DXN Limited

(formerly The Data Exchange Network Limited)

Appendix 4E Preliminary Final Report

1. Reporting period

- Year ended 30 June 2019

Previous corresponding period

- Year ended 30 June 2018

2. Results for announcement to the market

	30 June 2019 Current Year $	Percentage Change Up /(Down) $	Change Up / (Down) $	Previous Corresponding Year $
2(a) Revenue from ordinary activities	2,784,238	35.13%	723,839	2,060,399
2(b) Loss from ordinary activities after tax	(7,373,444)	28.52%	(1,636,458)	(5,736,986)
2(c) Net Loss for the year attributable to members	(7,373,444)	28.52%	(1,636,458)	(5,736,986)

2(d) Dividends: The Company does not propose to pay any dividends in the current year.

2(e) Record Date: Not applicable

2(f) See attached Director's Report

3. Statement of Profit or Loss and Other Comprehensive Income

- See attached Full Year Statutory Accounts

4. Statement of Financial Position

- See attached Full Year Statutory Accounts

5. Statements of Cash Flows

- See attached Full Year Statutory Accounts

6. Statements of Changes in Equity / Statement of Retained Earnings

- See attached Full Year Statutory Accounts

7. Dividends

- The Company does not propose to pay any dividends in the current year.

8. Dividend reinvestment plan

- The Company does not propose to pay any dividends in the current year and does not have a dividend reinvestment plan.

9. Net tangible assets per security

	Current Year (30 June 2019)	**Previous Corresponding Year (30 June 2018)**
Cents per ordinary share	4.6 cents	8 cents

10. Details of entities over which control has been gained or lost

- Not applicable

11. Details of Associates / Joint Ventures

- Not applicable

12. Other significant information

- Not applicable

13. Accounting Standards

- **For foreign entities, the set of accounting standards used in compiling the report:** Not applicable

14. Results of the period

- Refer to Director's Report in attached Full Year Statutory Accounts

15. Statement on the financial statements

- Financial Statements are based on audited accounts.

16. Unaudited Accounts

- Not applicable

17. Auditor's audit report

- **For all entities, if the accounts are subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph:**

- The 2019 audit opinion is unmodified but includes an emphasis of matter paragraph related to going concern uncertainty

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

Statutory Accounts

For the year ended 30 June 2019

CONTENTS

CORPORATE DIRECTORY

NON- EXECUTIVE CHAIRMAN
Douglas Loh

CHIEF EXECUTIVE OFFICER
Matthew Madden

NON-EXECUTIVE DIRECTORS
Terry Smart
Richard Carden
Tim Desmond
John Duffin
John Baillie

COMPANY SECRETARY
George Lazarou

REGISTERED OFFICE
Level 28, AMP Tower
140 St Georges Terrace
PERTH WA 6000

PRINCIPAL OFFICE
9 Mumford Place
BALCATTA WA 6021
Telephone: +61 8 9288 1870

AUDITORS
Moore Stephens Perth
Level 15 Exchange Tower
2 The Esplanade
PERTH WA 6000
Telephone: +61 8 9225 5355

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

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

BANKERS
ANZ
15 Hutton Street
OSBORNE PARK WA 6017

STOCK EXCHANGE LISTING
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: DXN, DXNO

DIRECTORS' REPORT

The directors present the following report on DXN Limited ("the Company") during or at the end of the financial year ended 30 June 2019.

1. DIRECTORS

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

Mr Douglas Loh	
Mr Peter Christie	(resigned 31 January 2019)
Mr Terry Smart	
Mr Richard Carden	
Mr John Duffin	(appointed 1 October 2018)
Mr Tim Desmond	(appointed 1 October 2018)
Mr John Baillie	(appointed 23 May 2019)

INFORMATION ON DIRECTORS

Douglas Loh — **Non-Executive Chairman**

Qualifications BEc (Hons), CPA, MAICD

Experience Mr Loh has over 30 years of advisory, company management, investment management, & market research experience with a focus on smaller companies. He was a founding member of Acorn Capital in late 1998, Australia's first boutique investment manager specialising in the microcap sector. His 19-year career at Acorn Capital included roles as the Head of Equities, CFO, COO and Executive Director of the Company. Mr Loh, as Portfolio Manager was responsible for managing microcap portfolios before becoming the Head of Equities, from 2013 to 2016. Mr Loh is also an executive director of Biome Australia Limited, a microbiome health company.

Interest in Shares

1,387,500	Fully paid Ordinary Shares
400,000	Listed options exercisable at $0.10 on or before 13 May 2020
78,125	Options exercisable at $0.30 on or before 5 April 2021
1,800,000	Performance Rights

Terry Smart — **Independent Non-Executive Director**

Qualifications Nil

Experience Mr Smart has been Managing Director of The Good Guys at JB Hi-Fi Limited (ASX:JBH) since April 18, 2017. Mr Smart served as the CEO of JB Hi-Fi Limited from May 2010 to June 30, 2014. Mr Smart was a founding Director of JB H-Fi and served as the COO from 2000. During his tenure at JB Hi-fi, Mr Smart was instrumental in developing the company from initial public offering to a dominant Australian retailer with a A$3B market cap. Prior to JB Hi-Fi, Mr Smart was the General Manager of Operations of Kodaks'.

Interest in Shares

12,012,097	Fully paid Ordinary Shares
2,673,387	Listed options exercisable at $0.10 on or before 13 May 2020
10,000,000	Options exercisable at $0.30 on or before 30 November 2020
468,750	Options exercisable at $0.30 on or before 5April 2021

DIRECTORS' REPORT (Continued)

INFORMATION ON DIRECTORS (Continued)

Richard Carden	**Non-Executive Director**
Qualifications	Nil
Experience	Mr Carden is an Asia based business leader with over 25 years of experience in the telecoms, data centre and IT industry. Richard has a solid track record in driving sales productivity and revenue growth. He was previously the SVP Global Enterprise Sales for Speedcast (ASX:SDA). Mr Carden joined Speedcast in 2013 when the company had just been acquired for circa A$40M and as part of the Executive team developed the M&A plus organic growth strategy that allowed the company to list in 2014 and achieve a market cap of over A$1.5B in 2018. Prior, Mr Carden was the Global SVP for Pacnet and responsible for over 300 sales staff and revenues of more than A$800M. Earlier, Mr Carden spent almost 10 years in Japan in roles that included President & CEO of Verizon, Japan.
Interest in Shares	2,650,000 Fully paid Ordinary Shares 1,000,000 Listed Options exercisable at $0.10 on or before 13 May 2020 62,500 Options exercisable at $0.30 on or before 5 April 2021
John Duffin	**Independent Non-Executive Director (appointed 1 October 2018)**
Qualifications	BSc(Hons), MSc(Dist), CEng, MIMechE, MCIBSE
Experience	Mr Duffin is an Asia-based business professional with over 20 years' local experience in the Asian Data Centre industry leading businesses focussing on engineering Infrastructure consultancy, design, operations and certification. Mr Dufin has extensive experience of critical facilities in the Hyperscale, Colocation, Telecommunications and Financial Services sectors and has held positions including Managing Director, South Asia for Uptime Institute, Technical Director for AECOM (Singapore), Senior Associate for Arup (Australia) and Executive Director for DSCO (Hong Kong). In 2019 Mr Duffin was awarded an Advanced Professional Diploma for successfully completing the globally recognised Financial Times Non-Executive Director Course.
Interest in Shares	Nil
Tim Desmond	**Non-Executive Director (appointed 1 October 2018)**
Qualifications	Certified Data Centre Expert (CDCE)
Experience	Mr Desmond is a founder of DXN. Mr Desmond has over 15 years of experience in mission critical operations of data centres with a specialisation in modular data centre design, technology, manufacturing and applications. He has a focus on customer lead design, supply chain vertical integration and lean manufacturing. During his term as DXN's Chief Technology Officer, Mr Desmond developed the product set and solutions that make DXNs modules unique and cost effective. He was also responsible for the overall design of the Sydney and Melbourne data centres. Mr Desmond has a multi-industry background within military, mining, police, information technology and banking data centres.
Interest in Shares	27,850,000 Fully paid Ordinary Shares 2,166,666 Options exercisable at $0.30 on or before 30 November 2020

DIRECTORS' REPORT (Continued)

INFORMATION ON DIRECTORS (Continued)

John Baillie	**Independent Non-Executive Director (appointed 23 May 2019)**
Qualifications	Graduate of the Australian Institute of Company Directors (GAICD) Graduate Diploma (Securities) from the Securities Institute of Australia
Experience	Mr Baillie has over 25 years' experience in financial services, including wealth management, corporate advisory, investor relations and private equity capital raisings. Mr Baillie was a Senior Investment Advisor with Shaw and Partners (formally Shaw Stockbroking) for 22 years, with a focus on portfolio management, trading and private equity raisings. In 2015 Mr Baillie established JB & Partners Corporate Advisory that specializes in strategic advice and succession planning for private companies; particularly family businesses. He has advised in a diverse range of industries, including financial services (particularly AFSL issues), FMCG companies, e-Commerce and the funeral industry.
Interest in Shares	1,379,175 Fully paid Ordinary Shares 316,838 Listed Options exercisable at $0.10 on or before 13 May 2020

Peter Christie	**Managing Director (resigned 31 January 2019)**
Qualifications	Bachelor of Economics
Experience	Mr Christie is a co-founder and was previously the Managing Director of DXN Limited. Prior to this Mr Christie was the founder and Executive Director of Datacentre Limited, the first company to build a containerised data centre in Australia. Previously, Mr Christie held the role of Global Account Director for Orange Business Services Pty Ltd where he was responsible for a team delivering the global voice and data network for one of Australia's largest international mining companies. Mr Christie has held business development leadership positions at TIBCO, Mincom and Logica, working on projects across Australia, Asia and the Middle East. Mr Christie has 25 years of experience in technology development having started as a software engineer then moving into senior business development roles for major public technology companies including Eastman Kodak, Unisys and Informix.
Interest in Shares	13,925,000 Fully paid Ordinary Shares 2,166,667 Options exercisable at $0.30 on or before 30 November 2020

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

DIRECTORS' REPORT (Continued)

INFORMATION ON DIRECTORS (Continued)

Directorships of other listed companies

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

Name	***Company***	***Period of directorship***
Douglas Loh	-	-
Richard Carden	-	-
Terry Smart	-	-
John Duffin	-	-
Tim Desmond	-	-
John Baillie	Blue Sky Alternatives Access Fund Limited	29 November 2018 to present
Peter Christie	-	-

Joint Interim Chief Executive Officers

Simon Forth

Mr Forth was appointed Joint Interim Chief Executive Officer on 1 February 2019.

