement of the warrants after initial recognition. For warrants that meet the definition of a financial liability, these are measured at fair value at initial recognition and are subsequently measured at fair value through profit or loss at the end of each reporting period.

Note 2. Material accounting policy information (continued)

Employee benefits

Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 2. Material accounting policy information (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Issued capital

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.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of DXN Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets

The Group 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.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. This involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss. Make good provisions are recorded as part of the Group's lease liabilities.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments: Data centre manufacturing and Data centre operations. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer ('CEO') and the Group's Executive Leadership Team (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM on a monthly basis is the segment profit that represents the profit earned by each segment without allocation of the share of central administration costs including directors' salaries, finance income, non-operating gains and losses in respect of financial instruments and finance costs, and income tax expense.

Major customers

The Group has a number of customers to which it provides services and products.

Data centre manufacturing

The Group supplies a number of customers, of which during the year ended 30 June 2024 one accounted for 17.6% of revenue (2023: main customer was 49.8%). The next most significant contributed 16.8% (2023: 16.02%).

Data centre operations

The Group supplies a number of customers, of which during the year ended 30 June 2024 one accounted for 31.9% of revenue (2023: main customer was 31.8%).

There were no intersegment sales during the reporting periods.

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Note 4. Operating segments (continued)

Operating segment information

	Data centre manufacturing \$	Data centre operations \$	Other (Corporate) \$	Total \$
Consolidated - 2024				
Revenue				
Revenue from external customers	8,090,918	2,664,436	-	10,755,354
Other income	105,670	117,443	275,000	498,113
Total revenue	<u>8,196,588</u>	<u>2,781,879</u>	<u>275,000</u>	<u>11,253,467</u>
Results				
Loss before income tax	1,981,051	(944,883)	(3,339,333)	(2,303,165)
Income tax	-	-	-	-
Loss after income tax	<u>1,981,051</u>	<u>(944,883)</u>	<u>(3,339,333)</u>	<u>(2,303,165)</u>
Assets				
Segment assets	3,479,997	7,680,602	2,999,462	14,160,061
Total assets				<u>14,160,061</u>
Liabilities				
Segment liabilities	9,875,064	3,050,313	1,646,957	14,572,334
Total liabilities				<u>14,572,334</u>
Consolidated - 2023				
Revenue				
Revenue from external customers	3,838,743	2,737,447	-	6,576,190
Other income	1,107,097	41,196	26,887	1,175,180
Total revenue	<u>4,945,840</u>	<u>2,778,643</u>	<u>26,887</u>	<u>7,751,370</u>
Results				
Loss before income tax	(375,371)	(6,592,192)	(2,645,057)	(9,612,620)
Income tax	-	-	-	-
Loss after income tax	<u>(375,371)</u>	<u>(6,592,192)</u>	<u>(2,645,057)</u>	<u>(9,612,620)</u>
Assets				
Segment assets	1,949,774	9,592,075	6,939,523	18,481,372
Total assets				<u>18,481,372</u>
Liabilities				
Segment liabilities	2,724,339	10,038,917	5,893,260	18,656,516
Total liabilities				<u>18,656,516</u>

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

All revenue is derived in Australia.

Note 5. Revenue

	Consolidated 2024 \$	Consolidated 2023 \$
<i>Revenue from contracts with customers</i>		
Sales to customers	<u>10,755,354</u>	<u>6,576,190</u>

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

All revenue is derived in Australia.

Note 6. Other income

	Consolidated 2024 \$	Consolidated 2023 \$
Research and development tax incentive claim	-	1,029,786
Export marketing development grant	69,174	36,600
Government wage subsidies	6,540	30,967
Net foreign exchange gain	-	118
Lease liability reversed ¹	24,811	-
Other ²	397,588	77,709
Other income	<u>498,113</u>	<u>1,175,180</u>

¹ Liability adjustment for the Sydney data centre facility.

² Includes sublease income \$70,550 and change in fair value of warrant liability of \$275,000.

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Note 7. Expenses

	Consolidated	
	2024	2023
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Depreciation - property, plant and equipment	512,551	1,497,055
Depreciation - right-of-use assets	832,842	1,040,919
	<u>1,345,393</u>	<u>2,537,974</u>
<i>Amortisation</i>		
Amortisation - intangibles	151,581	580,025
	<u>1,496,974</u>	<u>3,117,999</u>
<i>Impairment of non-financial assets</i>		
Plant and equipment	-	3,536,377
Intangibles	-	24,912
	<u>-</u>	<u>3,561,289</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	982,093	710,793
Interest and finance charges paid/payable on lease liabilities	468,042	820,563
	<u>1,450,135</u>	<u>1,531,356</u>
<i>Net foreign exchange loss (included in administration expenses)</i>		
Net foreign exchange loss	20,353	-
	<u>20,353</u>	<u>-</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	215,130	320,453
	<u>215,130</u>	<u>320,453</u>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	2,462,544	3,036,109
	<u>2,462,544</u>	<u>3,036,109</u>

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Note 8. Income tax

	Consolidated 2024 \$	2023 \$
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Aggregate income tax expense	<u>-</u>	<u>-</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,303,165)	(9,612,620)
Tax at the statutory tax rate of 25%	(575,791)	(2,403,155)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenditure	26,673	60,441
Non-assessable income	-	(257,446)
Foreign tax withheld	103,676	-
Current year tax losses not recognised	(445,442)	(2,600,160)
Other deferred tax balances not recognised	623,539	1,382,374
Income tax expense	<u>(178,097)</u>	<u>1,217,786</u>

