DXN LIMITED

FY23 REVIEW & BUSINESS UPDATE

October 2023

DXN INFRASTRUCTURE AT THE EDGE

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Introduction

DXN Limited's core business is designing, engineering, manufacturing and supply of industry leading modular data centers.

We have a significant track record in delivering industry leading customized modular data centers in Australia and the Asia Pacific region.

We also own and operate 3 data centers.

Modular Division
Design, manufacture and supply of industry leading Edge facilities across Asia Pacific.

Data Center Operations
Operates, maintains and markets three data centers in Sydney, Hobart and Darwin.

Advanced plans to divest some or all of the assets

DXN Limited Summary

" DXN designs, manufactures, operates and owns data centres that bring critical communication infrastructure closer to where users need it "

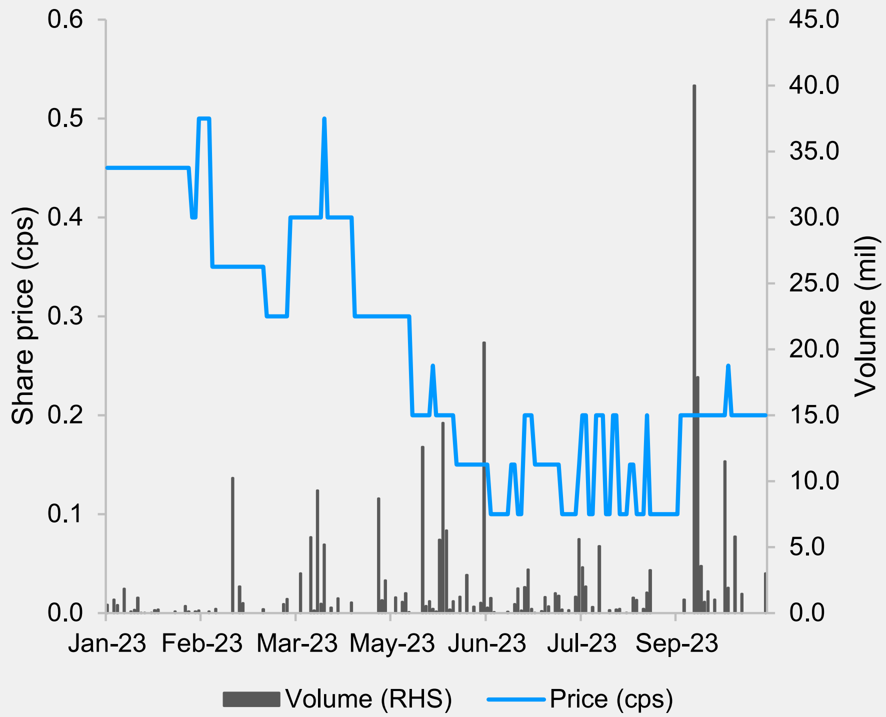
Company Summary

Share Price	[cps]	0.2
Shares on Issue	[mil.]	1,723.0
Market Cap.	[$m]	3.4
Cash (current)	[$m]	0.9
Debt	[$m]	4.2
Enterprise Value	[$m]	6.7
Warrants	[mil.]	200.0

Directors & Management

Peter McGrath	Non-Executive Chairman
Brendan Power	Non-Executive Director
Tim Hannon	Non-Executive Director
Shalini Lagrutta	CEO
Andrew Metcalfe	CoSec

Price & Volume Chart



FY23 Update

- Revenue $6.6m (FY22 $15.4m) including revenues for both modular manufacturing and data centre operations.
- Underlying EBITDA* loss of $2.7m for year (FY22: $3.4m EBITDA loss) after deducting lease costs of $1.9m (FY22 $1.6m)
- Commencement of restructure in April 2023 following appointment of new board members with key focus on:
  - Rebuilding Modular Sales Pipeline – progress being made as shown
  - Exiting Sydney data centre (SYD01) lease – Significant progress made with Heads of Agreement signed with a tenant for the full sub-lease of the SYD01 site. Final lease documentation is expected to be executed between the landlord and the tenant in November, with commencement in December 2023.
  - Divesting and/or sale of data centre asset(s)
  - Operating cost overhead reduced by $1.7 million in FY23, with a further $0.8 million pa expected from end of 1Q24, in addition to Sydney lease exit.
- Restructure, specifically removing SYD01 lease, will provide cash cost savings of circa $1.4 million pa (ex GST)
- The business is anticipated to be cash flow positive from operations from February 2024 once restructuring costs have been finalised.

* EBITDA (underlying) excludes net interest, share issue, and non-cash LTIP costs, depreciation and amortisation, asset impairment

Restructure targeting turnaround to profitable growth

DXN has three key initiatives, which are expected to result in positive cashflow in 2H24 and a strengthened balance sheet to pursue expansion of the Modular Data Centre manufacturing and operations.

