

27 January 2021

ASX Release

Pre-fabricated modular Data Centre specialist, DXN Ltd (ASX:DXN) is pleased to provide its quarterly report and Appendix 4C for the three months ended 31 December 2020 (2Q21).

Highlights

- **Positive Cashflow** - maiden positive cash flow from operating activities
- **Cash Receipts** - \$1.97M up \$910k (+89%) on prior quarter
- **New Contracts** - \$1.8m
- **Installations** - completed installation for first cable landing station in Fiji for Southern Cross Cable Network
- **Debt Facility** - ANZ debt facility restructured

Operating update

DXN has achieved a quarterly positive cash flow for the first time with net cash from operating activities of \$55k. This has been driven by a reduction in overhead costs and increased cash receipts from customers. DXN received our annual R&D and export grant this quarter consistent with previous years of \$901k.

Cash receipts for the quarter of \$1.97m were up 89% on the prior quarter (\$910k), including a payment from Southern Cross for \$610k, as previously reported.

The Tasmanian Data Centre, TAS01 continues in line with previous guidance to be strongly cash flow positive. TAS01's performance validates DXN's regional EDGE Data Centre strategy.

New sales in the period of \$1.8m include key contracts secured with Streamline Connect, worth c. \$700k, for the supply of modules to a large mining customer in the Western Australia Pilbara region, and a contract with APX Partners, worth c. \$1.1m, for a cable landing station.

The deployment of modules for Southern Cross Cable Network's cable landing station in Fiji was completed. DXN moved to larger and more efficient manufacturing site at Welshpool greatly increasing our modules production capability and throughput.

The ANZ facility was successfully renegotiated reducing repayment costs by \$85k per month assisting in further improving the company's cash position. In addition, certain covenants were removed and the loan structure greatly simplified.

Outlook

Border closures and International travel presented challenges for project delivery for DXN throughout 2020. A continued focus on reducing the impact on our customer installations will be a priority in the balance of the financial year. To offset potential delays and issues caused by Covid-19, DXN has entered into several sub-contract arrangements to help with commissioning and installation activities in both international and Australian locations.

DXN Limited

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Colocation sales at SYD01 our Sydney Data Centre continue to be slow, however the new sales strategy implemented in September 2020 is showing some promising signs.

DXN is experiencing strong pipeline growth in our primary targeted sectors – subsea cable operators, resources and regional telco. These sectors are expected to continue to deliver near term opportunities which are expected to close in the third quarter. As previously reported, DXN will also be focused on further developing our EDGE strategy for regional Data Centres and several opportunities are emerging to grow our portfolio.

Company Financial and Corporate Overview

Cost management continues to be a focus for DXN with an offset to the Melbourne facility lease costs a priority.

Total available funding at the end of the quarter was \$2.3m.

The aggregate amount of payments to related parties and their associates included in the current quarter totalled \$34k. These payments consisted of Director's fees, salaries, and superannuation for non-executive directors. All payments were on normal commercial terms.

-ends-

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 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:

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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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,970	3,030
1.2 Payments for		
(a) research and development	(52)	(52)
(b) product manufacturing and operating costs	(906)	(1,961)
(c) advertising and marketing	(4)	(8)
(d) leased assets	(550)	(1,163)
(e) staff costs	(991)	(1,930)
(f) administration and corporate costs	(297)	(693)
1.3 Dividends received (see note 3)		
1.4 Interest received	9	16
1.5 Interest and other costs of finance paid	(25)	(40)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	901	1,180
1.8 Other (provide details if material)	-	43
1.9 Net cash from / (used in) operating activities	55	(1,578)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(84)	(100)
(d) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	(14)	(32)
	(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)	2,012	1,985
2.6	Net cash from / (used in) investing activities	1,914	1,853

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	205
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	(2)	(4)
3.5	Proceeds from borrowings	676	676
3.6	Repayment of borrowings	(466)	(507)
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	208	370

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,060	3,592
4.2	Net cash from / (used in) operating activities (item 1.9 above)	55	(1,578)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,914	1,853
4.4	Net cash from / (used in) financing activities (item 3.10 above)	208	370
4.5	Effect of movement in exchange rates on cash held	(87)	(87)
4.6	Cash and cash equivalents at end of period	4,150	4,150

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	1,039	1,428
5.2	Call deposits	1,203	632
5.3	Bank overdrafts		
5.4	Other – Restricted Cash	1,908	
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,150	2,060

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

34

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

Includes director's fees, salaries and superannuation for non executive directors.

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	3,435	3,435
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,435	3,435

7.5 Unused financing facilities available at quarter end

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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.

1. A \$2.925 million secured principal and interest Chattel Finance Facility with ANZ Bank to finance generators and chillers. The interest rate is 4.47% pa.
2. A \$101,474 secured principal and interest Chattel Finance Facility with the ANZ Bank to finance various vehicles. The interest rate is 4.92% pa.

On 5 January 2021, the facility amount and amount drawn were reduced to \$1.118 million following the refund of a \$2 million bank guarantee deposit (refer to sections 2.5 and 5.4 above) held by the ANZ against this facility.

Security

- Specific Security Agreement (Fixed Charge) over the assets financed; and
- General Security Agreement (Fixed & Floating Charge) over the assets of the Company.

Conditions & Covenants

- Provision of semi-annual Financial Statements within 90 days of the end of each financial half year;
- 3. A \$500,000 secured Principal and Interest Facility with Export Australia. The interest rate is 6.55% pa.

Security

- General security agreement over the assets of the company

Conditions & Covenants

- 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)	55
8.2	Cash and cash equivalents at quarter end (Item 4.6) *	2,242
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	2,242
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

Note – Cash and cash equivalents at quarter end excludes a restricted cash amount of \$1.908 million. This amount was used on 5 January 2021 to pay down the ANZ asset finance facility.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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:

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:

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:

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 January 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 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.