	Consolidated 2024 \$	2023 \$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Carried forward revenue losses	8,335,553	6,056,790
Leases	1,038,686	2,693,995
Plant and equipment	1,014,012	1,014,012
Capital raising costs	34,424	125,619
Provisions and accruals	65,735	52,970
Customer contracts	444,837	410,793
Borrowing costs	11,000	-
Income in advance	-	104,167
Total deferred tax assets not recognised	<u>10,944,247</u>	<u>10,458,346</u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

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Note 8. Income tax (continued)

	Consolidated 2024 \$	2023 \$
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Carried forward revenue losses	880,986	2,536,210
Set-off of deferred tax liability	<u>(880,986)</u>	<u>(2,536,210)</u>
Deferred tax asset	<u>-</u>	<u>-</u>

	Consolidated 2024 \$	2023 \$
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Right-of-use assets	880,986	2,536,210
Set-off against deferred tax asset	<u>(880,986)</u>	<u>(2,536,210)</u>
Deferred tax liability	<u>-</u>	<u>-</u>

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 9. Earnings per share

	Consolidated 2024 \$	2023 \$
Loss after income tax attributable to the owners of DXN Limited	<u>(2,303,165)</u>	<u>(9,612,620)</u>
	Cents	Cents
Basic earnings per share	(1.55)	(8.52)
Diluted earnings per share	(1.55)	(8.52)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>148,710,218</u>	<u>112,882,175</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>148,710,218</u>	<u>112,882,175</u>

At 30 June 2024 and 30 June 2023, options, warrants and performance rights over ordinary shares were excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive, as the Group reported a loss for the period.

The weighted average number of ordinary shares for 2023 has been restated for the effect of the consolidation of shares (1 for every 15 ordinary shares held) completed on 12 February 2024, in accordance with AASB 133 'Earnings per share'. Refer to note 27.

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Note 9. Earnings per share (continued)

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	1,693,232,645
Adjustment required by AASB 133 'Earnings per share'	<u>(1,580,350,470)</u>
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	<u><u>112,882,175</u></u>

Note 10. Cash and cash equivalents

	Consolidated 2024 \$	Consolidated 2023 \$
<i>Current assets</i>		
Cash at bank and on hand	<u>2,983,785</u>	<u>710,209</u>
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	2,983,785	710,209
Cash and cash equivalents - classified as held for sale (note 18)	<u>-</u>	<u>558,084</u>
Balance as per statement of cash flows	<u><u>2,983,785</u></u>	<u><u>1,268,293</u></u>

Note 11. Trade and other receivables

	Consolidated 2024 \$	Consolidated 2023 \$
<i>Current assets</i>		
Trade receivables	1,274,197	239,627
Less: Allowance for expected credit losses	<u>(40,485)</u>	<u>(18,311)</u>
	<u>1,233,712</u>	<u>221,316</u>
GST receivable	<u>15,037</u>	<u>-</u>
	<u><u>1,248,749</u></u>	<u><u>221,316</u></u>

Allowance for expected credit losses

The Group has recognised a loss of \$22,174 in the profit or loss in respect of the expected credit losses for the year ended 30 June 2024 (2023: \$18,311).

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Note 11. Trade and other receivables (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2024	2023	2024	2023	2024	2023
	%	%	\$	\$	\$	\$
0 to 30 days	-	7.922%	1,152,950	231,125	-	18,311
30 to 60 days	-	-	-	982	-	-
60 to 90 days	-	-	35,615	-	-	-
over 90 days	47.300%	-	85,632	7,520	40,485	-
			<u>1,274,197</u>	<u>239,627</u>	<u>40,485</u>	<u>18,311</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2024	Consolidated 2023
	\$	\$
Opening balance	18,311	-
Additional provisions recognised	22,174	18,311
Closing balance	<u>40,485</u>	<u>18,311</u>

Note 12. Inventories/work in progress

	Consolidated 2024	Consolidated 2023
	\$	\$
<i>Current assets</i>		
Materials and consumables	106,807	234,151
Work in progress - Customers (contract asset) ¹	265,780	141,554
	<u>372,587</u>	<u>375,705</u>

¹ Relates to external customers.

Note 13. Bank guarantees and deposits

	Consolidated 2024	Consolidated 2023
	\$	\$
<i>Current assets</i>		
Module Guarantees ¹	118,000	-
<i>Non-current assets</i>		
Module Guarantees ¹	674,227	-
5 Parkview Drive, Olympic Park, Sydney NSW ²	-	231,385
3 Dampier Road, Welshpool, WA ²	33,917	33,917
	<u>708,144</u>	<u>265,302</u>
	<u>826,144</u>	<u>265,302</u>

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Note 13. Bank guarantees and deposits (continued)

- ¹ Relates to deposits for various project guarantees held with Westpac and solicitor trust accounts at 30 June 2024 and are classified as restricted cash.
² Relates to deposits given to landlords' legal representatives at 30 June 2024 over leased premises. These deposits are held in solicitor trust accounts and are classified as restricted cash.