Rebuild Modules Sales Pipeline

- The DXN team has secured 42 module sales within the last three years.
- Demand for modular cable landing stations and data centres enabling Edge computing is enjoying strong structural demand and will continue to do so.
- Sales are currently averaging one per month ($1-2m revenue each).
- The new customer pipeline has been materially expanded and additional new orders are expected during the remainder of FY24.

Exit Sydney Data Centre Lease

- A potential new tenant has signed a Heads of Agreement with DXN for the lease of the SYD01 site. The landlord is negotiating final terms with the proposed tenant.
- We are working towards the new lease between the landlord and the tenant being finalized in November with commencement in December 2023.
- The Lease costs are $120,000 per month (ex-GST) and the cash cost saving is expected to be in the range of $1.4 to $1.5 million per annum (ex GST).
- Sydney equipment will be sold with the proceeds anticipated to more or less cover *make-good* costs.

Divest Data Centre(s)

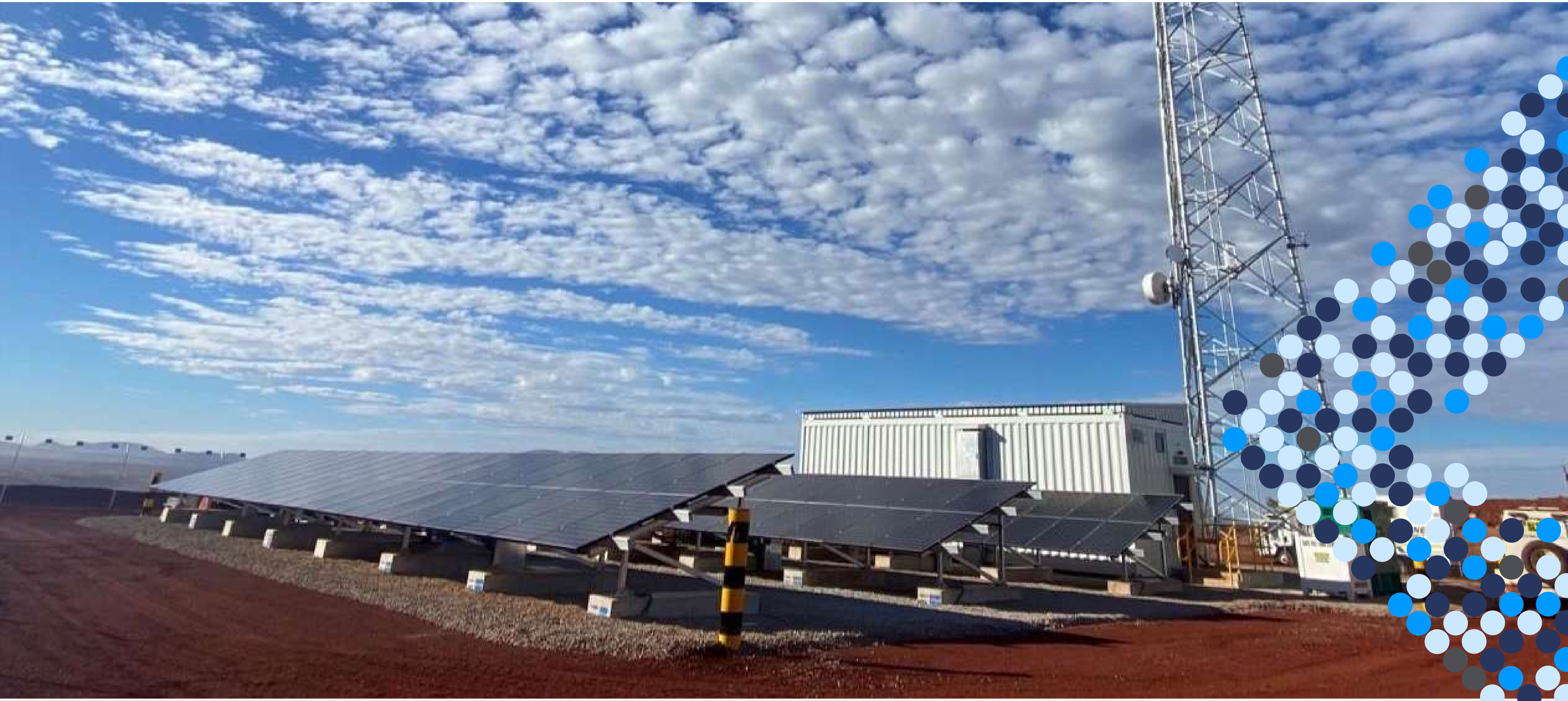
- The Company has resolved to divest one or both of its other Data Centres; which are profitable.
- The Company has several discussions underway, with trade buyers, some of these conversations are now advanced.
- In addition, the Company is in discussions with a financial institution that is investigating purchasing the assets for a high yielding trust, which will be syndicated to property investors.

