



30 April 2024

ASX Announcement: DXN

### March 2024 Quarterly Report

The Board of prefabricated modular Data Centre specialist, DXN Limited ("DXN" or "the Company"), is pleased to provide its quarterly report and Appendix 4C for the three months ended 31 March 2024.

#### Highlights

- During the March 2024 quarter, DXN had a positive operating cash flow for the first time since December 2022.
- DXN completed the exit from its Sydney data centre in March, thereby saving approximately \$1.4m in cash costs per year in lease liabilities over the remaining nine years of the lease.
- DXN received all funds from the \$2.1m equity placement to facilitate the exit from the Sydney lease, pay liabilities including repayment of borrowings and provide working capital for growth of its modular data centre division.
- As reported in the December 2023 quarterly report, DXN received a notification of award to build a modular cable landing station for a consortium of government-owned enterprises with an expected total contract value of approximately \$5.5m, which is now in the final stages of contract completion.
- Total revenue for the quarter of \$2.5m, and YTD \$7.1m compared to \$6.1m at the same time last year, an increase of 17%.

#### Operating Update

##### *Sydney Lease Deed of Surrender*

DXN completed decommissioning and exited the Sydney site in March 2024. The cost of decommissioning was largely offset by proceeds from sales of the decommissioned and repurposed modules to customers.

DXN's exit from the Sydney lease obligations will save the Company approximately \$1.4m annualised cash costs on a pro-rata basis excluding the surrender payment. DXN will complete its deferred settlement obligations, which included back-rent and rent to exit date, by December 2024.

##### *Equity Raising*

In January 2024, DXN completed the \$2.1m placement from existing shareholders and new investors (**Placement**). The Placement was executed at 0.2cps (\$0.002 per share) pre consolidation.

Proceeds from the Placement are being utilised to:

- provide capital required to facilitate the exit of the Sydney site lease;
- pay liabilities including paydown \$325k of borrowings; and

- fund the working capital requirements of the Modular Division, including the large cable landing station project for which DXN has received notification of an award as announced in December 2023.

### *Modular Data Centre Manufacturing*

Modular revenue recognised during the March quarter was \$1.8m bringing YTD revenue to \$4.9m, compared to \$3.9m to March 2023. DXN has focused on delivering the previously announced modules including Pilbara and East Timor alongside working on new design orders.

In December 2023, DXN was notified of an award to build modular cable landing stations for a consortium of government owned enterprises expected to have a total contract value of approximately \$5.5m and be delivered within 12 months from project commencement. This is now in the final stages of completion.

### *Data Centre Operations*

DXN's data centres continue to operate in line with expectations, with revenue for the March quarter of \$726k (previous quarter \$761k). Revenue from the Sydney Data Centre ceased in January 2024.

DXN signed a deed of variation with the original Darwin vendors and entered into a repayment plan for the remaining warranty payment over three years. In addition, DXN terminated the consulting agreement with the Darwin vendors and in parallel entered into an agreement with a new management company, OneIT Services who are based in SDC Darwin, to manage that data centre and assist in sales growth.

DXN continues to review various options to sell or divest one or both of its data centre assets, thereby providing the opportunity to partially repay existing debt facilities and invest further in the Modular Division's growth opportunities.

### Summary of Payments

During the March quarter the Company's payments included the following:

- product manufacturing and operating costs of \$1.790m (previous quarter \$877k) as the Company increased production to meet new module orders;
- staff costs of \$692k (previous quarter \$736k);
- administration and corporate of \$934k (previous quarter \$513k). This includes payment in relation to decommissioning of the Sydney Data Centre; and
- leased assets of \$395k (previous quarter \$274k) in relation to payments to the Sydney landlord and our other locations. The payments for the Sydney Data Centre will cease in December 2024.

### Operating Cash Flow

During the March 2024 quarter, DXN had a positive operating cash flow for the first time since December 2022.

### Cash Position

As of 31 March 2024, DXN had a cash balance of \$2.038m (previous quarter \$1.088m).

### Related Party Payments

The aggregate amount of payments to related parties and their associates included in the March quarter totaled \$43k. These payments consisted of director's fees, salaries, and superannuation for non-

executive directors. All payments are made on normal commercial terms.

## Corporate

On 22 January 2024 the Company held a general meeting of shareholders where shareholders ratified an issue of 430M ordinary shares issued under Tranche 1 of the \$2.1M placement; approved an issue of 545M ordinary shares under Tranche 2 of the same placement; approved an issue of 75M shares to directors participating under the Tranche 2 capital raise, approved an issue of 70M options to directors; and approved a consolidation of capital on the basis of every 15 ordinary shares being consolidated into 1 ordinary share in DXN which became effective on 13 February 2024. The Company has 184,889,354 ordinary shares on issue, post consolidation.

On 1 March 2024, Dr Myo Myint Ohn was appointed to the Board as a Non-executive Director. Dr Ohn is a director of the One Matrix Ventures, a significant shareholder in DXN.

## Outlook

The Company has the capability to further expand the Data Centre Modular Manufacturing business. Given the experience and expertise in this line of business and the continued cost restructuring program to streamline business operations across its Data Centre Operations, the Company is seeking to reach operating breakeven and profitability during FY25.

The DXN team has secured 58 modular deployments since it began operations with demand for modular cable landing stations and prefabricated data centres continuously growing in the Australia and South-east Asia region. Prefabricated custom-built modular data centres has strong structural demand with \$1-2m average revenue. The new customer pipeline has also been materially expanded and additional new orders are expected during the remainder of FY24.

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For more information please

contact: Shalini Lagrutta, CEO

T +61 1300 328 239

E: [investorrelations@dxn.solutions](mailto:investorrelations@dxn.solutions)

Release authorised by the Board.

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## About DXN Limited

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

The Company a leading provider across the Asia Pacific region with a significant track record with major government and blue-chip enterprise customers.

It has two core divisions that provide a complete symbiotic relationship. These divisions are:

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 <https://dxn.solutions>.

## 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")**

31 March 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,287	7,971
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(1,790)	(3,291)
(c) advertising and marketing	0	0
(d) leased assets	(396)	(848)
(e) staff costs	(692)	(2,140)
(f) administration and corporate costs	(934)	(2,042)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(120)	(231)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	2	210
1.8 Other (provide details if material)	(132)	(340)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>228</b>	<b>(708)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	(22)	(34)
(d) investments	0	0
(e) intellectual property	0	0
(f) other non-current assets	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	(85)	(85)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(107)</b>	<b>(119)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	915	1,775
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(94)	(160)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>821</b>	<b>1,615</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,088	1,268
4.2	Net cash from / (used in) operating activities (item 1.9 above)	228	(708)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(107)	(119)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	821	1,615
4.5	Effect of movement in exchange rates on cash held	8	(18)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,038</b>	<b>2,038</b>

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	2,038	1,088
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)		0
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,038</b>	<b>1,088</b>

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	43
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<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>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	4,000	4,000
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	<b>Total financing facilities</b>	4,000	4,000
7.5	<b>Unused financing facilities available at quarter end</b>		0
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.		
	A \$4.0m secured facility with Pure Asset Management to finance working capital. The interest rate (including line fee) is 11.25% p.a. plus a 2.5% establishment fee. The maturity date is 14 October 2025 and the facility is secured by a General Security Agreement over the assets of the company		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	228
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,038
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	2,038
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	n/a
	<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?	
	Answer: n/a	
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: n/a	
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: n/a	
	<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: 30 April 2024

Authorised by: .....  
(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 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.