

22 October 2021

ASX Release

Pre-fabricated modular Data Centre specialist, DXN Limited (ASX:DXN) (“**DXN**” or “**the Company**”) is pleased to provide its quarterly report and Appendix 4C for the three months ended 30 September 2021 (1QFY22).

Highlights

- **Cash Receipts - \$1.72 million for Q1**
- **Acquisition of Secure Data Centre in Darwin**
- **Capital/Debt Raise of ~\$7.1 million**
- **New Contracts in the period - ~\$4.37 million**

Operating update

The Company produced cash receipts from customers for the quarter of ~\$1.72 million, net cash from / (used in) operating activities for the quarter was (~\$1.78 million)

Strong contract growth in modular manufacturing during the quarter has increased costs which will be released back to the company as these contracts conclude in the near term.

New contracts announced in the period totaling ~\$4.37 million include;

- BSCC’s ~\$1.1 million for the supply of a cable landing station in Palau; and
- Three contracts with wingu.africa totaling ~\$3.27 million for the supply of two edge data centers and a cable landing station in Africa.

During the quarter the Company completed customer projects for both Newcrest Mining and Streamline Connect. The Company also achieved factory acceptance for Covalent Lithium and Boeing.

Acquisition and capital raise

The Company is pleased to have concluded the acquisition of the Secure Data Centre (SDC) in Darwin for ~\$4.88 million on 18 October 2021 (*see previous ASX announcement dated 9 September 2021*).

The Company also completed a capital/debt raise of ~\$7.1 million, comprising of a placement of ~\$1.6 million to sophisticated and strategic investors, a Share Purchase Plan (including the shortfall) of ~\$1.5 million and a \$4 million debt facility with Pure Asset Management.

As part of the placement, the Company welcomed strategic investor DC Alliance Pte Ltd to the register and we look forward to working with them on future opportunities.

Outlook

Since the end of the September quarter, The Company has secured the following:

- A new contract with SUB.CO for ~\$2.5 million (*ASX announcement 14 October 2021*); and
- A proof of concept contract with an international fintech company for a prefabricated modular data centre for \$650,000.

DXN Limited

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The pipeline for modular manufacturing remains strong, with the focus being on the key markets of Subsea Cables, Resources, Telco and EDGE in key regions including the Asia Pacific region, with Africa recently bearing fruit. The Company is confident these sectors will deliver additional contracts in FY22.

The Darwin Data Centre will begin contributing revenues in October alongside our other data centres in Hobart and Sydney.

When combined, the new contracts in the modular manufacturing division that are expected to be delivered in FY22 and the introduction of the Darwin Data Centre revenues put the company in a position to outperform the previous year's revenue.

Company Financial and Corporate Overview

The Company has total funding available heading into the December quarter of ~\$1 million. The quarter showed slow sales performance until the final month with the closure of signed contracts with wingu.africa (~\$3.327 million) and BSCC Palau (~\$1.1 million). Cash outflows in the month were influenced by the timing of payments for staff and manufacturing costs.

The aggregate amount of payments to related parties and their associates included in the current quarter totalled \$28,800. 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.

Our business has two core divisions that provide a complete symbiotic relationship 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 Data Centre 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:

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ASX Release authorised by the Board

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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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,720	1,720
1.2 Payments for		
(a) research and development	(13)	(13)
(b) product manufacturing and operating costs	(1,543)	(1,543)
(c) advertising and marketing	(1)	(1)
(d) leased assets	(381)	(381)
(e) staff costs	(1,345)	(1,345)
(f) administration and corporate costs	(255)	(255)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(11)	(11)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	47	47
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,782)	(1,782)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(7)	(7)
(d) investments		
(e) intellectual property	(7)	(7)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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)		
2.6	Net cash from / (used in) investing activities	(14)	(14)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,644	1,644
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	(122)	(122)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(291)	(291)
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	1,231	1,231

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,664	1,664
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,782)	(1,782)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(14)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,231	1,231
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,099	1,099

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	546	464
5.2	Call deposits	553	1,200
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)	1,099	1,664

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	29
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>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.</i></p> <p><i>Includes directors fees, salaries and superannuation for non-executive directors.</i></p>		

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<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>		
7.1	Loan facilities	1,353	1,353
7.2	Credit standby arrangements	-	
7.3	Other (please specify)	-	
7.4	Total financing facilities	1,353	1,353
7.5	Unused financing facilities available at quarter end		-
7.6	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>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. 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,782)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,099
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,099
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.62
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "NA". 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?

Answer: The company expects net cash outflows to reduce in the next two quarters, as a result of the following:

- Increase in receipts from customers currently under contract over the next 2 quarters is expected to be in the range of \$8.1m and \$8.4 million; and.
- The company expects to receive an R&D claim of ~\$800,000

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?

Answer: Yes

- In October the company entered into a \$4m debt facility with Pure Asset Management, of which \$1.5 million is still available to be drawn down by no later than March 2022.
- The Company raised \$1.5 million through a Share Purchase Plan (SPP) and subsequent placement of the SPP shortfall in October 2021

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?

Answer: The company expects to be able to continue its operations and to meet its business objectives based on the responses provided in items 1 and 2 above. The cash receipts identified in point 1 along with the funds raised via a placement, share purchase plan and the facility provided by Pure Asset Management are expected to fund net operating cash flows. Beyond this, the Company also has confidence it can raise further funds from the market, if required.

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.

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: 22 October 2021

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

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

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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.