FY23 Summary – financial initiatives

ACTION		IMPACT
Datacentre division Actively seek the sale or divestment of one or more data centre assets (Darwin and Tasmania) and exit of the Sydney data centre	Well underway	Interest from different parties with discussions well underway for the sale of the Darwin data centre. Heads of agreement for exit of Sydney date centre site lease.
Cost reductions initiated We have reduced costs across the group.	Ongoing	Approximately $0.8 million net savings per annum were initiated in H2 FY23 and targeted during FY24, with meaningful impact commencing in late Q1.
Asset impairment A material write-down of assets, particularly related to the Sydney (SYD01) data centre, which is being exited.	Complete	FY23 non-cash $4.1m asset impairment of fixed assets and receivables.
Cash management Considerable improvement in cash management and cashflow forecasting	Complete and ongoing	Payables reduced 68% to <$1.0m and improved project management terms on Modular contracts to match design and build costs.
Modular Manufacturing division Enhancing operational processes to track and improve gross margins. We have refined supply chain and operational systems to improve manufacturing margins.	Ongoing	Targeting initial 15% improvement in manufacturing gross margins.
Additional improvements are being explored to improve cost and efficiencies in fabrication.	Ongoing	Current assessment is a 10% reduction in manufacturing costs.

Restructure commenced in 4Q23

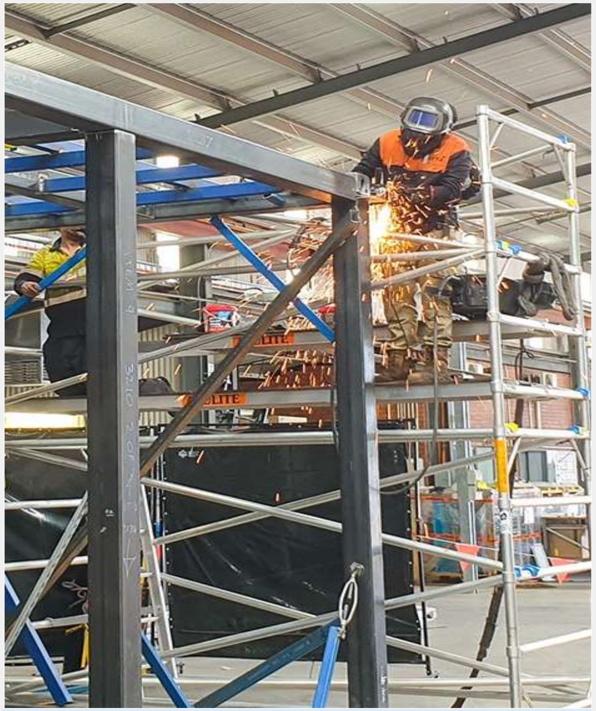
- Significant progress has been made to restore the health of the Company.
- The aborted FLOW acquisition of the Company stalled growth in the Modular business, and it has taken time to rebuild the pipeline.
- New module orders are now coming through and this improving trend is expected to continue.
- Modular Division gross margins, project disciplines and cash flow management have been improved with forecast FY24 gross margins above 30% (1Q24 tracking above 30%).
- $0.8m in net operating costs have been removed or targeted to be removed from the business, with meaningful impact commencing from end of 1Q24.
- The Sydney Data Centre lease is under Heads of Agreement to be surrendered in December, saving the Company $1.4m (ex GST) in cash costs per annum.
- The Data Centre businesses are expected to be sold/ divested or alternatively syndicated with several parties interested in acquiring these assets. Proceeds will be used to reduce debt and fund growth in the Modular Division
- There has been a Board refresh, with Peter McGrath appointed Chairman.
- Forecasting positive EBITDA and cashflow in 2H24.



Modular Data Centres

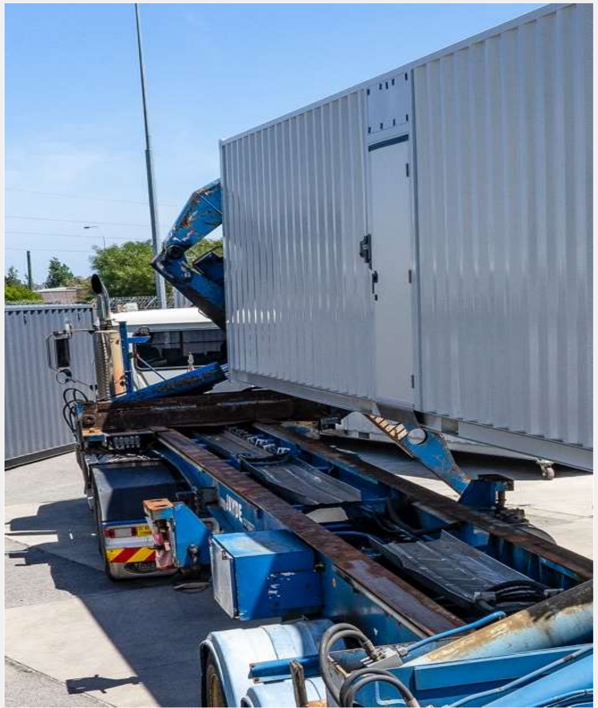
Modular Data Centres

What is a prefabricated modular data centre?