Mr Forth joined the Company in November 2018 as our Chief Operating Officer. Mr Forth has overall responsibilities for all manufacturing and construction activities of the Company, including construction of our data centres, quality control, certifications and OHS.

Mr Forth has extensive experience and a proven track record in the development and execution of strategic plans and process improvements, especially in the IT, engineering and manufacturing industries. Prior to joining the Company, Mr Forth managed a multidiscipline engineering firm that specialises in the manufacture of plant for the gas and mining sectors. He was also previously Executive Director at ASX-listed Legend Corporation – an engineering solutions provider that operates in the IT, electrical and semiconductor industries.

On 19 August 2019, Mr Forth resumed his duties as the Chief Operating Officer.

Richard Whiting

Mr Whiting was appointed Joint Interim Chief Executive Officer on 1 February 2019.

Mr Whiting joined the Company in November 2018 as our Chief Commercial Officer. Mr Whiting has been responsible for the establishment of front-of-house systems, documentation and processes, as well as managing our wholesale relationships with major telecommunications providers. Mr Whiting's responsibilities included driving sales revenue and managing the sales team.

Mr Whiting joined the Company from ASX-listed Vocus Group Ltd where he was most recently Chief Executive Officer - Western Region and General Manager of Sales Operations. Mr Whiting also previously held positions including Chief Technology Officer for then ASX-listed Amcom Telecommunications and Managing Director of then ASX-listed Amnet Limited

On 19 August 2019, Mr Whiting resumed his duties as Chief Commercial Officer.

DIRECTORS' REPORT (Continued)

INFORMATION ON DIRECTORS (Continued)

Chief Executive Officer

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

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

Company Secretary

The following person held the position of company secretary during and at the end of the financial period:

Mr George Lazarou

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

2. PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial period was building a Tier III data centre in Sydney using our prefabricated modular technology, a second facility is planned for Melbourne. Data centres provide space, power, cooling, and physical security for client to house their computer servers and related storage and networking equipment. Data centres provide a recurring revenue stream and our modular approach allows us to match our capital requirements with capacity sold, thereby reducing our upfront capital requirements. This disruptive model is at the forefront of data centre engineering techniques. Our construction cost (per megawatt) is less than our industry peers.

Our DXN Modules division engineers, constructs and commissions data centre solutions. Our data centre infrastructure has a wide range of applications, these include hyperscale data centres, edge data centres, and telecommunications applications (satellite, radio centres, cable landing stations). Our prefabricated construction method reduces the on-site labour and time to deploy and improves quality. Solutions by DXN Modules are ideal for rapid deployments in both urban and remote locations.

3. OPERATING RESULTS

The loss of the Company after providing for income tax amounted to $7,373,444 (2018: $5,736,986).

4. DIVIDENDS PAID OR RECOMMENDED

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

DIRECTORS' REPORT (Continued)

5. REVIEW OF OPERATIONS

Business Development

The Company has two core business operations, DXN Modules that deliver infrastructure solutions and DXN Data Centres that provide colocation services. A colocation data centre provide space, power, cooling, and physical security for client to house their computer servers and related storage and networking equipment. Our DXN Modules division engineers, constructs and commissions data centre solutions. Our data centre infrastructure has a wide range of applications, these include hyperscale data centres, edge data centres, and telecommunications applications (satellite, radio centres, cable landing stations).

In the last 6 months, we have successfully recruited several new sales staff and restructured both the Data Centre and Modules sections of the business to drive focus on the selling and promotion of the Company's core products.

DXN Modules

Our data centre modules are turnkey prefabricated solutions that are scalable, purpose built and rapidly deployable globally. They can be used for a number of applications – Edge Data Centres, Cable Landing Stations, Telecommunications Facilities and more. The Company can deploy customised data centre capacity to meet any technical specifications for commercial colocation class facilities and edge deployments. Our Tier III / IV certified design designs also allow for personalisation of data centre requirements in a scalable and cost-effective way. The Company have had success in the modules business with contracted module sales at 30 June 2019 of approx. $3.2 million to major customers including Nuie Telecom, Avaroa Cables and Radlink Communications.

DXN Data Centres

The Company offers more than just housing and powering a rack. Our Data Centre Services provide customers with what's needed to get running – an environment designed for world class reliability, telco and cloud connectivity and state of the art security – plus what the ingredients to help them grow – scalability, flexibility and affordability.

The Data Centre Services team has been working hard to identify prospects, opportunities and partners who we can work with, as part of our go to market strategy. With DXN-SYD01 now "Ready For Service", and with a steady pipeline built over the past 6 months, the team will be progressing conversations with key partners and prospects.

Sydney Data Centre (DXN-SYD01)

The Company has delivered a key milestone in the construction of our flagship Sydney data centre (DXN-SYD01) with the DXN construction team handing control of the site to the DXN operations team. Achieving this milestone is the culmination of a concerted effort by the entire team, from design and engineering, project management, construction and operations.

Situated just 30 minutes from the Sydney CBD, in Sydney's Olympic Park, DXN-SYD01 is 4,351m^2 that has been designed for a future capacity of 6 MW and more than 800 racks. The data centre has been designed and constructed to meet the Uptime Institute's Tier III and Tier IV standards using a modular design and construction approach, the initial cluster is engineered, Tier III – Ready.

The construction project has been delivered in a compressed timeframe of 4 months, highlighting the benefits of our prefabricated modular approach to the construction process. Construction commenced immediately following the receipt of the commercial construction certificate on 17th April 2019. Development Approval was received on 18th March 2019.

DIRECTORS' REPORT (Continued)

5. REVIEW OF OPERATIONS (Continued)

The subsequent milestone is the award, Tier Certification of Constructed Facility (TCCF) by the independent specialist, Uptime Institute. The TCCF audit is taking place in late August 2019. Members from the Company's engineering, projects and operations team coordinated the test and certification activities with the audit engineers from the Uptime Institute.

Melbourne Data Centre (DXN-MEL01)

The Final Planning Permit for the facility was received in November 2018 and the Company is seeking approval for the required power upgrade. Our manufacturing facility completed the construction of the modular facilities for the Melbourne data centre. This includes two facility modules (58 racks), two telecommunications modules and two power modules (switchboard & UPS). In addition, the Company has completed the manufacture of the main Low Voltage switchboards for the facility. Critical plant is onsite and ready for installation, this includes two generators, chillers and evaporative cooling units.

Engineering & Manufacturing Projects

Data Centre Design

In September and December 2018, the Company received the TIER-Ready III for our DXN-1400 modular solution and the TIER-Ready IV aware for our DXN-1200-TIV solution. The TIER-Ready award confirms our data centre module designs confirms to stringent engineering and design standards.

Synergy Data Centre

The Company won a competitive tender in 2H-FY18 to construct a small data centre on the site of the Kwinana Power Station in Western Australia. The Company completed the manufacture of the modular data centre, installation and the associated onsite construction activities. Certification testing is scheduled for mid-September 2019, with final acceptance testing by Synergy expected to occur in late September/early October.

Niue Telecom

The Company was successful in winning the tender to supply Niue Telecom with a cable landing station (CLS). A CLS has similar engineering and operational properties as a data centre. The Company has completed the engineering, manufacture and factory acceptance testing of this module. This final phase of the project includes the site installation and commissioning, this is scheduled to be completed in October/November 2019.

Avaroa Cables Limited (ACL)

The ACL project is similar to the Niue project. The Company has completed the engineering, with the manufacture of two CLS having commenced in July. The project includes the site installation and commissioning, this is scheduled to be completed before the end of December 2019.

Radlink

In late May 2019, the Company entered into an agreement with communications specialist Radlink for the supply of prefabricated modules. The modules shall house specialist radio communications equipment. The Company's engineering team has scheduled to complete the design in September, with the first module scheduled to be completed in October 2019, with the project and final module scheduled to be completed before the end of December 2019.

DIRECTORS' REPORT (Continued)

5. REVIEW OF OPERATIONS (Continued)

Process Improvements

The Company expects operational activity to normalise post completion of the Sydney Data Centre . This is supported with the development of a web-based systems that assist with process flow, authorisations and data collection. These initiatives shall deliver further scheduling and process improvements in general administration, procurement and manufacturing operations. In addition, the Company has invested in Salesforce, to support the management of opportunities, engagements and service agreements by our business development teams. The Company will also be using Salesforce Service Cloud to manage customer requests and incidents.

Corporate

In December 2018, the Company raised $2,010,274 (before costs) through a placement of 12,972,512 fully paid ordinary shares at $0.155.

The Company undertook a Share Purchase Plan in December 2018, with the Share Purchase Plan being withdrawn in February 2019.

In March 2019, the Company lodged a Prospectus with ASIC in relation to an underwritten non-renounceable pro-rata entitlement issue on the basis of eight and a half (8.5) new shares for every ten (10) shares held by eligible shareholders on the record date, at an issue price of $0.05 per new share to raise up to approximately $8.3 million (before costs) Each subscriber in the entitlement issue received one (1) free-attaching listed option for every two (2) new shares subscribed for and issued, exercisable at $0.10 on or before 13 May 2020. A total of 165,989,711 fully paid ordinary shares and 82,994,923 options exercisable at $0.10 on or before 13 May 2020, were issued on 13 May 2019.

On 24 June 2019, the Company issued 7,535,448 Performance Rights to employees as incentives pursuant to the Company's Employee Incentive Plan, subject to vesting conditions, expiring on various dates from 30 September 2019 to 26 June 2022.

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the financial period:

- In December 2018, the Company raised $2,010,274 (before costs) through a placement of 12,969,512 fully paid ordinary shares at $0.155.;
- In March 2019, the Company lodged a Prospectus with ASIC in relation to an underwritten non-renounceable pro-rata entitlement issue on the basis of eight and a half (8.5) new shares for every ten (10) shares held by eligible shareholders on the record date, at an issue price of $0.05 per new share to raise up to approximately $8.3 million (before costs) Each subscriber in the entitlement issue received one (1) free-attaching listed option for every two (2) new shares subscribed for and issued, exercisable at $0.10 on or before 13 May 2020. A total of 165,989,711 fully paid ordinary shares and 82,994,923 options exercisable at $0.10 on or before 13 May 2020, where issued on 13 May 2019; and
- On 24 June 2019, the Company issued 7,535,448 Performance Rights to employees as incentives pursuant to the Company's Employee Incentive Plan, subject to vesting conditions, expiring on various dates from 30 September 2019 to 26 June 2022;

There were no other significant changes in the state of affairs of the Company during the financial period.

