

27 July 2021

ASX Release

June Quarterly Activities and Cashflow Report

Pre-fabricated modular Data Centre specialist, DXN Limited (ASX:DXN) is pleased to provide its quarterly activities report and Appendix 4C for the three months ended 30 June 2021 (4Q21).

Highlights

- **Cash Receipts** - \$2.84m for Q4 and \$7.36m for the year to 30 June.
- **New Contracts Secured** - \$1.9m

Operating update

DXN produced cash receipts from customers for the quarter of \$2.84m bringing the total cash receipts for the year to \$7.36m, an improvement of \$2.0m (+38%) over the previous year's \$5.34m.

Net cash outflows used in operating activities for the quarter was (\$78k) bringing the full year figure to (\$2.57m), an improvement of \$3.45m over the previous year's (\$6.02m).

New sales of \$1.9m secured during the quarter included additional contracts with Covalent Lithium, worth circa \$900k, for the supply of modules in Western Australia; a contract with Sub.Co, worth circa \$650,000 to deploy a cable landing station in the Cocos Keeling Islands; and a contract worth circa \$350k for a small pre-fabricated modular data centre in the Solomon Islands.

Outlook

DXN is continuing to see pipeline growth in its primary targeted sectors such as – subsea cable operators and telco. We continue to be confident these sectors will deliver additional opportunities in FY22. As previously reported, DXN will also be focused on further developing our EDGE strategy for regional data centres and opportunities are evolving which may lead to the expansion of our portfolio.

Company Financial and Corporate Overview

DXN had cash available at the end of the June quarter totaling \$1.66m. During the quarter, DXN raised \$528k (before costs) by issuing 44 million fully paid ordinary shares at \$0.012 together with a one for two free attaching unlisted option exercisable at \$0.03 on or before 30 April 2023.

A \$500k secured Principal and Interest Facility was entered into with Export Australia with an interest rate of 6.45% pa.

DXN Limited

ABN: 46 620 888 548

5 Parkview Drive, Sydney Olympic Park, Sydney NSW, 2127

W: dxn.solutions | T: 1300 328 239 | E: info@dxn.solutions

DXN Limited provides a summary of the expenditure incurred during the quarter.

Summary of Expenditure for the Quarter	
Q4 2021 - April to June 2021	
	\$A'000
Research and development	(39)
Product manufacturing and operating costs	(1,783)
Advertising and marketing	(4)
Other Operating Overhead*	(1,183)
Other Non-Operating Overhead	(98)
Depreciation / Amortisation	(1,204)
Total	(4,311)
* Other Operating Overhead is inclusive of staff costs.	

The aggregate amount of payments to related parties and their associates included in the current quarter totalled \$51k. These payments consisted of Director's fees, salaries, and superannuation for non-executive directors. All payments were on normal commercial terms.

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About DXN Limited

DXN is Asia Pacific's only vertically integrated manufacturer and operator of modular data centres. Our core business is designing, engineering, manufacturing, maintaining and operating data centres.

DXN's business has two core divisions that provide complementary and symbiotic services that better captures what we do, how we do it and why we do it. They are our;

1. Modular Division – designs, engineers, manufactures, and deploys EDGE facilities and critical DC infrastructure ; and
2. Data Centre Operations - operates, maintains and markets data centres and critical infrastructure for our own DXN data centres as well as our modular customers.

For more information please contact:

Matthew Madden, CEO

T +61 1300 328 239

E: investorrelations@dxn.solutions

W: <https://dxn.solutions>

ASX release authorised by the Board of Directors.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DXN Limited

ABN

46 620 888 548

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,839	7,363
1.2 Payments for		
(a) research and development	(23)	(90)
(b) product manufacturing and operating costs	(1,613)	(4,626)
(c) advertising and marketing	(4)	(18)
(d) leased assets	(301)	(1,950)
(e) staff costs	(685)	(3,253)
(f) administration and corporate costs	(278)	(1,162)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	19
1.5 Interest and other costs of finance paid	(14)	(71)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		1,180
1.8 Other (provide details if material)		43
1.9 Net cash from / (used in) operating activities	(78)	(2,565)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(c) property, plant and equipment		(140)
	(d) investments		
	(e) intellectual property	(3)	(39)
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (Refund of bank guarantees)		2,059
2.6	Net cash from / (used in) investing activities	(3)	1,880

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	528	733
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(13)	(19)
3.5	Proceeds from borrowings	503	1,179
3.6	Repayment of borrowings	(282)	(3,038)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	736	(1,145)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,013	3,592
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(78)	(2,565)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	1,880
4.4	Net cash from / (used in) financing activities (item 3.10 above)	736	(1,145)
4.5	Effect of movement in exchange rates on cash held	(4)	(98)
4.6	Cash and cash equivalents at end of period	1,664	1,664

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	464	948
5.2	Call deposits	1,200	65
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,664	1,013

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	51
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	1,578	1,578
7.2	Credit standby arrangements	-	
7.3	Other (please specify)	-	
7.4	Total financing facilities	1,578	1,578
7.5	Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <div> <p>1. A \$938,000 secured principal and interest Chattel Finance Facility with ANZ Bank to finance generators and chillers. The interest rate is 4.47% pa.</p> <p>Security</p> <ul style="list-style-type: none"> • Specific Security Agreement (Fixed Charge) over the assets financed; and • General Security Agreement (Fixed & Floating Charge) over the assets of the Company. <p>Conditions & Covenants</p> <ul style="list-style-type: none"> • Provision of semi-annual Financial Statements within 90 days of the end of each financial half year; <p>2. A \$640,000 secured Principal and Interest Facility with Export Australia. The interest rate is 6.45% pa.</p> <p>Security</p> <ul style="list-style-type: none"> • General security agreement over the assets of the company <p>Conditions & Covenants</p> <ul style="list-style-type: none"> • Undertaking that the proceeds will not be used to finance a transaction whose dominant purpose is direct investment outside Australia • A review event is triggered if the company's shares cease to be traded on the ASX. </div>		

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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(78)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,664
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,664
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	21.3
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	<div>Answer:</div>	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	<div>Answer:</div>	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	<div>Answer:</div>	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 July 2021

Authorised by: The Board of Directors.....
(Name of body or officer authorising release – see note 4)

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Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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