Prefabricated data centre, designed in-house by DXN and are built at our in-house manufacturing facility in Perth, WA

DXN maintains full control over the design and manufacturing process, ensuring the highest standards of quality and reliability.



DXN’s modular design means the data centres can be deployed to any location and easily customised.

Global Deployment Locations

DXN Module Customers

4	AGIG ***	17	SubCo *
5	Teletok ***	18	Boeing *
6	SpeedCast *	19	Covalent Lithium ****
7	Telcom Niue *	20	Streamline Connect *
8	Avaroa Cable Limited **	21	Newcrest Mining **
9	Southern Cross Cable Network ***	22	SISCC *
10	SES | Networks *	23	BSCC Palau *
11	Speedcast *Project 2* *	24	Wingu Africa Edge DC and CLS *******
12	Synergy **	25	Multiplex *************
13	Resolute ******	26	AngloAmerican *
14	SES | Networks *Project 2* *	27	Pilbara Minerals *
15	Venues West *	28	Timor-Leste *
16	AHG *	29	Mawson **

* Represents a single module deployed

* Internal fit out of module

DXN Customers and Market Segments

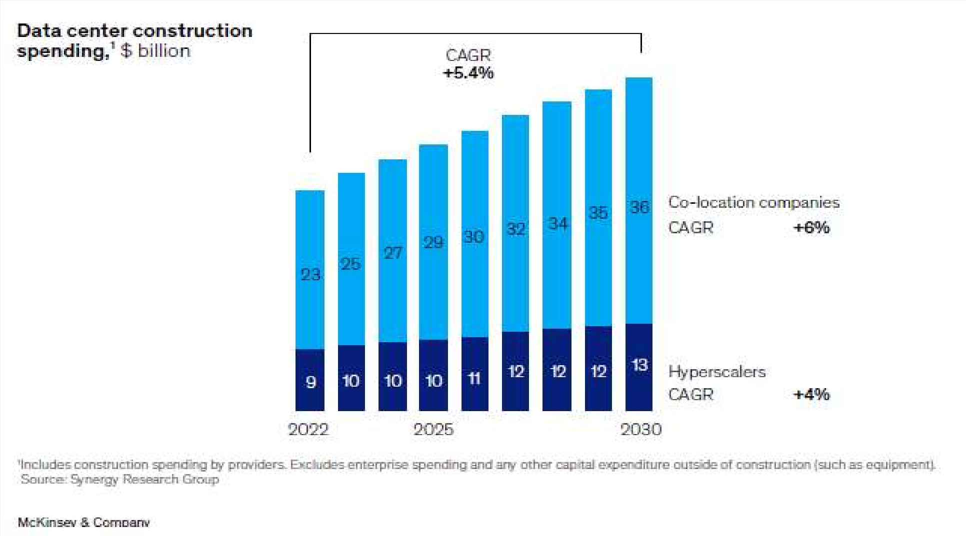
Mining	covalent LITHIUM; NEWCREST MINING LIMITED; Resolute; RioTinto; BHP; ANGLO AMERICAN; Pilbara Minerals
Energy & Gas	synergy; AHG; Australian Gas Infrastructure Group
Construction	MULTIPLEX
CLS*	BSCC; AVAROA CABLE LIMITED; SouthernCross Cable Network; SUB.CO; Telecom Niue; TELETOK
Defence	BOEING
Telco	SES Networks; speedcast; STREAMLINE CONNECT
Government	VENUES WEST
Edge DC	SSC Solomon Submarine Cable; wingu africa

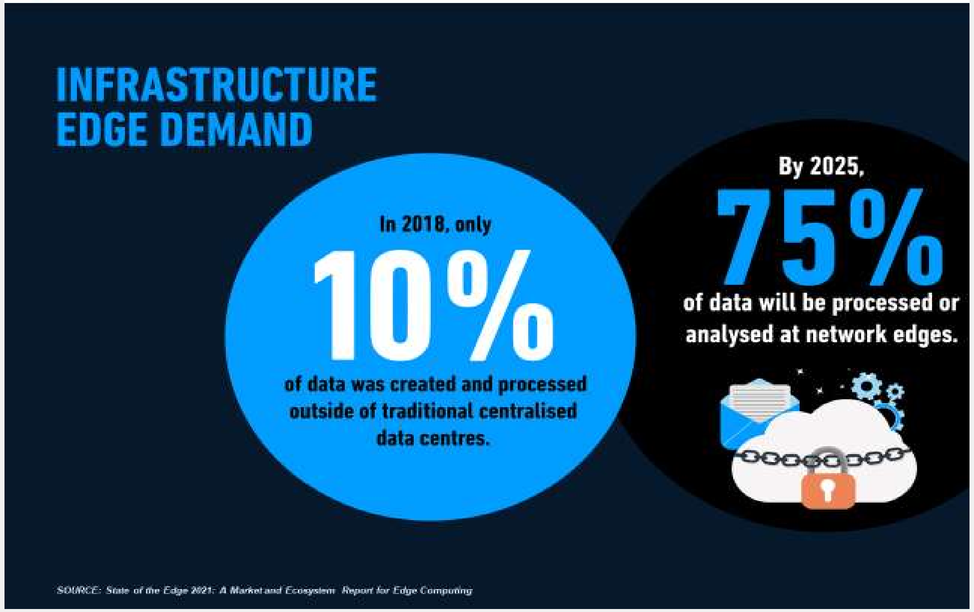
** Cable Landing Station – the landing point for an international cable*

Why Modular Data Centres ?