DIRECTORS' REPORT (Continued)

7. FUTURE DEVELOPMENTS

The Company intends to design, build, own and operates data centres. The Company is building a Tier III data centre in Sydney using our prefabricated modular technology, a second facility is planned for Melbourne. Data centres provide space, power, cooling, and physical security for client to house their computer servers and related storage and networking equipment. Data centres provide a recurring revenue stream and our modular approach allows us to match our capital requirements with capacity sold, thereby reducing our upfront capital requirements. This disruptive model is at the forefront of data centre engineering techniques. Our construction cost (per megawatt) is less than our industry peers.

Our DXN Modules division engineers, constructs and commissions data centre solutions. Our data centre infrastructure has a wide range of applications, these include hyperscale data centres, edge data centres, and telecommunications applications (satellite, radio centres, cable landing stations). Our prefabricated construction method reduces the on-site labour and time to deploy and improves quality. Solutions by DXN Modules are ideal for rapid deployments in both urban and remote locations. The Company has achieved an industry first and become the first modular data centre developer in the world to receive both TIER-Ready III and TIER-Ready IV design review awards.

8. AFTER REPORTING DATE EVENTS

On 22 July 2019, shareholders approved the issue of 1,800,000 performance rights, subject to vesting conditions, expiring on 30 April 2020, to Mr Loh.

On 22 July 2019, shareholders approved the change of Company name to DXN Limited, ASIC approved the name change on 22 July 2019.

Mr Matthew Madden commencing as Chief Executive Officer of the Company on 19 August 2019.

On 19 August 2019 the Company delivered a key milestone with the completion of the initial construction phase of its flagship Sydney data centre (DXN-SYD01) located in Sydney Olympic Park.

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

9. MEETINGS OF DIRECTORS

During the period, 11 meetings of directors were held. Attendances by each director during the period were as follows:

	Directors' Meetings		**Audit & Risk**		**Remuneration & Nomination**	
Directors	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Douglas Loh (Chair)	11	11	1	1	4	4
Richard Carden	11	11	1	1	4	4
Terry Smart	11	10	1	1	4	4
John Duffin (appointed 1 October 2018)	8	8	-	-	-	-
Tim Desmond (appointed 1 October 2018)	8	8	-	-	-	-
John Baillie (appointed 23 May 2019)	1	1	-	-	-	-
Peter Christie (resigned 31 January 2019)	7	7	-	-	-	-

DIRECTORS' REPORT (Continued)

10. ENVIRONMENTAL ISSUES

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

11. OPTIONS

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

Expiry Date	**Exercise Price**	**Number of Shares**
13 May 2020	$0.10	82,994,923
30 November 2020	$0.30	32,500,000
5 April 2021	$0.30	6,828,125

82,994,923 options with an exercise price of $0.10 and expiring on or before 13 May 2020 were issued on 13 May 2019. Nil options expired or were exercised during the period.

12. INDEMNIFYING OFFICERS OR AUDITOR

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

The Company has paid premiums to insure each Director and officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The total amount of premiums paid was $39,294.

13. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of these proceedings.

The Company was not a party to any such proceedings during the period.

14. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 23 of the annual report.

DIRECTORS' REPORT (Continued)

15. NON-AUDIT SERVICES

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

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

	2019	2018
	$	$
Investigating Accountants Report	-	10,000
Tax Compliance Services	8,800	-
	8,800	10,000

16. DIVERSITY

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

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

- to the Board – 20% by 2020;
- to senior management (including board and company secretary) – 30% by 2020
- to the organisation as a whole – 40% by 2020

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

- to the Board – 0%
- to senior management (including board and company secretary) – 10%
- to the organisation as a whole – 14%

DIRECTORS' REPORT (Continued)

17. REMUNERATION REPORT - AUDITED

Details of key management personnel
The following persons were directors of the Company during the financial period unless otherwise stated:-

Mr Douglas Loh	Non-Executive Chairman
Mr Terry Smart	Independent Non-Executive Director
Mr Richard Carden	Non-Executive Director
Mr John Duffin	Independent Non-Executive Director (appointed 1 October 2018)
Mr Tim Desmond	Non-Executive Director (appointed 1 October 2018)
Mr John Baillie	Independent Non-Executive Director (appointed 23 May 2019)
Mr Peter Christie	Managing Director (resigned 31 January 2019)

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT (Continued)

17. REMUNERATION REPORT (Continued)

Performance based remuneration

The Company has a performance-based remuneration component built into director and executive remuneration packages as disclosed in the "Compensation of Key Management Personnel" for the year table on pages 15 & 16.

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

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

Compensation of key management personnel for the year ended 30 June 2019 and 30 June 2018

	SHORT-TERM BENEFITS			POST EMPLOYMENT		EQUITY-BASED BENEFITS		TOTAL
	Salary & Fees $	Cash Bonus $	Non-Monetary $	Super-annuation $	Termination Benefits $	Options or Performance Rights $	% Performance based of Total Remuneration	$
Directors								
Douglas Loh – Non-Executive Chairman[1]								
2019	107,700	-	-	5,700	-	-	-	113,400
2018	7,500	-	-	713	-	-	-	8,213
Peter Christie – Managing Director[2]								
2019	105,000	-	-	9,975	102,243	-	-	217,218
2018	150,000	-	-	14,250	-	-	-	164,250
Terry Smart – Independent Non-Executive Director								
2019	36,000	-	-	3,420	-	-	-	39,420
2018	33,000	-	-	3,135	-	-	-	36,135
Richard Carden – Non-Executive Director[3]								
2019	119,000	-	-	-	-	-	-	119,000
2018	50,000	-	-	-	-	-	-	50,000
John Duffin – Independent Non-Executive Director[4]								
2019	27,000	-	-	-	-	-	-	27,000
2018	-	-	-	-	-	-	-	-
John Baillie – Independent Non-Executive Director[5]								
2019	3,888	-	-	-	-	-	-	3,888
2018	-	-	-	-	-	-	-	-
Kuek Jin Low – Non-Executive Director[6]								
2019	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-

DIRECTORS' REPORT (Continued)

17. REMUNERATION REPORT (Continued)

Compensation of key management personnel for the year ended 30 June 2019 and 30 June 2018 (Continued)

Specified Executives								
Dean Coetzee – Chief Sales Officer [7]								
2019	135,000	-	-	-	90,000	-	-	225,000
2018	150,000	-	-	-	-	-	-	150,000
Tim Desmond – Chief Technology Officer & Non-Executive Director [8]								
2019	135,000	-	-	-	90,000	-	-	225,000
2018	150,000	-	-	-	-	-	-	150,000
Simon Forth – Joint Interim Chief Executive Officer								
2019	132,048	-	-	12,545	-	1,927	1.31%	146,520
2018	-	-	-	-	-	-	-	-
Richard Whiting – Joint Interim Chief Executive Officer								
2019	130,800	-	-	-	-	1,927	1.45%	132,727
2018	-	-	-	-	-	-	-	-
George Lazarou – Chief Financial Officer and Company Secretary[9]								
2019	145,000	-	-	-	-	964	0.66%	145,964
2018	59,327	-	-	-	-	-	-	59,327
Total Remuneration								
2019	**1,076,436**	**-**	**-**	**31,640**	**282,523**	**4,818**	**0.35%**	**1,395,137**
2018	**599,827**	**-**	**-**	**18,098**	**-**	**-**	**-**	**617,925**

1. Mr Loh provided consultancy services amounting to $53,400 on normal commercial terms, through Emmanuel Investment Holdings Pty Ltd, a Company Mr Loh has an interest in. These are included in the remuneration above.
2. Resigned 31 January 2019
3. Mr Carden provided consultancy services amounting to $83,000 during the year on normal commercial terms. These are included in the remuneration above.
4. Appointed 1 October 2018.
5. Appointed 23 May 2019.
6. Appointed 19 September 2017, Resigned 22 November 2017
7. Mr Coetzee receives his fees through The Data Exchange Network Pte Ltd, a non-related entity.
8. Mr Desmond was appointed a director on 1 October 2018. Mr Desmond was an Executive director until 31 March 2019 and became a Non-Executive Director on 1 April 2019. Mr Desmond receives his fees through The Data Exchange Network Pte Ltd, a non-related entity.
9. Citadel Capital Pty Ltd, a company Mr Lazarou has an interest in, receives fees for Chief Financial Officer and Company Secretarial Services on normal commercial terms. These are included in the remuneration above.

Options or performance rights issued as part of remuneration

During the financial period ended 30 June 2019, 4,500,000 performance rights were issued as part of remuneration.

For details on the valuation of the Performance Rights, including models and assumptions used, please refer to Note 28. There were no alterations to the terms and conditions of the Performance Rights granted as remuneration since their grant date.

DIRECTORS' REPORT (Continued)

17. REMUNERATION REPORT (Continued)

Remuneration policy of key management personnel

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

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

Non-Executive Directors

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

Directors' fees

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

Service Agreements

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

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

Name:	Matthew Madden
Title:	Chief Executive Officer
Agreement Commenced:	19 August 2019
Term of Agreement:	The employment is for a minimum period of one year and thereafter shall continue until terminated in accordance with the provisions for termination, being by either party with 3 months' notice.
Details:	There are three components to Mr Madden's remuneration:

DIRECTORS' REPORT (Continued)

17. REMUNERATION REPORT (Continued)

(a) Gross Annual Remuneration Package

Mr Madden will be paid a base annual remuneration of $300,000 plus statutory superannuation contributions, which is capped at $25,000 per annum. The employer may review the employee's performance, remuneration and benefits in accordance with the employer policy from time to time.

(b) Short Term Incentive Benefits

Subject to the Mr Madden's continued employment by the Company at the relevant Review Date, the Board may, in its absolute discretion, elect to provide the Executive with an annual bonus up to an amount equal to 30% of the Base Salary, plus superannuation, based on the Annual Review (STI Bonus).