Note 14. Other assets

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Prepayments	36,304	127,880
Other deposits	15,657	13,556
Other current assets	109,785	-
	<u>161,746</u>	<u>141,436</u>
<i>Non-current assets</i>		
Other non-current assets (Borrowing costs capitalised net of amortisation)	238,333	423,333
	<u>400,079</u>	<u>564,769</u>

Note 15. Property, plant and equipment

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	756,984	2,384
Less: Accumulated depreciation	(207,056)	(2,384)
	<u>549,928</u>	<u>-</u>
Plant and equipment - at cost	457,882	417,220
Less: Accumulated depreciation	(339,039)	(190,805)
	<u>118,843</u>	<u>226,415</u>
Motor vehicles - at cost	26,016	26,016
Less: Accumulated depreciation	(26,016)	(15,302)
	<u>-</u>	<u>10,714</u>
Office equipment - at cost	28,798	28,798
Less: Accumulated depreciation	(28,798)	(28,158)
	<u>-</u>	<u>640</u>
DC modules - at cost	2,075,244	1,348,388
Less: Accumulated depreciation	(952,458)	(427,149)
	<u>1,122,786</u>	<u>921,239</u>
ICT hardware - at cost	73,835	86,962
Less: Accumulated depreciation	(58,520)	(86,277)
	<u>15,315</u>	<u>685</u>
	<u>1,806,872</u>	<u>1,159,693</u>

Note 15. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improve- ments \$	Plant and equipment \$	Motor vehicles \$	Office equipment \$	DC modules \$	ICT hardware \$	Total \$
Balance at 1 July 2022	2,351,859	134,629	13,966	10,568	4,647,490	34,970	7,193,482
Additions	-	136,278	-	-	-	-	136,278
Classified as held for sale (note 18)	(626,422)	(6,933)	-	-	(485,902)	-	(1,119,257)
Disposals	(14,917)	(843)	-	(90)	(1,528)	-	(17,378)
Impairment of assets	(1,658,208)	-	-	(2,732)	(1,843,274)	(32,163)	(3,536,377)
Depreciation expense	(52,312)	(36,716)	(3,252)	(7,106)	(1,395,547)	(2,122)	(1,497,055)
Balance at 30 June 2023	-	226,415	10,714	640	921,239	685	1,159,693
Additions	-	23,805	-	-	10,230	16,965	51,000
Cessation of held for sale (note 18)	626,422	6,933	-	-	485,902	-	1,119,257
Disposals	-	-	-	-	(10,527)	-	(10,527)
Depreciation expense	(76,494)	(138,310)	(10,714)	(640)	(284,058)	(2,335)	(512,551)
Balance at 30 June 2024	<u>549,928</u>	<u>118,843</u>	<u>-</u>	<u>-</u>	<u>1,122,786</u>	<u>15,315</u>	<u>1,806,872</u>

Note 16. Right-of-use assets

	Consolidated 2024 \$	Consolidated 2023 \$
<i>Non-current assets</i>		
Land and buildings - right-of-use	4,459,873	10,222,419
Less: Accumulated depreciation	(935,930)	(1,863,972)
	<u>3,523,943</u>	<u>8,358,447</u>

Additions to the right-of-use assets during the ended 30 June 2024 and 30 June 2023 were \$nil.

During the year ended 30 June 2024, the Group surrendered its lease on the Sydney property. The final lease payment is scheduled to be made in December 2024.

Right-of-use assets related to leased property in Perth, Sydney, Hobart and Darwin.

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

For AASB 16 Lease disclosures refer to:

- note 7 for depreciation on right-of-use assets and interest on lease liabilities;
- note 22 for lease liabilities;
- note 30 for undiscounted future lease commitments; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 17. Intangibles

	Consolidated 2024 \$	2023 \$
<i>Non-current assets</i>		
Goodwill - at cost	1,986,421	25,541
Research & development - at cost	24,528	195,951
Software - at cost	112,729	112,729
Less: Accumulated amortisation	(112,729)	(97,279)
	-	15,450
Customer contracts - at cost	2,703,418	1,342,104
Less: Accumulated amortisation	(1,716,465)	(1,342,104)
	986,953	-
	<u>2,997,902</u>	<u>236,942</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill \$	Research & development \$	Patents and trademarks \$	Software \$	Customer contracts \$	Total \$
Balance at 1 July 2022	1,986,421	38,970	28,090	90,724	1,652,654	3,796,859
Additions	-	195,951	-	1,835	-	197,786
Classified as held for sale (note 18)	(1,960,880)	-	-	(2,391)	(1,123,084)	(3,086,355)
Disposals	-	-	(27,441)	-	-	(27,441)
Impairment of assets	-	-	-	(24,912)	-	(24,912)
Transfers in/(out)	-	(38,970)	-	-	-	(38,970)
Amortisation expense	-	-	(649)	(49,806)	(529,570)	(580,025)
Balance at 30 June 2023	25,541	195,951	-	15,450	-	236,942
Additions	-	25,193	-	-	-	25,193
Cessation of held for sale (note 18)	1,960,880	-	-	2,391	1,123,084	3,086,355
Disposals	-	-	-	(2,391)	-	(2,391)
R&D offset against incentive	-	(196,616)	-	-	-	(196,616)
Amortisation expense	-	-	-	(15,450)	(136,131)	(151,581)
Balance at 30 June 2024	<u>1,986,421</u>	<u>24,528</u>	<u>-</u>	<u>-</u>	<u>986,953</u>	<u>2,997,902</u>

Goodwill	Goodwill on the acquisition of assets and revenue of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd, and acquisition of Secure Data Centre – Darwin during FY22.
Research & development	Relates to the development costs spent to date on module research/design for government grants.
Patents and trademarks	Related to patents and was amortised over the estimated useful life of the patents.
Software	Related to acquired software.
Customer contracts	Relates to the minimum contracted revenues/EBITDA in relation to the acquisition of DC module assets of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd and customer contracts acquired from the purchase of Secure Data Centre – Darwin during FY22.