- In 2022, Hyperscalers spent US$9b to build more capacity - expected to grow by more than 4% pa; Colocation companies spent US$23b expecting growth of 6% pa
- Rising demand for new data centre construction in the prefabricated modular data centre sector*
- **Constraints**: Tight labour market, commodity prices, constrained supply chain,
- Data centre companies increasingly turning to modular solutions to meet their data centre needs because:
    - Reduce construction times
    - Reduce costs,
    - Improves safety, quality and sustainability

    as work takes place in controlled manufacturing settings.
- Push to Edge networks is further increased due to A.I. and machine to machine applications growth.
- Specifically in the APAC market, the demand for high quality modular data centres will continue to grow as Hyperscalers and global internet companies demand high quality solutions that are secure and rapidly deployable.





* McKinsey and Co Report; ** Synergy Research Group;

Market Segments

Broad and growing market opportunities

Cable Landing Stations

- Pre-fabricate specific for submarine cable industry
- Rapid deployment 90 days
- Highest quality factory-built surface Protection C4
- Seismic rating
- Cyclone rating

Mining

- Purpose built
- High quality Australian design and build
- Dark site management
- Rugged and resilient
- Custom designed

Micro DC

- Plug and play, fully integrated solution
- Combining UPS, cooling, security, monitoring and HMI.
- Ideal for enterprise
- 5G telco sites where there is a need for solutions closer to the end user

EDGE DC

- 1-3 MW deployment
- 100-400 racks
- Modular solution that allows scale
- 6 month build to any tier rating
- DC as a Service

Telco and Government

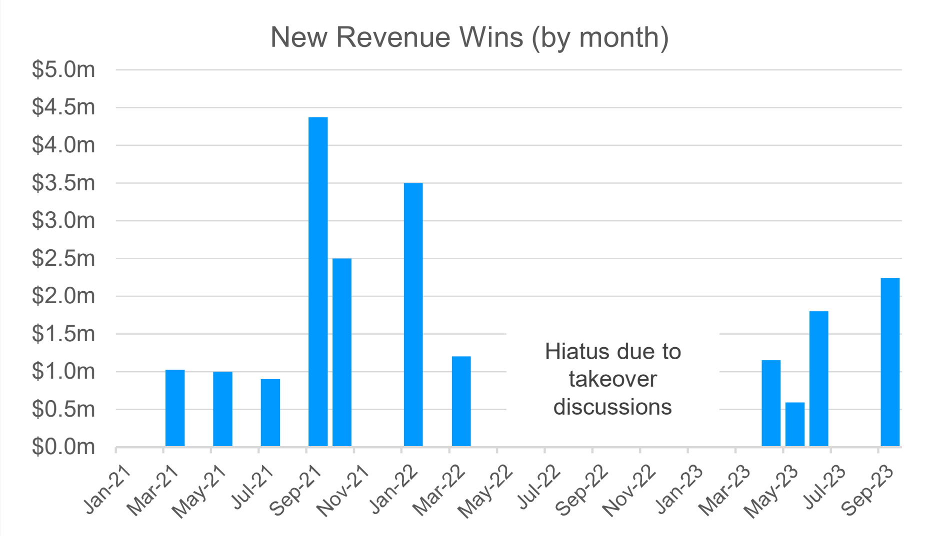
- Edge deployment
- 20kW to 1MW
- 5-200 rack
- 16 week build
- Satellite earth stations

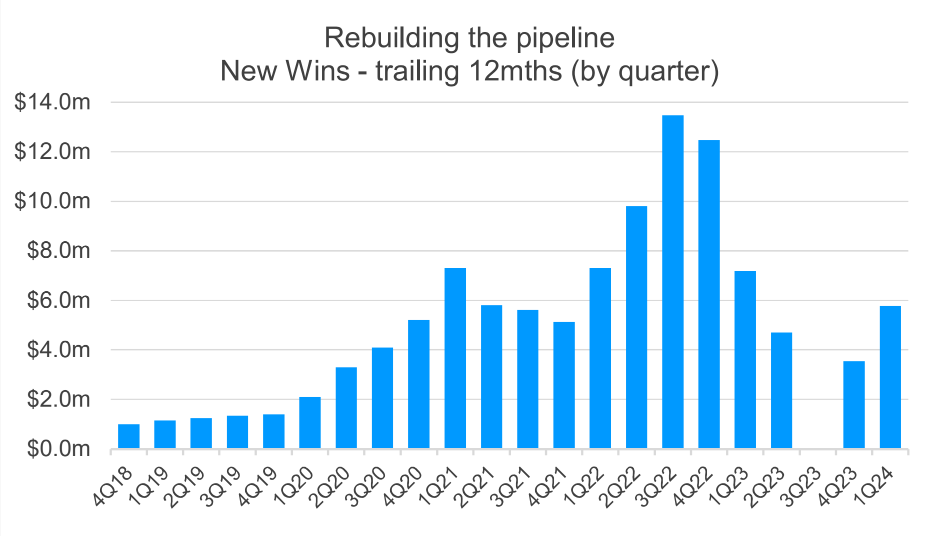
Current opportunity (Cable Landing Stations, Mining, Micro DC)