Mr Madden (in his sole discretion) can elect to have the STI Bonus (in whole or in part) paid in Shares. The value of the Shares shall be the 15-day volume weighted average price (VWAP) of Shares calculated on the day after release of the Company's full year financial accounts

(c) Long Term Incentive Benefits

Subject to compliance with the ASX Listing Rules and the Corporations Act, within 30 business days after the Commencement Date, being 19 August 2019, the Company will issue the following Performance Rights to Mr Madden (or his nominee) in accordance with the terms and conditions of the Employee Incentive Plan:

(a) 6,000,000 Performance Rights subject to the following vesting conditions:
  (i) Milestone 1: 3,000,000 Performance Rights will vest on or before 30 June 2022, upon the achievement of the Sydney Data Centre owned by the Company achieving either:
    A. an annual gross revenue equal to or in excess of $15,000,000; or
    B. filled capacity of 5 MW; or
    C. sales equal to or in excess of 500 server racks; and
  (ii) Milestone 2: 3,000,000 Performance Rights will vest upon DXN Modules achieving total sales equal to or in excess of $50,000,000 or total sales equal to or in excess of $25,000,000 are achieved over a rolling 12-month period, both on or before 30 June 2022,

Subject to compliance with the ASX Listing Rules and the Corporations Act, within 30 business days after the Commencement Date, being 19 August 2019, the Company will issue the following options to subscribe for shares in the Company:

- 3,750,000 1-year Options (Tranche 1);
- 5,000,000 2-year Options (Tranche 2); and
- 7,500,000 3-year Options (Tranche 3),

DIRECTORS' REPORT (Continued)

17. REMUNERATION REPORT (Continued)

on the terms and conditions as set out below:

(a) Tranche 1: to vest on achieving a Share price that is at least $0.15 for 10 consecutive trading days on ASX, calculated on a daily VWAP basis, within 1 year from the Commencement Date or 31 August 2019, whichever is earlier;
(b) Tranche 2: to vest on achieving a Share price that is at least $0.25 for 10 consecutive trading days on ASX, calculated on a daily VWAP basis, within 2 years from the Commencement Date or 31 August 2019, whichever is earlier; and
(c) Tranche 3: to vest on achieving a Share price that is at least $0.35 for 10 consecutive trading days on ASX, calculated on a daily VWAP basis, within 3 years from the Commencement Date or 31 August 2019, whichever is earlier.

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

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

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

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

Name:	John Baillie
Title:	Non-Executive Director
Agreement Commenced:	23 May 2019
Term of Agreement:	Subject to re - election every 3 years
Details:	Base salary of $36,000 plus superannuation per annum (if applicable), to be reviewed annually by the Board.

DIRECTORS' REPORT (Continued)

17. REMUNERATION REPORT (Continued)

Name:	George Lazarou
Title:	Chief Financial Officer and Company Secretary
Agreement Commenced:	13 October 2017
Term of Agreement:	Shall continue until terminated in accordance with the terms of the Agreement with Citadel Capital Pty Ltd
Details:	$15,000 per month exclusive of GST to be reviewed annually, plus payment of all reasonable travelling and other incidental costs incurred while performing his duties, with a 60 day termination notice by either party.

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

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

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

Shareholdings of key management personnel

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

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

* Resigned 31 January 2019
** Appointed as a Director on 1 October 2018
*** Appointed as a Director on 1 October 2018, resigned as a KMP on 31 March 2019
**** Appointed as a Director on 23 May 2019
***** Appointed Joint Interim CEO on 1 February 2019
****** Resigned as KMP on 31 March 2019

DIRECTORS' REPORT (Continued)

17. REMUNERATION REPORT (Continued)

Shareholdings of key management personnel (continued)

2018	**Balance at 4 August 2017**	**Holding on Date of Appointment**	**Bought& (Sold)**	**Holding on Date of Resignation**	**Balance at 30 June 2018**
Richard Carden	-	-	650,000	-	650,000
Peter Christie	12,000,000	-	1,925,000	-	13,925,000
Terry Smart	-	-	5,375,000	-	5,375,000
Douglas Loh*	-	587,500	-	-	587,500
Dean Coetzee**	24,000,000	-	3,850,000	-	27,850,000
Tim Desmond***	24,000,000	-	3,850,000	-	27,850,000
Kuek Jin Low ****	-	-	-	-	-
George Lazarou	-	-	875,000	-	875,000
	60,000,000	587,500	16,525,000	-	77,112,500

* Appointed as a Director on 16 April 2018
** Resigned as a Director on 29 January 2018, continued as a KMP
*** Resigned as a Director on 16 October 2017, continued as a KMP
**** Appointed as a Director on 19 September 2017, Resigned on 22 November 2017

Option holdings of key management personnel

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

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

* Resigned 31 January 2019
** Appointed as a Director on 1 October 2018
*** Appointed as a Director on 1 October 2018, resigned as a KMP on 31 March 2019
**** Appointed as a Director on 23 May 2019
***** Appointed Joint Interim CEO on 1 February 2019
****** Resigned as KMP on 31 March 2019

DIRECTORS' REPORT (Continued)

17. REMUNERATION REPORT (Continued)

Option holdings of key management personnel (Continued)

2018	**Balance at 4 August 2017**	**Holding on Date of Appointment**	**Expired**	**Acquired**	**Holding at Date of Resignation**	**Balance at 30 June 2018**	**Total Vested at 30 June 2018**	**Total Exercisable at 30 June 2018**
Richard Carden	-	-	-	62,500	-	62,500	62,500	62,500
Peter Christie	-	-	-	2,166,667	-	2,166,667	2,166,667	2,166,667
Terry Smart	-	-	-	10,468,750	-	10,468,750	10,468,750	10,468,750
Douglas Loh*	-	78,125	-	-	-	78,125	78,125	78,125
Dean Coetzee**	-	-	-	2,166,667	-	2,166,667	2,166,667	2,166,667
Tim Desmond***	-	-	-	2,166,666	-	2,166,666	2,166,666	2,166,666
Kuek Jin Low****	-	-	-	-	-	-	-	-
George Lazarou	-	-	-	156,250	-	156,250	156,250	156,250
	-	78,125	-	17,187,500	-	17,265,625	17,265,625	17,265,625

* Appointed as a Director on 16 April 2018
** Resigned as a Director on 29 January 2018, continued as a KMP
*** Resigned as a Director on 16 October 2017, continued as a KMP
**** Appointed as a Director on 19 September 2017, Resigned on 22 November 2017

Performance right holdings of key management personnel

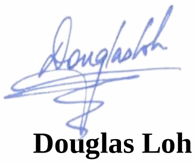
The movement during the reporting period in the number of performance rights in the Company held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

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

Other transactions with related parties and key management personnel

Please refer to Note 23 for details of other transactions with key management personnel or their related entities.

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



Douglas Loh
Non-Executive Chairman

Dated this 30th day of August 2019

MOORE STEPHENS

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER S307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF DXN LIMITED (formerly The Data Exchange Network Limited)

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

MOORE STEPHENS

SUAN-LEE TAN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 30th day of August 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Note	2019 $	2018 $
Continuing operations			
Sales to customers		1,403,528	1,982,984
Cost of Sales		(1,109,654)	(1,731,540)
Gross Profit		**293,874**	**251,444**
Revenue			
R&D tax incentive claim		1,182,552	-
Export marketing development grant		55,310	-
Other income	2	-	31,538
Interest received		142,848	45,877
		1,380,710	77,415
Expenses			
Administration expenses		(344,881)	(118,728)
Amortisation - intangibles	15	(17,863)	(11,350)
Amortisation – deferred transaction costs	11	-	(1,671,592)
Compliance and legal expenses		(633,152)	(200,738)
Consultants and contractors		(1,284,353)	(892,179)
Depreciation		(244,776)	(19,804)
Employee expenses	3	(3,201,662)	(1,323,800)
Finance expenses		(96,207)	(22,524)
Foreign exchange loss		(42,680)	(19,176)
Impairment of trade receivables		(136,153)	-
Loss on sale of plant & equipment		(2,432)	-
Marketing expenses		(155,135)	(38,993)
Occupancy expenses		(2,326,969)	(1,349,451)
Telecommunication and technology expenses		(188,297)	(203,269)
Travel expenses		(373,468)	(194,241)
		(9,048,028)	(6,065,845)
Loss before income tax expense		**(7,373,444)**	**(5,736,986)**
Income tax expense	4	-	-
Total comprehensive loss for the period		**(7,373,444)**	**(5,736,986)**
Basic and diluted earnings per share (cents per share)	25	(3.50)	(5.88)

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

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

ASSETS	Note	2019	2018
Current Assets		**$**	**$**
Cash and cash equivalents	7	5,362,135	12,047,724
Trade and other receivables	8	1,046,945	1,216,811
Other assets	9	428,838	717,251
Inventory	10	988,342	220,113
Deferred transaction costs	11	-	-
Total Current Assets		**7,826,260**	**14,201,899**
Non-Current Assets			
Bank guarantees	12	3,071,000	1,071,000
Plant and equipment	13	11,142,255	355,912
Intangible	14	290,459	142,171
Total Non-Current Assets		**14,503,714**	**1,569,083**
TOTAL ASSETS		**22,329,974**	**15,770,982**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	1,152,021	877,168
Income in advance	16	1,261,112	105,781
Borrowings	17	869,849	-
Provisions	18	84,499	77,133
Total Current Liabilities		**3,367,481**	**1,060,082**
Non-Current Liabilities			
Borrowings	17	2,088,372	-
Total Current Liabilities		**2,088,372**	**-**
TOTAL LIABILITIES		**5,455,853**	**1,060,082**
NET ASSETS		**16,874,121**	**14,710,900**
EQUITY			
Issued capital	19	29,662,628	20,137,584
Option reserve	20	310,302	310,302
Share based payments reserve	21	11,621	-
Accumulated losses	22	(13,110,430)	(5,736,986)
TOTAL EQUITY		**16,874,121**	**14,710,900**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Issued Capital	Option Reserve	Share Payments Reserve	Accumulated Losses	Total
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2018	20,137,584	310,302	-	(5,736,986)	14,710,900
Total comprehensive income for the period					
Loss for the period	-	-	-	(7,373,444)	(7,373,444)
Other comprehensive income	-	-	-	-	-
	-	-	-	(7,373,444)	(7,373,444)
Transaction with owners in their capacity as owners:					
Issue of shares	10,309,760	-	-	-	10,309,760
Capital raising costs	(784,716)	-	-	-	(784,716)
Issue of share-based payments	-	-	11,621	-	11,621
Balance at 30 June 2019	**29,662,628**	**310,302**	**11,621**	**(13,110,430)**	**16,874,121**

	Issued Capital	Option Reserve	Share Payments Reserve	Accumulated Losses	Total
	$	**$**	**$**	**$**	**$**
Balance at 4 August 2017	-	-	-	-	-
Total comprehensive income for the period					
Loss for the period	-	-	-	(5,736,986)	(5,736,986)
Other comprehensive income	-	-	-	-	-
	-	-	-	(5,736,986)	(5,736,986)
Transaction with owners in their capacity as owners:					
Issue of shares	16,000,075	-	-	-	16,000,075
Issue of options	-	32	-	-	32
Conversion of convertible notes at fair value	5,462,500	-	-	-	5,462,500
Options issued on conversion of convertible note at fair value	-	310,270	-	-	310,270
Capital raising costs	(1,324,991)	-	-	-	(1,324,991)
Balance at 30 June 2018	**20,137,584**	**310,302**	**-**	**(5,736,986)**	**14,710,900**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		2,665,897	1,344,776
Payments to suppliers and employees		(10,775,847)	(6,397,805)
Interest received		113,157	22,861
Interest paid		(70,753)	-
R&D tax incentive claim		1,182,552	-
Export marketing development grant		55,310	-
Payment of deposit		(30,565)	-
Receipt of deposit		12,988	-
Net cash used in operating activities	26(a)	(6,847,261)	(5,030,168)
Cash flows from investing activities			
Payment of deposits and guarantees		(2,000,000)	(1,071,000)
Purchase of plant and equipment		(10,251,530)	(375,716)
Purchase of intangible assets		(163,103)	(153,521)
Net cash used in financing activities		(12,414,633)	(1,600,237)
Cash flows from financing activities			
Proceeds from convertible notes		-	4,370,000
Proceeds from the issue of shares and options		10,309,760	16,000,107
Payment of capital raising costs		(692,051)	(1,686,478)
Finance facility drawdown		3,447,734	-
Repayment of finance facility		(489,513)	-
Loans made to employee		(2,500)	(5,500)
Repayment of loans made to employees		2,875	-
Net cash provided by financing activities		12,576,305	18,678,129
Net increase in cash held		(6,685,589)	12,047,724
Cash and cash equivalents at beginning of period		12,047,724	-
Cash and cash equivalents at the end of the period	7,26(b)	5,362,135	12,047,724

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

DXN Limited (the "Company") is a Company domiciled in Australia and listed on the ASX.