Note 17. Intangibles (continued)

Impairment testing

The Group's total goodwill balance predominantly relates to the Data Centre segment operations of Secure Data Centre, Darwin (SDC). At 30 June 2023, SDC goodwill was classified as held for sale. Refer to note 18.

	Consolidated 2024 \$	Consolidated 2023 \$
SDC	1,960,880	-

The carrying amount of the SDC goodwill has been tested for impairment as at 30 June 2024. The recoverable amount of the above goodwill is based on a value-in-use calculation using the present value of cash flow projections over a 5-year period. The following assumptions were used in the value-in-use calculations:

Assumption	How determined
Forecast revenue & expenses	Annual growth rate of 5%
Discount rate	Pre-tax discount rate of 11.69%

Sensitivity to changes in assumptions

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the SDC CGU to exceed its recoverable amount.

Note 18. Assets of disposal groups classified as held for sale

	Consolidated 2024 \$	Consolidated 2023 \$
<i>Current assets</i>		
Cash and cash equivalents	-	558,084
Trade and other receivables	-	38,897
Property, plant and equipment	-	1,119,257
Right-of-use assets	-	1,786,396
Intangibles	-	3,086,355
	<u>-</u>	<u>6,588,989</u>

DXN's Secure Data Centre in Darwin ('SDC') was classified in financial statements for the year ended 30 June 2023 as 'discontinued operations' as the Board continued to consider all strategic options to sell its data centre operations.

Accordingly in the financial statements for the year ended 30 June 2023, the results of operations of SDS were classified separately as discontinued operations in the profit or loss and the associated assets and liabilities were classified as held for sale.

During the year ended 30 June 2024, following the Company's decision to put an end to planned sale and continue to focus on growing the business:

- the results of operations of the SDC previously presented in discontinued operations are reclassified and included in income from continuing operations for the year ended 30 June 2024 and 30 June 2023; and
- the assets and liabilities of disposal groups as at 30 June 2024 are no longer classified as held for sale.

The carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been so classified is the same as the recoverable amount at the date of the subsequent decision not to sell, therefore there is no adjustment required to be recognised in profit or loss.

Note 19. Trade and other payables

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Trade payables ¹	783,104	450,374
GST payable	-	65,999
Payroll liabilities	54,334	81,481
Other payables and accruals ²	711,361	378,300
	<u>1,548,799</u>	<u>976,154</u>

Terms and conditions relating to the above financial instruments.

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

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

Refer to note 30 for further information on financial instruments.

Note 20. Contract liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Contract liabilities ¹	3,484,648	698,271

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

Note 21. Borrowings

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Insurance premium funding	54,716	118,265
FlexiCommercial Pty Ltd ¹	42,888	42,888
Less: Unexpired charges	(12,756)	(17,309)
	<u>84,848</u>	<u>143,844</u>
<i>Non-current liabilities</i>		
FlexiCommercial Pty Ltd ¹	89,350	132,238
Pure Asset Management Pty Ltd ²	4,000,000	4,000,000
Less: Unexpired charges	(8,965)	(18,788)
	<u>4,080,385</u>	<u>4,113,450</u>
	<u>4,165,233</u>	<u>4,257,294</u>

Refer to note 30 for further information on financial instruments.

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Note 21. Borrowings (continued)

- ¹ This is a Chattel Mortgage Facility with FlexiCommercial Pty Ltd for a Pressbrake Machine in use in the Perth factory. The interest rate on this facility is 9.996% and is repayable over 5 years (until July 2027) with no balloon payment.
- ² \$4,000,000 secured facility with Pure Asset Management Pty Ltd ('Pure') was to finance working capital and acquisitions. The interest rate on this facility (including line fee) is 11.25% per annum. In addition, there was a 2.5% establishment fee. This facility is due to mature on 14 October 2025 and is secured by a General Security Agreement over the assets of the Group.
On 29 September 2023, Pure provided a Binding Term Sheet whereby the key covenant has been agreed as a minimum cash balance of \$750,000 until the term of the loan. Financial covenants were fully complied with at 30 June 2024.

Financing arrangements

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

	Consolidated 2024 \$	2023 \$
Total facilities		
Insurance premium funding	54,716	118,265
FlexiCommercial Pty Ltd	132,238	162,180
Pure Asset Management Pty Ltd	4,000,000	4,000,000
	<u>4,186,954</u>	<u>4,280,445</u>
Used at the reporting date		
Insurance premium funding	54,716	118,265
FlexiCommercial Pty Ltd	132,238	162,180
Pure Asset Management Pty Ltd	4,000,000	4,000,000
	<u>4,186,954</u>	<u>4,280,445</u>
Unused at the reporting date		
Insurance premium funding	-	-
FlexiCommercial Pty Ltd	-	-
Pure Asset Management Pty Ltd	-	-
	<u>-</u>	<u>-</u>

Note 22. Lease liabilities

	Consolidated 2024 \$	2023 \$
<i>Current liabilities</i>		
Lease liability	660,519	716,011
<i>Non-current liabilities</i>		
Lease liability	3,494,225	8,190,144
	<u>4,154,744</u>	<u>8,906,155</u>

Refer to note 30 for further information on financial instruments.