Emerging Opportunity (EDGE DC, Telco and Government)

Modular Data Centre Operational Overview

- DXN's modular data centre business had been enjoying strong growth in demand until the aborted acquisition of the business by FLOW.
- Manufacturing margins has been improving through a variety of changes undertaken over the course of 1H23 through tighter programme management. Further improvements are anticipated.
- The working capital requirements have been reduced through improved contracting, with a higher proportion of the final price being paid by the customer during construction.
- The Company is now rebuilding demand and, as new contracts are signed, it is expected that this will lead to profitable, cashflow-positive growth.





Outlook

FY24 Key Initiatives

Restructuring close to completion

Maintain focus on cost reduction and efficiencies across the Company

Grow modules business with focus on improving margins, project disciplines and efficiencies – together with and strong pipeline growth in primary targeted sectors

Enhancing manufacturing capacity and capability – increasing scale and diversification of build and supply chain resources

Solidifying Go-To-Market Strategy and Improving routes to market – direct and channel

Build on strong pipeline growth in primary targeted sectors – subsea cable operators, resources and regional telco.

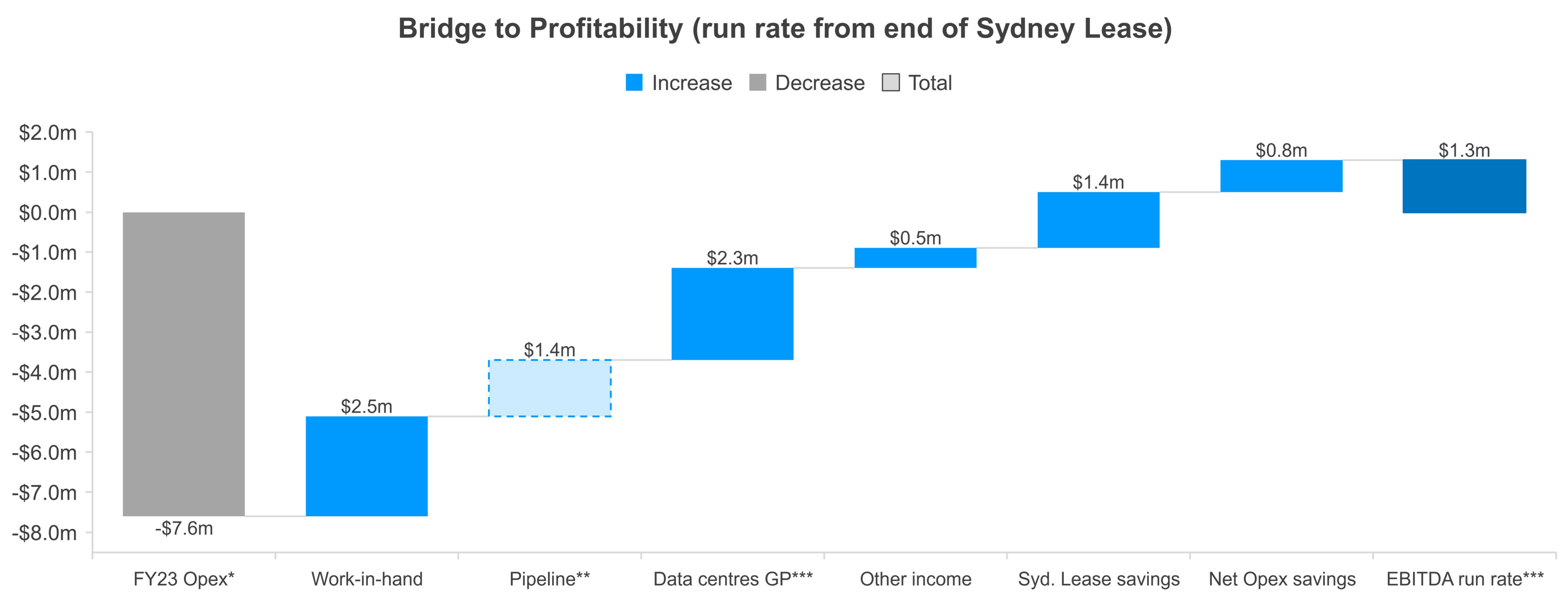
Outlook - Financial

Finalise key restructure initiatives in 1H24:

- Sale/divestment of data centre asset(s) - this will provide cash to further invest in the modular data centre business.
- Exit Sydney site lease

Achieve positive cash flow and underlying EBITDA for 2H FY24

Grow modules business with focus on pipeline growth with both work in hand and new pipeline work, improving margins, project disciplines and efficiencies – together with and strong pipeline growth in primary targeted sectors



** including lease expense; ** based on current strong pipeline; *** prior to sale/ divestment of Data Centre(s)*

Appendix

FY23 Summary – Financials P&L (Audited)

Group Revenue (Annual Report)	FY22	FY23	
Revenue	14,263	5,048	
Revenue - Asset held for sale (Darwin)	1,123	1,528	
Group Revenue	15,386	6,576	

P&L By Segment	FY22	FY23	
Module revenue	13,131	3,839	*Fall in sales due to FLOW takeover offer delaying customer orders. Rapidly recovering*
Data Centre revenue	2,255	2,737	*Increase year on year of 21%*
Group Revenue	**15,386**	**6,576**	
Modules Gross Margin	2,906	1,980	
Data Centre Gross Margin	1,745	1,751	
Group Gross Margin	**4,651**	**3,731**	
Modules Gross margin	*22%*	*52%*	*Increase in margin boosted by FLOW licence payments*
Data Centre Gross margin	*77%*	*64%*	*Decrease in gross margin due to one- off costs in Sydney Data Centre*
Other Income	996	1,175	*Largely R&D reclaim*
Operating costs (ex-Impairment)	-7,462	-5,758	*22% reduction in operating costs. A further $0.8m in savings expected*
EBITDA	**-1,815**	**-852**	
Lease expenses	-1,597	-1,861	*$1.3m relates to Sydney Data Centre site, which DXN is seeking to reassign*
EBITDA (underlying)	**-3,412**	**-2,713**	
D&A (ex-Lease)	-2,107	-1,257	*Reduction in D&A due to impairment of assets*
Finance (ex-Lease)	-1,264	-1,532	
Other	-119	-36	
Impairment		-4,074	*Impairment of carry value of Sydney Date Centre and inventory*
Net Loss	**-6,902**	**-9,612**	

FY23 Summary – Financials Balance Sheet (Audited)

Year to June (A$'000)	FY22	FY23	*Comments*
Assets			
Current assets			
Cash and cash equivalents	1,925	710	*Total cash $1.3m at 30 June 2023*
Cash in Assets held for sale		558	
Trade and other receivables	650	221	
Inventories/work in progress	1,248	376	*Reduction inventories and WIP including impairment of inventories at 30 June 23*
Other assets	134	141	
	3,957	2,007	
Assets held for sale (ex cash)	0	6,031	*Darwin data centre - currently in discussion with multiple parties*
Total current assets	3,957	8,038	
Non-current assets			
Property, plant and equipment	7,193	1,160	*Reduction due to impairment of SYD01 PPE together with reclassification of Darwin PPE to current assets*
Right-of-use assets	11,185	8,358	*Reduction due to amortisation in year together with reclassification of Darwin Right of use assest to current assets.*
Intangibles	3,797	237	*Reduction due to amortisation in year together with reclassification of Darwin Intangibles to current assets.*
Other assets	1,137	689	
Total non-current assets	23,313	10,444	
Total assets	**27,270**	**18,481**	
Liabilities			
Current liabilities			
Trade and other payables	2,503	976	*Reduction reflects catch up payments of FY22 trade and other payables during FY23*
Contract liabilities	333	698	
Borrowings	59	144	
Lease liabilities	729	716	
Other financial liabilities	1,007	1,475	
	4,630	4,010	
Liabilities assets held for sale	0	1,929	*Darwin data centre - currently in discussion with multiple parties*
Total current liabilities	4,630	5,939	
Non-current liabilities			
Borrowings	4,000	4,113	*Secured Loan two year term remaining; $0.3m avaliable under Facility*
Lease liabilities	10,776	8,190	*Lease repayments and reclassification of Darwin lease to current liabilities.* ***Reduced to $1.4m after Sydney lease assigned***
Other financial liabilities	416	414	
Total non-current liabilities	15,192	12,718	
Total liabilities	**19,822**	**18,657**	
Net (liabilities)/assets	**7,448**	**-175**	

FY23 Summary – Financials Cashflow (Audited)