The principal activities of the Company during the financial period was building a Tier III data centre in Sydney using our prefabricated modular technology, a second facility is planned for Melbourne. Data centres provide space, power, cooling, and physical security for client to house their computer servers and related storage and networking equipment. Data centres provide a recurring revenue stream and our modular approach allows us to match our capital requirements with capacity sold, thereby reducing our upfront capital requirements. This disruptive model is at the forefront of data centre engineering techniques. Our construction cost (per megawatt) is less than our industry peers.

Our DXN Modules division engineers, constructs and commissions data centre solutions. Our data centre infrastructure has a wide range of applications, these include hyperscale data centres, edge data centres, and telecommunications applications (satellite, radio centres, cable landing stations). Our prefabricated construction method reduces the on-site labour and time to deploy and improves quality. Solutions by DXN Modules are ideal for rapid deployments in both urban and remote locations. The Company has achieved an industry first and become the first modular data centre developer in the world to receive both TIER-Ready III and TIER-Ready IV design review awards.

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

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

The financial statements were authorised for issue by the Board of Directors on 30 August 2019.

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

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

Functional and Presentation Currency
These financial statements are presented in Australian dollars, which is the Company's functional currency.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern
The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Company incurred a loss of $7,373,444 for the year ended 30 June 2019 (2018: $5,736,986) and operating cash outflows of $ 6,847,261(2018: $5,030,168).

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

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Directors have an appropriate plan to raise additional funds as and when it is required, and the Directors believe that the additional capital required can be raised in the market; and
- the Directors have an appropriate plan to contain certain operating expenditure if appropriate funding is unavailable.

The accounts have been prepared on the basis that the Company can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

(a) Critical Accounting Judgements Estimates and Assumptions

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Estimation of useful life of assets
The entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite 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.

(b) **New and amended accounting policies adopted by the company**

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

- *AASB 9: Financial Instruments; and*
- *AASB 15: Revenue from Contracts with Customers*

The impact of the adoption of these standards and the respective accounting policies is discussed below.

***AASB 9: Financial Instruments* – Accounting Policies**
AASB 9 replaces the "incurred loss" impairment model in AASB 139 Financial Instruments: "Recognition and Measurement" with a forward-looking "expected credit loss" (ECL) model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the ECL model, the Company assesses on a forward looking basis on the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The new impairment model applies to financial assets at amortised cost and contract assets under AASB 15 Revenue from Contracts with Customers. The application of the new standard results in a change in accounting policy. The Company applies the simplified approach permitted by AASB 9, which requires the recognition of lifetime expected losses for accounts receivables and contract assets from initial recognition of such assets. At every reporting date, the Company reviews and adjusts its historically observed default rates based on current conditions and changes in the future forecasts. As regards other receivables, the Company considers they have low credit risk and hence recognises 12-month expected credit losses for such item where appropriate. The expected losses (if any) are considered to be insignificant to the Company. The adoption of AASB 9 has had no material impact on the results and financial position of the Company for the current and prior years.

The measurement categories for all financial liabilities remain the same, the carrying amounts for all financial liabilities at 1 July 2018 have not been impacted by the initial application of AASB 9.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company did not designate or de-designate any financial asset or financial liability at fair value through profit or loss at 1 July 2018.

AASB 15: Revenue from Contracts with Customers **– Accounting Policies**
AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 replaced AASB 118 "Revenue", which covered revenue arising from sale of goods and rendering of services, and AASB 111 "Construction Contracts", which specified the accounting for construction contracts. Under AASB 15, revenue is recognised when the customer obtains the promised good or service in the contract. This may be at a single point in time or over time.

Timing of revenue recognition
Previously, revenue from the provision of modular data centre solutions is recognised only when the service or infrastructure product 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 Company.

Under AASB 15, revenue is recognised when the customer obtains control of the promised service or infrastructure product in the contract which may contain performance obligations. Under these performance obligations, customers may simultaneously receive and consume the benefits as the Company performs, therefore contracted revenue is recognised over time based on stage of completion of the contract or when these performance obligations are met.

AASB 15 provides a higher standard threshold for recognition of variations, claims and incentives which only allows revenue from variations and claims to be recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur.

Revenue is allocated to each performance obligation and recognised as the performance obligation is satisfied which may be at a point in time or over time. The Company measures revenue using the measure of progress that best reflects the Company's performance in satisfying the performance obligation within the contracts over time. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. milestones reached). The same method of measuring progress will be consistently applied to similar obligations.

AASB 15 identifies the following three situations in which control of the promised service or product is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under AASB 15, the entity recognises revenue for the service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where the Company provides services to customers, the customer consumes and receive the benefit of the service as it is performed. As such, any service revenue is recognised over time as the services are provided. Revenue for the sales of incidental or minor goods are recognised when the customer obtains control of the goods.

(c) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The directors have decided not to early-adopt any of the new and amended pronouncements. The following sets out their assessment of the pronouncements that are relevant to the Group but applicable in future reporting periods.

– AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a preliminary assessment of the impact of this new Standard, as follows.

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard. There are, however, two exceptions allowed: short-term and low-value leases.

Basis of preparation

The accounting for the Group's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Group has chosen to apply AASB 16 retrospectively with cumulative effect. While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

The Group's non-cancellable operating lease commitments amount to $21.97 million (2018: $23.36 million) as at the reporting date.

The Group has performed a preliminary impact assessment and has estimated that on 1 July 2019, the Group expects to recognise the right-of-use assets and lease liabilities of approximately $17.77million respectively.

The adjustment for AASB 16 will have a positive impact on EBITDA as the costs of operating leases (previously recognized as part of EBIT expensed over the term of the lease) will now be excluded from EBITDA as lease costs will be recognised separately in depreciation (for the right of use assets) while interest on lease liabilities will be disclosed as part of financing costs.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets

Internally generated software

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

Licences/trademarks/copyrights

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

Software under development

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

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

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

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

(e) Cash and cash equivalents

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

(f) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Impairment

The carrying amounts of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the recoverable amount, the assets or cash generating units are written down to their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the profit or loss in the statement of comprehensive income in the cost of sales line item.

Depreciation
The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets vary from 2.5% to 33.33%. Depreciation on assets under construction shall only commence when the assets construction is completed and ready for use.

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

(g) **Fair Value of Assets and Liabilities**

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets

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

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

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

(i) Trade and other receivables

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

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

(j) Trade and other payables

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

(k) Revenue Recognition

The Company has applied AASB 15: Revenue from Contracts with Customers using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: Revenue. As detailed in Note 1(b), AASB 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Company's contracts with the customer, identify performance obligations in the contract, and recognise revenue when performance obligations are satisfied.

The adoption of AASB 15 has not resulted in any adjustments to the amounts recognised in the current or previous financial periods, hence comparatives were not required to be restated.

In the comparative period

Revenue was measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration was deferred, it was treated as the provision of financing and was discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received was interest revenue.

Revenue from sale of goods was recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of goods and the cessation of all involvement in those goods.

Revenue from rendering of services was recognised in proportion to the stage of completion of the work performed at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction work in progress is measured at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

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

Data Centre Services

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

DXN Module Sales

The Company custom builds turnkey data centre modules for customers. Revenue is recognised only when control of the module has transferred to the customer. For such transactions, this is when the modules are delivered, fully installed/deployed, tested and formally accepted by the customer. Revenue from these sales is based on the price stipulated in the contract and any agreed variations to the contract sum. Revenue is only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

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

Interest Income

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

Refundable Research & Development Tax Offset

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

(l) **Income Tax**

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the notional income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

A deferred tax asset for unused tax losses is recognised only if it is probable that future taxable amounts will be available to utilise losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***(m)* Financial Instruments**

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

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

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

Classification and subsequent measurement
Financial liabilities

Financial instruments are subsequently measured at:
- amortised cost; or
- fair value through profit or loss.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A financial liability cannot be reclassified.

Financial assets
Financial assets are subsequently measured at:
- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:
- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:
- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

All of the following criteria need to be satisfied for derecognition of financial asset:
- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie the Company has no practical ability to make a unilateral decision to sell the asset to a third party).