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Note 23. Employee benefits

	Consolidated 2024 \$	2023 \$
<i>Current liabilities</i>		
Annual leave	201,113	148,343
Long service leave	24,861	-
	<u>225,974</u>	<u>148,343</u>
<i>Non-current liabilities</i>		
Long service leave	36,278	14,344
	<u>262,252</u>	<u>162,687</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated 2024 \$	2023 \$
Employee benefits obligation expected to be settled after 12 months	<u>24,861</u>	<u>14,344</u>

Note 24. Income in advance

	Consolidated 2024 \$	2023 \$
<i>Current liabilities</i>		
Income in advance	-	416,667
	<u>-</u>	<u>416,667</u>

As per the Exclusive Global Distribution License Agreement (EGDLA) signed with Flow2Edge Holdings I Pte Ltd ('Flow'), and announced to the market on 28 November 2022, DXN received an upfront \$2 million exclusivity fee for an initial 10-year agreement for worldwide (excluding Australia) exclusivity for the marketing and distribution of DXN Modules. During the first 12 months of the EGDLA, commencing 180 days from the date of signing, FLOW2Edge must place orders with DXN for a minimum of 10 DXN Modules. The first \$1 million of this exclusivity fee has been immediately recognised upon receipt, whilst the remaining \$1 million is recognised during the year ended 30 June 2024. As announced to the Market on 7 June 2024, the EGDLA is no longer exclusive pursuant the terms of the Distribution Agreement.

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Note 25. Other financial liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Other financial liabilities ¹	300,000	910,315
<i>Non-current liabilities</i>		
Other financial liabilities ^{1 & 2}	656,658	400,000
	<u>956,658</u>	<u>1,310,315</u>

¹ This amount was withheld from the purchase price of SDC to cover any warranty claims associated with the acquisition and the Company has commenced monthly repayments.

² 200 million warrants were issued to Pure Asset Management Pty Ltd as part of the Debt Facility arrangement as announced to the market on 9 September 2021. These warrants expire on 15 October 2025. As a result of the share consolidation, there are 13,333,333 warrants on issue as at 30 June 2024.

Note 26. Liabilities directly associated with assets classified as held for sale

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Trade payables	-	12,168
Payroll liabilities	-	2,110
GST payable	-	13,307
Lease liability	-	1,869,826
Employee benefits	-	31,562
	<u>-</u>	<u>1,928,973</u>

Refer to note 18 for further information.

Note 27. Issued capital

	2024	Consolidated		2023
	Shares	2023	2024	2023
		Shares	\$	\$
Ordinary shares - fully paid	184,889,354	1,721,314,836	47,395,502	45,424,949
	<u>184,889,354</u>	<u>1,721,314,836</u>	<u>47,395,502</u>	<u>45,424,949</u>

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Note 27. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	1,471,314,836		43,471,842
Issue of shares - placement	11 August 2022	250,000,000	\$0.0085	2,125,000
Capital raising costs		-		(171,893)
Balance	30 June 2023	1,721,314,836		45,424,949
Issue of shares - share-based payments*	21 August 2023	2,025,000	\$0.0030	6,075
Issue of shares - placement	4 December 2023	430,000,000	\$0.0020	860,000
Capital raising costs		-		(54,600)
Issue of shares - placement	29 January 2024	545,000,000	\$0.0020	1,090,000
Issue of shares - directors	29 January 2024	75,000,000	\$0.0020	150,000
Capital raising costs		-		(80,922)
Cancellation of shares on consolidation**	12 February 2024	(2,588,450,482)		-
Balance	30 June 2024	184,889,354		47,395,502

Shares issued in lieu of payment to corporate advisor.

On 22 January 2024, the Company held a general meeting of shareholders where the shareholders approved a consolidation of capital on the basis of every 15 ordinary shares being consolidated into 1 ordinary share in DXN. The consolidation of share capital was completed on 12 February 2024.

Ordinary shares

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

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

Share buy-back

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

Capital risk management

Management controls the capital of the Group to maintain a prudent debt to equity ratio, provide the shareholders with adequate returns and ensure the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets.

Management effectively manages the Group's capital by assessing the Groups financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There are no externally imposed capital requirements other than as disclosed in note 21.

The capital risk management policy remains unchanged from the 2023 Annual Report.

Note 28. Reserves

	Consolidated	
	2024	2023
	\$	\$
Share-based payments reserve	18,486	1,118,264
Options reserve	387,303	310,302
	405,789	1,428,566
	405,789	1,428,566

Share-based payments reserve

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

Options reserve

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

Movements in reserves

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

Consolidated	Share-based payments \$	Options \$	Total \$
Balance at 1 July 2022	1,081,594	310,302	1,391,896
Share-based payments	36,670	-	36,670
Balance at 30 June 2023	1,118,264	310,302	1,428,566
Share-based payments	18,482	77,001	95,483
Transfer to accumulated losses	(1,118,260)	-	(1,118,260)
Balance at 30 June 2024	18,486	387,303	405,789
	18,486	387,303	405,789

Note 29. Dividends

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

Note 30. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is overseen by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. The Group management identifies, evaluates financial risks within the Group's operating units regularly.

Note 30. Financial instruments (continued)

The Group's principal financial instruments comprise cash and cash equivalents and borrowings. 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.