Year to June (A$'000)	FY22	FY23	Comments
Cash flows from operating activities			
Receipts from customers	16,630	8,851	*Reduction in year due to significant drop in module revenue*
Payments to suppliers and employees	-17,888	-11,034	*FY23 payments included a $1.5m reduction in trade creditors*
R&D tax incentive claim	827	1,030	
Other income	52	-377	
Net cash (used in) operating activities	-379	-1,531	
Cash flows from investing activities			
Payments associated with the acquisition of business	-3,817	0	*FY22 acquisition of Darwin Secure Data Centre*
Payments for plant and equipment	-24	-136	
Payments for intangible assets	-25	-198	
Net cash (used in) investing activities	-3,866	-334	
Cash flows from financing activities			
Proceeds from issue of shares and options	3,144	2,125	
Payment of capital raising costs	-202	-172	
Net Financing	1,565	-729	
Net cash from financing activities	4,507	1,224	
Net (decrease)/increase in cash and cash equivalents	262	-640	
Cash and cash equivalents at start	1,664	1,925	
Effects of exchange rate	-1	-16	
Cash and cash equivalents at end	**1,925**	**1,268**	

FY23 Summary – New Board

A New Board

In the period from November 2022 to February 2023, the Board was refreshed with Peter McGrath appointed Chairman.

Mr. McGrath has over 30 years of business experience in telecommunications, ICT, and corporate advisory, with over 20 years in senior leadership positions. Mr. McGraths has served as CEO of several major Australian telecommunications companies and has extensive experience in equity capital markets and corporate finance. Peter is currently the Chief Executive Officer and Executive Director of Comms Group Limited.

PETER McGRATH
Non-Executive Director (Independent)

Mr. Hannon is Managing Director of Natural Capital investment firm Gaia Natural Capital. Tim is also a principal of Conrad Capital Group, a corporate advisory and funds management group. Tim has 25 years' experience in the investment and securities markets. Tim was a former partner of Goldman Sachs where he enjoyed an 18-year tenure, holding roles such as Head of Australian Equities, Head of Real Estate and Co-Manager of Global Real Estate Securities portfolios.

TIM HANNON
Non-Executive Director (Independent)

Mr. Power is Managing Director of Clear to Work and Safe Food Pro Partners, both large successful private companies in the education, hospitality, and software industries. Brendan is also Chair of Bronco's League Clubs and Power Tynan. With over 30 years business management experience he is a commercially astute project manager, public speaker and published author

BRENDAN POWER
Non-Executive Director (Independent)

Mr Metcalfe (B.Bus, CPA, FGIA, GAICD, Grad.Dip. CorpSecPrac & AppCorpGov) is an accomplished company secretary with extensive board and governance expertise. With a hands-on approach and practicality, Andrew strengthens compliance, regulatory functions, and corporate governance platforms. He has collaborated with over 50 ASX listed companies, providing support, education, and establishing robust governance practices.

ANDREW METCALFE
Company Secretary (Independent)

Timeline

Business Development Milestones

Nov 2018 Modular manufacturing commenced focused on Internal needs

2019

Apr 2019 - First undersea CLS order signed with Niue Government $500k

May 2019 - DXN sign Radlink Communications deal for $1.06m

Jul 2019 - DXN sign Avaroa Cable Ltd deal for NZ$1.2

Sep 2019 - New focus on pre-fabricated modular solutions for Subsea Cable Landing Stations, Mining and EDGE Data Centres

Oct 2019 - DXN sign SES contract deal for AU$200k

Nov 2019 - DXN signed Southern Cross NEXT 3 x CLS for $1.8m

2020

Jan 2020 - DXN Provide Turnkey Data Centre Solution for AGIG for $AU670k

Feb 2020 - DXN acquire Tasmania DC

Mar 2020 - DXN sign Teletok deal for AU$714k

Apr 2020 - DXN CLS Deal with Speedcast

Aug 2020 - DXN sign Newcrest Mining deal for AU$1.5m

Dec 2020 - DXN sign Streamline Connect pty deal

Dec 2020 - DXN sign APX Partner ltd deal AU$1.1m

2021

2021 - New modular fit for purpose manufacturing facility (WA)

Mar 2021 - DXN sign Boeing and Covalent Lithium Deal worth AU$1m

May 2021 - DXN sign Sub.co and Solomon Island Submarine Cable Compnay deal worth AU$1m

Sep 2021 - DXN acquire Darwin Data Centre

Sep 2021 - DXN sign BSCC deal for AU$1.1m

Sep 2021 - DXN sign Wingu & Palau deals for AU$3.27m

Oct 2021 - DXN sign contract with Sub.co for AU$2.5m

2022

Jan 2022 - Shalini appointed as CEO

Jan 2022 - DXN sign Multiplex deal for AU$3.5m

Mar 2022 - DXN sign fourth contract with Sub.co for AU$1.2m

Nov 2022 - DXN sign Exclusive Distribution and Consultation Agreement with Flow2Edge Holdings LTD $2.0m and $500k per annum

2023

Apr 2023 - DXN sign AngloAmerican deal AU$1m

May 2023 - DXN sign deal with Flow2Edge for module and sales support additional $360k per annum

Jun 2023 - DXN sign deal with Pilbara Minerals for AU$1.8m

August 2023 - DXN given notification of award for Timor Leste CLS for $2.4m

THANK YOU

For more info visit dxn.solutions
or email info@dxn.solutions