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

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

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

Impairment
The Company recognises a loss allowance for expected credit losses on:
- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:
- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- the simplified approach

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

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

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

Recognition of expected credit losses in financial statements
At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

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

(n) Contributed equity

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

(o) Employee benefits

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

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

Equity-settled compensation

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(p) **Inventories**

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

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

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

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

(q) Leases

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

	2019 $	2018 $
2. REVENUE FROM CONTINUING ACTIVITIES		
Sundry income	-	31,538
3. EXPENSES		
Loss has been determined after the following specific expenses:		
- Amortisation of intangibles	17,863	11,350
- Amortisation of deferred transaction costs	-	1,671,592
- Auditing or reviewing the financial report	47,000	33,000
- Depreciation	244,776	19,804
- Operating lease expense – rental	2,097,420	881,707
Employee benefits expense:		
- Annual leave	65,421	63,560
- Allowances	76,863	2,147
- Commissions	51,463	-
- Director's fees	158,998	90,500
- Fringe benefits tax	15,997	-
- Long service leave	(6,119)	13,573
- Occupational health and safety	-	9,290
- Payroll tax	192,592	29,140
- Recruitment	28,278	-
- Share based payments	11,621	-
- Staff onboarding, training & welfare	2,444	-
- Superannuation	280,700	112,057
- Wages	2,323,404	1,003,533
	3,201,662	1,323,800

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

4. INCOME TAX

(a) The components of tax expense comprise:

	2019 $	2018 $
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-

(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2019	2018
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2018: 27.5%)	(2,027,697)	(1.577,671)
Add tax effect of:		
- Revenue losses not recognised	2,420,674	1,115,250
- Other non-deductible items	12,218	459,688
- Other non-assessable income	(326,302)	-
- Other deferred tax balances not recognised	(78,893)	2,734
Income tax expense	-	-

(c) Deferred tax recognised at 27.5% (2018: 27.5%) (Note 1):

	2019	2018
Deferred tax liabilities		
Accrued income	(14,494)	(6,330)
Prepayment	(16,818)	(1,720)
Deferred tax assets		
Carried forward revenue losses	31,312	8,049
Net tax deferred	-	-

(d) Unrecognised deferred tax assets at 27.5% (2018:2018) (Note 1):

	2019	2018
Carried forward revenue losses	2,834,410	1,115,250
Capital raising costs	414,999	323,149
Provisions and accruals	89,009	43,957
	3,340,418	1,482,356

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

5. AUDITOR'S REMUNERATION

	2019 $	2018 $
Remuneration of the auditor Moore Stephens:		
- Auditing and reviewing the financial statements of the Company	47,000	33,000

6. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

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

7. CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Current		
Cash at bank and on hand	5,362,135	7,047,724
Term Deposit [1]	-	5,000,000
	5,362,135	12,047,724

[1] The maturity date of the term deposit was 7 August 2018.

8. TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Current		
Trade receivables [1]	695,472	914,696
Less: Provision for loss allowance/impairment	(131,657)	-
	563,815	914,696
GST receivable	425,298	273,599
Interest receivable	52,707	23,016
Loan to employee	5,125	5,500
	1,046,945	1,216,811

[1] *Aging of gross carrying amounts due*		
0-30 days	433,082	676,232
30-60 days	18,597	26,412
60-90 days	18,597	51,734
90+ days	225,196	160,318
Loss allowance provision (100% relates to 90+ days)	(131,657)	-
Total	563,815	914,696

The loss allowance provision as at 30 June 2019 is determined as tabled above; the expected credit losses also incorporate forward-looking information.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

8. TRADE AND OTHER RECEIVABLES (Continued)

	Note	Opening balance under AASB 139 1 July 2017 $	Adjust-ment for AASB 9 $	Net measure-ment of loss allowance $	Closing balance 30 June 2018 $
a. Lifetime Expected Credit Loss: Credit Impaired					
(i) Current trade receivables		-	-	-	-
		-	-	-	-

	Opening balance under AASB 139 1 July 2018 $	Adjust-ment for AASB 9 $	Net measure-ment of loss allowance $	Closing balance 30 June 2019 $
(i) Current trade receivables	-	-	131,657	131,657
	-	-	131,657	131,657

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

Credit risk

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

On a geographical basis, the Company's credit risk exposure is located entirely within Australia.

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

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

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

The Company does not currently hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

9. OTHER ASSETS

	2019 $	2018 $
Current		
Prepayments	411,261	717,251
Deposits	17,577	-
	428,838	717,251

10. INVENTORY

Current		
Materials	334,450	11,911
Work in Progress – Customers [1]	653,892	208,202
	988,342	220,113

[1] Relates to external customers

11. DEFERRED TRANSACTION COSTS

Current		
Deferred transaction costs (convertible notes) – at fair value	-	1,402,770
Deferred transaction costs (convertible notes) – capital raising costs	-	268,822
Amortisation of deferred transaction costs on conversion	-	(1,671,592)
	-	-

12. BANK GUARANTEES

Non-Current		
9 Mumford Place, Balcatta WA [1]	76,000	76,000
5 Parkview Drive, Olympic Park, Sydney NSW [1]	495,000	495,000
286-292 Lorimer Street, Port Melbourne, Victoria [1]	500,000	500,000
ANZ Chattel Finance Facility [2]	2,000,000	-
	3,071,000	1,071,000

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

[2] The term deposit is restricted cash and is provided as security for the ANZ Chattel Finance Facility per note 17.
The bank guarantees are restricted cash.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

13. PLANT AND EQUIPMENT

	2019	2018
Plant and Equipment	**$**	**$**
At cost	2,821,167	27,381
Accumulated depreciation	(181,472)	(3,560)
	2,639,695	23,821
ICT Hardware		
At cost	156,535	139,709
Accumulated depreciation	(60,842)	(14,300)
	95,693	125,409
Office Equipment		
At cost	81,807	35,229
Accumulated depreciation	(16,007)	(1,943)
	65,800	33,286
Motor Vehicles		
At cost	26,016	-
Accumulated depreciation	(2,276)	-
	23,740	-
Leasehold Improvements		
At cost	551,945	-
Accumulated depreciation	(3,630)	-
	548,315	-
Assets Under Construction [1]		
At cost	7,769,012	173,396
Accumulated depreciation	-	-
	7,769,012	173,396
Total cost	**11,406,482**	**375,715**
Total accumulated depreciation	**(264,227)**	**(19,803)**
Total Written Down Value	**11,142,255**	**355,912**

[1] *Relates to the construction of data centres for Melbourne & Sydney*

Movements in carrying amounts

	2019	2018
Plant and Equipment	**$**	**$**
Carrying amount at beginning of reporting period	23,821	-
Additions	2,793,786	27,381
Disposals	-	-
Depreciation expense	(177,912)	(3,560)
Carrying amount at end of reporting period	2,639,695	23,821
ICT Hardware		
Carrying amount at beginning of reporting period	125,409	-
Additions	18,244	139,709
Disposals	(1,066)	-
Depreciation expense	(46,894)	(14,300)
Carrying amount at end of reporting period	95,693	125,409

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

13. PLANT AND EQUIPMENT (CONTINUED)	**2019 $**	**2018 $**
Office Equipment		
Carrying amount at beginning of reporting period	33,286	-
Additions	49,010	35,229
Disposals	(2,432)	-
Depreciation expense	(14,064)	(1,943)
Carrying amount at end of reporting period	65,800	33,286
Motor Vehicles		
Carrying amount at beginning of reporting period	-	-
Additions	26,016	-
Disposals	-	-
Depreciation expense	(2,276)	-
Carrying amount at end of reporting period	23,740	-
Leasehold Improvements		
Carrying amount at beginning of reporting period	-	-
Additions	551,945	-
Disposals	-	-
Depreciation expense	(3,630)	-
Carrying amount at end of reporting period	548,315	-
Assets Under Construction		
Carrying amount at beginning of reporting period	173,396	-
Additions	7,595,616	173,396
Disposals	-	-
Depreciation expense	-	-
Carrying amount at end of reporting period	7,769,012	173,396
Total	**11,142,255**	**355,912**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

14. INTANGIBLES

Non-Current	**2019**	**2018**
	$	**$**
Software at cost [1]	51,632	47,848
Accumulated amortisation	(26,621)	(10,594)
	25,011	**37,254**
Patents and Trademarks at cost [2]	36,480	33,986
Accumulated amortisation	(2,592)	(756)
	33,888	**33,230**
Software Development at cost [3]	231,560	71,687
Accumulated amortisation	-	-
	231,560	**71,687**
Total cost	**319,672**	**153,521**
Total accumulated amortisation	**(29,213)**	**(11,350)**
Total Written Down Value	**290,459**	**142,171**

[1] Relates to acquired software and is amortised over a period of 3 years.
[2] Relates to patents and is amortised over the estimated useful life of the patents.
[3] Relates to the development costs spent to date on IoT software.

15. TRADE AND OTHER PAYABLES

	2019	**2018**
Current (unsecured)	**$**	**$**
Trade creditors *[1]*	675,832	642,637
Other creditors & accruals *[2]*	150,876	36,170
Payroll liabilities	325,313	198,361
	1,152,021	877,168

Terms and conditions relating to the above financial instruments.
1. Trade creditors are non-interest bearing and generally on 60 day terms.
2. Other creditors are non-interest bearing have no fixed repayment terms.

For further details refer to note 24 Financial Instruments.

16. INCOME IN ADVANCE

	2019	**2018**
Current	**$**	**$**
Income in advance	1,261,112	105,781
	1,261,112	105,781

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

17. BORROWINGS

	2019	2018
Current	**$**	**$**
Convertible notes – at fair value [2]	-	5,772,770
Transferred to issued capital on conversion – at fair value	-	(5,462,500)
Transferred to option reserve on conversion – at fair value	-	(310,270)
Chattel mortgage [1]	938,047	-
Insurance premium funding	37,684	-
Less: Unexpired charges	(105,882)	-
	869,849	-
Non-Current		
Chattel mortgage [1]	2,165,861	-
Less: Unexpired charges	(77,489)	-
	2,088,372	-

[1] A $5 million secured Chattel Finance Facility (revolving) with ANZ Bank to finance generators, chillers and battery/power supply equipment. The interest rate is currently 4.83% pa, as well as a $200,000 secured Chattel Finance Facility with the ANZ Bank to finance various vehicles. The interest rate is currently 4.83% pa.

Security

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

Conditions & Covenants

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

The Company is in compliance with its financial covenants.

[2] During the 2018 financial year, the Company entered into binding term sheets for the issue of 4,370,000 convertible notes at a face value of $1.00 each to raise a total of $4,370,000. The maturity date of the convertible notes was 12 months after the date the convertible note was issued. No interest was payable on the principal amount and the convertible notes automatically converted into shares at a 20% discount to the price at which shares were offered under the Prospectus lodged with ASIC on 16 February 2018, together with one free attaching option for every four shares.