	Consolidated	
	2024	2023
	\$	\$
Financial assets		
Cash and cash equivalents	2,983,785	710,209
Trade and other receivables	1,248,749	221,316
Bank guarantees	826,144	265,302
	<u>5,058,678</u>	<u>1,196,827</u>
Financial liabilities		
At amortised cost:		
Trade and other payables	1,548,799	976,154
Borrowings	4,165,233	4,257,294
Lease liabilities	4,154,744	8,906,155
Other financial liabilities	956,658	1,310,315
	<u>10,825,434</u>	<u>15,449,918</u>

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Management has determined that this risk is not significant.

The Group has not entered into forward foreign exchange contracts during the current financial year.

Price risk

The Group is not exposed to any significant price risk.

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. At 30 June 2024 and 30 June 2023, the Group's cash/cash equivalents (note 10) and borrowings (note 21) are fixed interest rate instruments. Therefore, they are not subject to interest rate risk.

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.

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Note 30. Financial instruments (continued)

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.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2024						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,548,799	-	-	-	1,548,799
Other financial liabilities	-	300,000	425,000	231,658	-	956,658
<i>Interest-bearing - variable</i>						
Lease liability	-	951,813	580,936	1,692,216	2,513,151	5,738,116
<i>Interest-bearing - fixed rate</i>						
<i>Borrowings:</i>						
Pure	11.25%	450,000	4,300,000	-	-	4,750,000
Insurance premium funding	3.83%	57,648	-	-	-	57,648
FlexiCommercial Pty Ltd	10.00%	52,711	94,653	3,662	-	151,026
Total non-derivatives		<u>3,360,971</u>	<u>5,400,589</u>	<u>1,927,536</u>	<u>2,513,151</u>	<u>13,202,247</u>
Consolidated - 2023						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	976,154	-	-	-	976,154
Other financial liabilities	-	910,315	-	400,000	-	1,310,315
<i>Interest-bearing - variable</i>						
Lease liability	-	1,383,158	1,383,158	4,149,473	5,537,506	12,453,295
<i>Interest-bearing - fixed rate</i>						
<i>Borrowings:</i>						
Pure	11.25%	427,295	337,808	4,125,753	-	4,890,856
Insurance premium funding	3.83%	122,627	-	-	-	122,627
FlexiCommercial Pty Ltd	10.00%	55,835	101,972	49,055	-	206,862
Total non-derivatives		<u>3,875,384</u>	<u>1,822,938</u>	<u>8,724,281</u>	<u>5,537,506</u>	<u>19,960,109</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 31. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short term nature.

Note 32. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2024	2023
	\$	\$
Short term employee benefits	507,624	693,854
Commission payments	172,670	59,776
Post-employment benefits	34,005	57,889
Termination benefits	28,086	-
Share-based payments	140,000	36,670
	882,385	848,189
	882,385	848,189

Note 33. Remuneration of auditors

For services provided for the financial year the following fees were paid or payable for services provided by Moore Australia Audit (WA), the auditor of the Company, and its network firms:

	Consolidated	
	2024	2023
	\$	\$
<i>Audit services - Moore Australia Audit (WA)</i>		
Audit or review of the financial statements	64,000	74,000
	64,000	74,000
<i>Other services - network firms</i>		
Tax compliance	7,000	10,000
Consulting	12,000	13,500
	19,000	23,500
	19,000	23,500

Note 34. Contingent liabilities

There were no contingent liabilities as at 30 June 2024 and 30 June 2023.

Note 35. Commitments

There were no capital commitments as at 30 June 2024 and 30 June 2023.

Note 36. Related party transactions

Parent entity

DXN Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 38.

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Note 36. Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 37. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	\$	\$
Loss after income tax	(2,658,418)	(9,674,275)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss	(2,658,418)	(9,674,275)

Statement of financial position

	Parent	
	2024	2023
	\$	\$
Total current assets	4,479,729	1,287,203
Total non-current assets	6,416,307	14,585,354
Total assets	10,896,036	15,872,557
Total current liabilities	6,071,587	3,806,759
Total non-current liabilities	5,619,051	12,268,018
Total liabilities	11,690,638	16,074,777
Net liabilities	(794,602)	(202,220)
Equity		
Issued capital	47,395,502	45,424,949
Reserves	405,789	1,428,566
Accumulated losses	(48,595,893)	(47,055,735)
Total deficiency in equity	(794,602)	(202,220)

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Note 37. Parent entity information (continued)

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2024 and 30 June 2023.

Contingent liabilities

Apart from the deposits disclosed at note 34, the parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Note 38. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
Tas01 Pty Ltd	Tasmania, Australia	100%	100%
Secure Data Centre Pty Ltd	Northern Territory, Australia	100%	100%
SDC Trust	Northern Territory, Australia	100%	100%

Note 39. Cash flow information

Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2024 \$	2023 \$
Loss after income tax expense for the year	(2,303,165)	(9,612,620)
Adjustments for:		
Depreciation and amortisation	1,496,974	3,117,999
Impairment of non-current assets	-	4,173,664
Write off of current assets	71,472	-
Share-based payments	101,561	36,670
Finance costs	(574,535)	522,253
Borrowing costs	185,000	185,000
Change in fair value of warrants	(275,000)	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,017,847)	371,148
Decrease in inventories/work in progress	448,580	377,915
Decrease/(increase) in prepayments	91,576	(6,976)
Increase/(decrease) in trade and other payables	545,060	(1,499,471)
Increase in contract liabilities	2,786,377	365,764
Increase in employee benefits	31,725	21,468
(Decrease)/increase in income in advance	(416,667)	416,667
Net cash from/(used in) operating activities	<u>1,171,111</u>	<u>(1,530,519)</u>

Note 39. Cash flow information (continued)

Non-cash investing and financing activities

	Consolidated 2024 \$	2023 \$
Shares issued - conversion of capitalised interest (Pure)	325,000	-

Changes in liabilities arising from financing activities

Consolidated	Pure \$	Insurance premiums funding \$	FlexiCommercial Pty Ltd \$	Lease liability \$	Total \$
Balance at 1 July 2022	4,000,000	58,971	-	11,504,660	15,563,631
Net cash (used in) financing activities	-	-	-	(728,679)	(728,679)
Finance facility drawn down	-	337,479	214,441	-	551,920
Repayment of finance facility	-	(278,185)	(39,315)	-	(317,500)
Classified as held for sale (note 18)	-	-	-	(1,869,826)	(1,869,826)
Balance at 30 June 2023	4,000,000	118,265	175,126	8,906,155	13,199,546
Net cash (used in) financing activities	-	-	-	(869,084)	(869,084)
Finance facility drawn down	-	250,086	-	-	250,086
Repayment of finance facility	-	(316,568)	(61,676)	-	(378,244)
Cessation of assets held for sale (note 26)	-	-	-	1,869,826	1,869,826
Lease surrender	-	-	-	(6,498,670)	(6,498,670)
Other changes	-	-	-	746,517	746,517
Balance at 30 June 2024	4,000,000	51,783	113,450	4,154,744	8,319,977

Note 40. Share-based payments

Options

Set out below are summaries of options:

2024							
Grant date	Expiry date	Exercise price ¹	Balance at the start of the year	Granted	Adjustment on capital consolidation	Expired/ exercised/ forfeited	Balance at the end of the year
22/10/2021	22/10/2024	\$0.2100	10,888,857	-	(10,162,933)	-	725,924
23/01/2024	22/01/2028	\$0.0300	-	70,000,000	(65,333,334)	-	4,666,666
			10,888,857	70,000,000	(75,496,267)	-	5,392,590

¹ Adjusted on share consolidation

Weighted average exercise price	\$0.0140	\$0.0300	\$0.0540	\$0.0000	\$0.0540
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Note 40. Share-based payments (continued)

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Adjustment on capital consolidation	Expired/ exercised/ forfeited	Balance at the end of the year
15/04/2021	30/04/2023	\$0.0300	22,000,000	-	-	(22,000,000)	-
18/05/2020	18/05/2023	\$0.0200	641,936,886	-	-	(641,936,886)	-
07/01/2020	31/12/2022	\$0.1000	7,500,000	-	-	(7,500,000)	-
22/10/2021	22/10/2024	\$0.0140	10,888,857	-	-	-	10,888,857
			<u>682,325,743</u>	<u>-</u>	<u>-</u>	<u>(671,436,886)</u>	<u>10,888,857</u>
Weighted average exercise price			\$0.0210	\$0.0000	\$0.0000	\$0.0212	\$0.0140

In the table above 641,936,886 represent quoted options and 10,888,857 options were granted in relation to a corporate mandate.

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2024 Number	2023 Number
22/10/2021	22/10/2024	725,924	10,888,857
23/01/2024	22/01/2028	<u>4,666,666</u>	<u>-</u>
		<u>5,392,590</u>	<u>10,888,857</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.13 years (2023: 1.32 years).

Performance rights

Set out below are summaries of performance rights:

2024

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Adjustment on capital consolidation	Expired/ exercised/ forfeited	Balance at the end of the year
22/07/2021	14/07/2024	\$0.0000	8,300,000	-	(7,746,667)	-	553,333
			<u>8,300,000</u>	<u>-</u>	<u>(7,746,667)</u>	<u>-</u>	<u>553,333</u>

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Adjustment on capital consolidation	Expired/ exercised/ forfeited	Balance at the end of the year
22/07/2021	14/07/2024	\$0.0000	8,300,000	-	-	-	8,300,000
			<u>8,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,300,000</u>

Set out below are the performance rights exercisable at the end of the financial year:

Grant date	Expiry date	2024 Number	2023 Number
22/07/2021	14/07/2024	<u>553,333</u>	<u>8,300,000</u>
		<u>553,333</u>	<u>8,300,000</u>

Note 40. Share-based payments (continued)

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.04 years (2023: 1.04 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23/10/2024	22/01/2028	\$0.0225	\$0.0300	176%	-	4.35%	\$0.022

Recognised employee share-based payment expenses

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

	Consolidated 2024	Consolidated 2023
Performance rights and options	<u>101,561</u>	<u>36,670</u>

Note 41. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
DXN Limited	Body Corporate	New South Wales, Australia	100%	Australian
Tas01 Pty Ltd	Body Corporate	Tasmania, Australia	100%	Australian
Secure Data Centre Pty Ltd	Body Corporate	Northern Territory, Australia	100%	Australian
SDC Trust	Trust	Northern Territory, Australia	100%	Australian

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In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Abigail Cheadle
Non-Executive Chair

30 August 2024

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Independent Audit Report To the members of DXN Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of DXN Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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 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 (including Independence Standards)* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without modification to our opinion expressed above, we draw attention to Note 2 "Going Concern" of the financial statements which states that the financial statements have been prepared on a going concern basis. Should the Company be unable to achieve the funding and operational outcomes described in Note 2 and continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the financial report.