18. PROVISIONS

	2019	2018
	$	**$**
Current		
Annual Leave	84,499	63,560
Long Service Leave	-	13,573
	84,499	77,133

The Company currently has 36 employees including Directors.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

19. ISSUED CAPITAL	**2019**	**2018**
	$	$
361,271,724 (2018:182,312,501) fully paid ordinary shares	29,662,628	20,137,584

(a) Movements in fully paid ordinary shares on issue	**2019**	
	$	**Number**
At the beginning of the reporting period	20,137,584	182,312,501
Shares issued during the period:		
Shares subscribed for in placement at $0.155	2,010,274	12,969,512
Rights entitlement issue at $0.05	8,299,486	165,989,711
Less: Capital raising costs	(784,716)	-
Balance at 30 June 2019	29,662,628	361,271,724

	2018	
	$	**Number**
At the beginning of the reporting period	-	-
Shares issued during the period:		
Shares subscribed for	60	60,000,000
Shares subscribed for	15	15,000,000
Initial Public Offering shares	16,000,000	80,000,001
Conversion of convertible notes at fair value	5,462,500	27,312,500
Less: Capital raising costs	(1,324,991)	-
Balance at 30 June 2018	20,137,584	182,312,501

(b) Terms of Ordinary Shares

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

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

(c) Capital risk management

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

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

The Company is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

	2019 $	2018 $
20. OPTION RESERVE		
122,323,048 (2018:39,328,125 options)	310,302	310,302

(a) Movements in listed options on issue:	$	2019 Number
Options		
At the beginning of the reporting period	310,302	39,328,125
Options issued during the period:		
Options subscribed for as part of placement	-	82,994,923
Balance at 30 June 2019	310,302	122,323,048

	$	2018 Number
Options		
At the beginning of the reporting period	-	-
Options issued during the period:		
Options subscribed for	32	32,500,000
Options issued on conversion at fair value	310,270	6,828,125
Balance at 30 June 2018	310,302	39,328,125

(b) Terms of Options

At the end of reporting period, there are 122,323,048 options over unissued shares as follows:

Expiry Date	Exercise Price	Number of Options
13 May 2020	$0.10	82,994,923
30 November 2020	$0.30	32,500,000
5 April 2021	$0.30	6,828,125
		122,323,048

21. SHARE BASED PAYMENTS RESERVE	2019 $	2018 $
Share based payments at the beginning of the reporting period	-	-
Employee equity settled transactions (refer note 28)	11,621	-
Share based payments at the end of the reporting period	11,621	-

22. ACCUMULATED LOSSES	2019 $	2018 $
Accumulated losses at the beginning of the reporting period	(5,736,986)	-
Net loss attributable to members	(7,373,444)	(5,736,986)
Accumulated losses at the end of the reporting period	(13,110,430)	(5,736,986)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

23. RELATED PARTY DISCLOSURES

(a) Loans to key management personnel

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

(b) Other transactions and balances with key management personnel

Mr Christie is a director and shareholder of Herdsman Lake Capital Asia Pte Ltd, and Mr Smart is a director and shareholders of Smart Investments Pty Ltd as trustee for the Smart Capital Investment Fund, both of which are shareholders of Datacentre Limited. The Company had a Service Supply Agreement in place with Datacentre Limited to provide various services, which was terminated during the year. During the period the Company made sales of $129,985 (2018: $305,852) to Datacentre Limited, with $56,250 (2018: $284,085) included in trade receivables after providing for doubtful debts as at 30 June 2019. All transactions were entered into on normal commercial terms.

Mr Christie is a director and shareholder of Herdsman Lake Capital Asia Pte Ltd, Mr Smart is a director and shareholders of Smart Investments Pty Ltd as trustee for the Smart Capital Investment Fund and Mr Lazarou is a director and shareholder of Eoz Pty Ltd as trustee for the Zeus Trust, all of which are shareholders of Nexion Networks Pty Ltd. The Company had a Service Supply Agreement in place with Nexion Networks Pty Ltd to provide various services, which was terminated during the year. During the period the Company made sales of $134,333 (2018: $78,600) to Nexion Networks Pty Ltd, with $74,389 (2018: $78,600) included in trade receivables as at 30 June 2019. All transactions were entered into on normal commercial terms.

Mr Douglas Loh is a director and shareholder of Emmanuel Investment Holdings Pty Ltd. During the period Emmanuel Investment Holdings Pty Ltd received $47,700 (2018: $Nil) for the provision of Executive Chairman services. These costs have been included in the compensation of key management personnel for the period ended 30 June 2019. All transactions were entered into on normal commercial terms.

Mr George Lazarou is a director and shareholder of Citadel Capital Pty Ltd. During the period Citadel Capital Pty Ltd received $145,000 (2018: $59,327) for the provision of Company Secretarial and Chief Financial Officer services. These costs have been included in the compensation of key management personnel for the period ended 30 June 2019. All transactions were entered into on normal commercial terms.

Mr Dean Coetzee is a director and shareholder of The Data Exchange Network Pte Ltd, a Singapore incorporated company. During the period The Data Exchange Network Pte Ltd invoiced $225,000 (2018: $150,000) for the provision of Chief Sales Officer services. These costs have been included in the compensation of key management personnel for the period ended 30 June 2019. All transactions were entered into on normal commercial terms.

Mr Tim Desmond is a director and shareholder of The Data Exchange Network Pte Ltd, a Singapore incorporated company. During the period The Data Exchange Network Pte Ltd invoiced $225,000 (2018: $150,000) for the provision of Chief Technology Officer services. These costs have been included in the compensation of key management personnel for the period ended 30 June 2019. All transactions were entered into on normal commercial terms.

It should be noted that the Company has no equity interest in The Data Exchange Network Pte Ltd.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

23. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Executive Agreement

On 1 February 2019 the Company entered into an Executive Services Agreements with Mr Simon Forth and Mr Richard Whiting as Joint Interim Chief Executive Officers of the Company. Pursuant to the terms of the Executive Services Agreement, both Mr Forth and Mr Whiting will be paid an amount of $200,000 each per annum plus statutory superannuation, reviewed annually. The Company will also pay reasonable travelling and other incidental costs incurred by Mr Forth and Mr Whiting while performing their duties under their Executive Services Agreement.

Either Mr Forth and Mr Whiting or the Company may terminate the Executive Services Agreement at any time on the giving of not less than 3 months' notice in writing.

On 31 January 2019, Mr Peter Christie, who was the Managing Director of the Company resigned.

For the period ended 30 June 2019, an amount of $374,890 (2018: $164,250) including statutory superannuation was paid or payable to the former Managing Director and the Interim Joint Chief Executive Officers.

(d) Key management personnel compensation

	2019	**2018**
	$	**$**
The key management personnel compensation comprised:		
Short term employment benefits	1,076,436	599,827
Post-employment benefits	31,640	18,098
Termination payments	282,523	-
Share based payments	4,818	-
	1,395,137	617,925

Detailed remuneration disclosures are provided in the Remuneration Report on pages 14 to 22.

24. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

(a) credit risk;

(b) liquidity risk; and

(c) market risk

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

The company's principal financial instruments comprise cash. The company 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 Company's policy not to trade in financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

24. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instruments

	2019	2018
Financial assets	**$**	**$**
Cash and cash equivalents	5,362,135	12,047,724
Trade and other receivables	1,046,945	1,216,811
Bank guarantees	3,071,000	1,071,000
	9,480,080	**14,335,535**
Financial liabilities		
At amortised cost:		
Trade and other payables	1,152,021	877,168
Borrowings	2,958,221	-
	4,110,242	**877,168**

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company 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 company only transacts with entities that are rated the equivalent of investment grade and above.

The company'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 Company does not have any significant credit risk exposure to the bank, given total borrowings are $2,958,221 and the bank has security over the borrowing via a $2,000,000 term deposit. The credit risk on liquid funds is reduced because the counterparty is a bank with a high credit rating assigned by international credit rating agencies.

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. The company had $5,200,000 in bank facilities available, with $2,958,221 currently utilised and $2,241,779 in undrawn facilities at its disposal as at reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

24. FINANCIAL INSTRUMENTS (CONTINUED)

Contractual maturities of financial liabilities	Less than 1 year $	1-2 years $	2-5 years $	>5 years $	Total contractual cash flows	Carrying Amount $
30 June 2019						
Trade and other payables	1,152,021	-	-	-	1,152,021	1,152,021
Borrowings	869,849	881,617	1,206,755	-	2,958,221	2,958,221
Net maturity	**2,021,870**	**881,617**	**1,206,755**	-	**4,110,242**	**4,110,242**

Contractual maturities of financial liabilities	Less than 1 year $	1-2 years $	2-5 years $	>5 years $	Total contractual cash flows	Carrying Amount $
30 June 2018						
Trade and other payables	877,168	-	-	-	877,168	877,168
Net maturity	**877,168**	-	-	-	**877,168**	**877,168**

(c) Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature. The company's cash and cash equivalents at 30 June 2019 are fixed interest rate instruments. Therefore, they are not subject to interest rate risk.

(d) Fair value measurements

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

25. EARNINGS PER SHARE

	2019 $	2018 $
(a) Loss used in the calculation of basic and dilutive earnings per share for continuing operations	7,373,444	5,736,986
	Number of shares 2019	***Number of shares 2018***
(b) Weighted average number of ordinary shares outstanding during the reporting period used in calculation of basic and diluted earnings per share	210,822,978	97,602,652

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

26. CASH FLOW INFORMATION

(a) Reconciliation of cash flow from operations with loss from ordinary activities after income tax.	**2019 $**	**2018 $**
Loss after income tax	(7,373,444)	(5,736,986)
Adjustment for;		
- Amortisation - intangibles	17,863	11,350
- Amortisation – deferred transaction costs	-	1,671,592
- Depreciation	244,776	19,804
- Foreign exchange loss	42,680	19,176
- Loss on sale of plant and equipment	2,432	-
- Provision for doubtful debts	136,153	-
- Share based payment	11,621	-
Changes in assets and liabilities		
- Decrease/(Increase) in trade and other receivables	268,750	(1,118,646)
- (Increase) in prepayments	(319,069)	(717,251)
- (Increase) in inventory	(768,229)	(220,113)
- (Increase) in deposits	(17,577)	-
- (Decrease)/Increase in trade and other payables	(255,914)	857,992
- Increase in income in advance	1,155,331	105,781
- Increase in income in provisions	7,366	77,133
Net cash flow used in operating activities	(6,847,261)	(5,030,168)

(b) Reconciliation of cash and cash equivalents	**2019 $**	**2018 $**
Cash and cash equivalents comprises:		
Cash at bank and on hand	5,362,135	7,047,724
Term deposit	-	5,000,000
	5,362,135	12,047,724

(c) Acquisition of Entities

There was no acquisition of entities during the period.

(d) Non-cash financing and investing activities

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

27. SEGMENT INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. The reportable segment is represented by the primary statements forming this financial report.

At the end of the reporting period, the Company was operating primarily in one segment, being modular data centre solutions in Australia.

Major customers
During the period ended 30 June 2019, the Company supplied 7 (2018:3) single external customers with data centre infrastructure, consulting services and computer equipment which accounted for 24%, 19% and 57% of external revenue.

28. SHARE BASED PAYMENTS

(a) Recognised employee share based payment expenses

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

	2019 $	2018 $
Total expense rising from employee, consultant and Director share based payment transactions	11,621	-

<u>Performance Rights – 30 June 2019</u>

On 24 June 2019, the Company granted 7,535,448 performance rights, subject to various vesting conditions, expiring on various dates from 30 September 2019 to 26 June 2022.