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 period. 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 matter	How the matter was addressed in our audit
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Customer contracts – Revenue Recognition, Valuation of works in progress (WIP), trade accounts receivable and contract liabilities	
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Refer to Note 2 Revenue Recognition, Note 3 Critical Accounting Judgements, Estimates and Assumptions, Note 11 Trade & Other Receivables, Note 12 Work in Progress and Note 20 Contract Liabilities	
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<p>For the year ended 30 June 2024, a portion of the Group's revenue is derived from the sales of DXN Modules. At balance date, DXN Module-related balances were Works in Progress (WIP) - \$0.27 million ("mill"), trade debtors - \$1.23 mill and contract liabilities - \$3.48 mill.</p> <p>The accurate recording of revenue is highly dependent upon the following key factors:</p> <ul style="list-style-type: none"> • Knowledge of the individual characteristics and status of contracts. • Management's invoicing process including <ul style="list-style-type: none"> – 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 <i>Revenue from Contracts with Customers</i>. – 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. <p>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.</p>	<p>Our procedures included among others:</p> <ul style="list-style-type: none"> • 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, and accuracy of contract liabilities (or 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 and review of other supporting evidence. • Reviewed ageing of trade receivables and testing its recoverability to subsequent receipts. We also considered Board minutes and the expected credit loss assessment performed by management and other documents concerning any expected credit loss in regard to trade receivables and works in progress. • Reviewed the relevant disclosures contained in the financial statements.
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Accounting for Discontinued Operations & Assets/Liabilities Held for Sale	
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Refer to Note 18 Assets of Disposal Groups Classified as Held for Sale & Note 26 Liabilities Directly Associated with Assets Classified as Held for Sale	
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<p>During the prior year, the Board had been actively marketing their SDC data centre operations assets for sale as the board continued to consider all strategic options to sell these assets and multiple non-binding indicative offers had been received to acquire these data centre assets. As such, these business assets and liabilities were disclosed as held for sale as at 30 June 2023 and the financial results of SDC data centre operations were presented in the</p>	<ul style="list-style-type: none"> • Our procedures included, amongst others: • Read the relevant directors meeting minutes and had in depth discussions with management regarding their business plans to evaluate the Groups assessment of the assets being no longer classified as held for sale in accordance with applicable Australian Accounting Standards.
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Key audit matter	How the matter was addressed in our audit
<p>financial report as discontinued operations for the year ended 30 June 2023.</p> <p>During the year ended 30 June 2024, the board and management decided to change their intent to sell their SDC data centre operations and focus on growing the business. As such, these business assets and liabilities are no longer disclosed as held for sale as at 30 June 2024 and the financial results of SDC for 30 June 2024 and 30 June 2023 are included in income from continuing operations.</p> <p>We focussed on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> the size of the proposed sale. judgment involved in determining the appropriateness of classification and measurement of the disposal group as held for sale. 	<ul style="list-style-type: none"> 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 Group's annual report for the year ended 30 June 2024 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and
- c) for such internal control as the directors determine is necessary to enable the preparation of:
 - i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
 - ii. the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

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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 on 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 auditor's 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 2024.

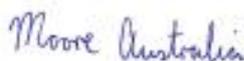
In our opinion, the Remuneration Report of DXN Limited, for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

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.



Shaun Williams
Partner – Audit and Assurance
Moore Australia Audit (WA)
Perth
30th day of August 2024



Moore Australia Audit (WA)
Chartered Accountants

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The shareholder information set out below was applicable as at 27 August 2024.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Quoted options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	53	0.01	-	-
1,001 to 5,000	166	0.30	-	-
5,001 to 10,000	399	1.53	-	-
10,001 to 100,000	625	10.98	-	-
100,001 and over	182	87.18	3	100.00
	1,425	100.00	3	100.00
Holding less than a marketable parcel	522	1.36	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	% of total shares issued
	Number held	
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	29,132,849	15.59
THE ONE MATRIX VENTURES PTE LTD	28,333,333	15.16
DC ALLIANCE PTE LTD	9,259,259	4.95
MR ANDREW WALSH	8,653,254	4.63
NORFOLK ENCHANTS PTY LTD TROJAN <RETIREMENT FUND A/C>	6,328,326	3.39
MR BRENDAN ERIN JOSEPH POWER	6,044,444	3.23
BNP PARIBAS NOMS PTY LTD	3,940,250	2.11
SEALEX PTY LTD <THE SEAL A/C>	3,474,684	1.86
MR HARRY CHESHER WHITING	3,020,971	1.62
MR CAMERON ROSS BARBER	2,846,067	1.52
PUNTERO PTY LTD	2,519,375	1.35
BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	2,200,000	1.18
MR MICHAEL ANDREW WHITING & MRS TRACEY ANNE WHITING <WHITING FAMILY S/F A/C>	2,162,028	1.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,996,805	1.07
CITICORP NOMINEES PTY LIMITED	1,913,383	1.02
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	1,784,092	0.95
CHELSEREF PTY LTD	1,666,667	0.89
MR THIAM HUAT LOW	1,465,000	0.78
SAILORS OF SAMUI PTY LTD	1,342,841	0.72
PROACTIVE SOLUTIONS PTY LTD <GRIST FAMILY A/C>	1,111,111	0.59
	119,194,739	63.77

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	5,392,590	3
Performance rights	533,333	1
Warrants - held by Pure Asset Management Pty Ltd (The Income and Growth Fund)	13,333,333	1

Substantial shareholders

Substantial shareholders in the Company are set out below:

	Number held	Ordinary shares % of total shares issued
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	29,132,849	15.59
THE ONE MATRIX VENTURES PTE LTD	28,333,333	15.16

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

There are no other classes of equity securities.

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