A summary of main vesting conditions are as follows:

Senior Executives

- achieving “Ready for Service” status for DXN-SYD01 by 19 August 2019;
- achieving Uptime Institute Tier III accreditation by 19 September 2019; and
- achieving any of the following combinations since appointment of interim joint CEO and up to three (3) months after Uptime Institute Tier III accreditation

Reportable Pre-committed # Racks (PC) or Sales of # Racks (Sales)		**Module Sales (contracted)**
12 (PC)	8 (Sales)	A$2.00m
20 (PC)	13 (Sales)	A$1.75m
27 (PC)	18 (Sales)	A$1.50m
38 (PC)	25 (Sales)	A$1.20m

Staff involved with Build of Sydney Data Centre

- achieving “Ready for Service” status for DXN-SYD01 by 19 August 2019; and
- achieving Uptime Institute Tier III accreditation by 19 September 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

28. SHARE BASED PAYMENTS (CONTINUED)

Sales Staff

- twelve (12) months from date of employment;
- twenty-four (24) months from date of employment; and
- thirty-six (36) months from date of employment.

The value of performance rights granted during the period was calculated using the Black-Scholes Option Pricing Model incorporating a Monte Carlo simulation and totalled $399,379. The expense during the year ended 30 June 2019 amounted to $11,621 (2018: $Nil). The values and inputs are as follows:

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

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

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

(b) Equity-settled share based payments

Options on conversion of convertible notes

On 5 April 2018, the Company issued 27,312,500 fully paid ordinary shares and 6,828,125 options exercisable at $0.30 on or before 5 April 2021 on conversion of the convertible notes.

Inputs for measurement of issue date fair value

Options

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

The value of the options issued and having vested during the period was calculated using a binomial option pricing model and totalled $310,302. The values and inputs are as follows:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

28. SHARE BASED PAYMENTS (CONTINUED)

Options – 5 April 2021 ($0.30)	
Options issued	6,828,125
Underlying share value	$0.20
Exercise price of options	$0.30
Risk free interest rate	2%
Expected future volatilty	50%
Dividend yield	0%
Expiration period	5 April 2021
Valuation per option	$0.045

A summary of the movements of all company options issued is as follows:-

	Number	**Weighted Average Exercise Price**
Options outstanding as at 4 August 2017	-	-
Options subscribed for	32,500,000	$0.30
Convertible noteholder options	6,828,125	$0.30
Options outstanding as at 30 June 2018	**39,328,125**	**$0.30**
Options issued as part of placement	82,994,923	$0.10
Options outstanding as at 30 June 2019	**122,323,048**	**$0.165**
Options exercisable as at 30 June 2018	39,328,125	
Options exercisable as at 30 June 2019	122,323,048	

As at the date of this report, there were no options exercised during the period.

29. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 July 2019, shareholders approved the issue of 1,800,000 performance rights, subject to vesting conditions, expiring on 30 April 2020, to Mr Loh.

On 22 July 2019, shareholders approved the change of Company name to DXN Limited, ASIC approved the name change on 22 July 2019.

Mr Matthew Madden commencing as Chief Executive Officer of the Company on 19 August 2019.

On 19 August 2019 the Company delivered a key milestone with the completion of the initial construction phase of its flagship Sydney data centre (DXN-SYD01) located in Sydney Olympic Park.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

30. CONTINGENT LIABILITIES

In the opinion of the directors there were no contingent liabilities at 30 June 2019, and the interval between 30 June 2019 and the date of this report.

31. COMMITMENTS

	2019	2018
Operating lease expenditure commitments	**$**	**$**
No later than 1 year	1,447,072	1,386,565
Between 1 and 5 years	6,702,812	6,213,846
Greater than 5 years	13,821,423	15,757,461
	21,971,307	23,357,872

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

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

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

	2019	2018
Capital expenditure commitments	**$**	**$**
No later than 1 year	2,198,663	908,197
Between 1 and 2 years	-	-
Greater than 2 years	-	-
	2,198,663	908,197

The above capital expenditure commitments relate to commitments entered into with suppliers as at 30 June 2019, for the construction of the Melbourne and Sydney datacentres. Further capital expenditure commitments will arise as the Company enters into agreements with contractors and suppliers.

	2019 $	2018 $
Finance Lease / Chattel Mortgage Commitments		
Payable – minimum payments:		
– not later than 1 year	975,731	-
– between 1 and 5 years	2,165,861	-
Minimum payments	3,141,592	-
Less future finance charges	(183,371)	-
Present value of minimum payments	2,958,221	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

32. COMPANY DETAILS

The registered office is:

Level 28, AMP Tower
140 St Georges Terrace
Perth WA 6000

The principal place of business address is:

9 Mumford Place
Balcatta WA 6021

DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements, notes and additional disclosures included in the Directors' report and designated as audited, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and Corporations Regulations 2001;

   (b) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the period ended on that date;

   (c) the financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

2. The Chief Executive Officer and Chief Financial Officer have declared that:

   (a) the financial records of the company for the financial period have been properly maintained in accordance with section 295A of the Corporations Act 2001;

   (b) the financial statements and notes for the financial period comply with Accounting Standards; and

   (c) the financial statements and notes for the financial period give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Douglas Loh
Non-Executive Chairman

Dated this 30th day of August 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DXN LIMITED
(formerly The Data Exchange Network Limited)

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of DXN Ltd (the "Company") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

i. giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without modification to our opinion expressed above, we draw attention to Note 1 "Going Concern" of the financial statements which states that the financial statements have been prepared on a going concern basis. Should the Company be unable to achieve the funding outcomes described in Note 1 and continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the financial report.

Key Audit Matters

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

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Cash at Bank including Restricted Cash & Bank Guarantees
Refer to Notes 7 & 12 – total carrying value of $5.36 mill (cash at bank) & $3 mill (restricted cash/bank guarantees)</th></tr>
<tr><td>The Company's total cash at bank holdings (including restricted cash / bank guarantees) comprised 39% of its total assets by value.

We do not generally consider cash to be at a high risk of significant misstatement, or to be subject to a significant level of judgment because it is normally a liquid asset.

However, we determined this area to be key audit matter due to the materiality in the context of the financial statements and because a significant portion of cash is subject to certain restrictions. Restricted cash is required to be classified and presented differently under AASB 101 Presentation of Financial Statements and AASB 107 Cash Flow Statements.</td><td>Our procedures over the existence, completeness, presentation and valuation of the Company's cash included the following:
Documented and assessed the processes and controls in place to record cash transactions;
Agreed cash holdings to independent third-party bank confirmations;
Agreed those amounts classified as restricted cash and bank guarantees to the terms and conditions of the underlying contracts and assessed if these were presented in accordance with AASB 101 and 107;
Assessed the appropriateness of the disclosures included in the primary financial statements and notes to the financial report</td></tr>
</table>

<table>
<tr><th colspan="2">Customer contracts – accuracy of revenue recognition, valuation of works in progress (WIP), trade accounts receivable and income received in advance
Refer to Notes 1(k), 8, 10 & 16</th></tr>
<tr><td>For the year ended 30 June 2019, total revenue from customers was $1.4 million, Works in Progress (WIP) balance was $0.65 million, trade debtors were $0.56 million (net of credit loss allowance) and income in advance was $1.26 million.

Revenue from customer contracts are recognised in accordance with the underlying terms and conditions described in the contract document, provided they fulfil the criteria of AASB 15 Revenue from Contracts with Customers.

The measurement of revenue, WIP and income in advance was a key audit matter due to the risk of revenues and related costs being recorded in the wrong accounting period or at amounts not justified. This could arise from adopting incorrect assumptions or estimates.

Total revenue also includes income from the sale of goods when the significant risks and rewards of ownership are transferred to the buyer and all the other relevant conditions are fulfilled.</td><td>Our procedures included among others:
Obtained an understanding of the processes and relevant controls relating to accounting for customer contracts to ensure compliance with AASB 15;
Read significant customer contracts to understand the terms and conditions and their impact on revenue recognition and accuracy/completeness of income in advance. We previously confirmed the accounting treatment with our Moore Stephens National Head of Technical Accounting;
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 to ensure they were recorded accurately and in the appropriate reporting period;
Examined costs included within WIP balances on a sample basis by verifying the amounts to source documentation and tested its recoverability through subsequent invoicing (if applicable), discussions with management & review of other supporting evidence;
Reviewed ageing of trade receivables and & testing its recoverability to subsequent receipts. We also discussed with management, reviewed Board minutes and other documents concerning the adequacy of the expected credit loss allowance;
Reviewed the relevant disclosures contained in the financial statements.</td></tr>
</table>

Key Audit Matters (continued)

Plant & Equipment – Carrying values of Capitalised Costs, Existence of Assets Refer to Note 13	
During the year ended 30 June 2019, the Company incurred significant capital expenditures related to the construction of its Sydney and Melbourne data centres. Other major capital expenditures included significant plant and equipment and leasehold improvements related to the Sydney premises. At 30 June 2019, the total value of Plant and Equipment of $11.14 mill comprised 3 core categories, namely: • Plant & equipment $2.64 million (23%); • Leasehold improvements $0.55 mill (5%); & • Assets Under Construction $7.77 mill (70%) The carrying values of these assets were considered key audit matters given the significance of these assets to the Company's statement of financial position and the judgement involved in the assessment of impairment. Note that given the infancy of the Company's operations and incomplete status of the Data Centres which are yet to generate any revenues, we are unable to rely on forecast cash flows as a reliable estimate of these assets' value-in-use.	Our procedures included the following: • Reviewing minutes of Board meetings, ASX announcements and other reports for evidence of any impairment indicators • Held discussions with management concerning the progress of the assets under construction • Testing expenditures related to these capitalised costs during the year on a sample basis against supporting documentation such as supplier invoices and various cost agreements and ensuring such expenditures are appropriately recorded in accordance with AASB 116 Property Plant & Equipment; • In addressing the existence audit assertion pertaining to the assets, we attended a tour of the Sydney Data Centre / office in July 2019. Our auditor (from the Moore Stephens Sydney office) was able to physically inspect the construction works in progress and sighted a number of major items such as backup electric generators and water chillers. • Comparing the market capitalisation of the Company against the book value of its total net assets at balance date for any impairment triggers. There were no such triggers given the year-end market capitalisation of $18.8 mill exceeded the net asset value of $16.87 mill. • Reviewed the relevant disclosures contained in the financial statements

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report (continued)

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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2019.

In our opinion, the Remuneration Report of DXN Limited, for the year ended 30 June 2019 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.

SUAN LEE TAN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth on the 30th day of August 2019