



29 April 2021

ASX Release

Pre-fabricated modular Data Centre specialist, DXN Ltd (ASX:DXN) (“**DXN**” or “**Company**”) is pleased to provide its quarterly report and Appendix 4C for the three months ended 31 March 2021 (3Q21).

Highlights

- **Cash Receipts** - \$1.49M for Q3 and \$4.5m year to date (YTD)
- **New Contracts** - \$1.0m
- **Factory Completion** – modular data centre for Newcrest Mining

Operating update

DXN produced cash receipts from customers for the quarter of \$1.49m bringing the YTD cash receipts to \$4.52m an improvement of \$1.2m (+35%) over the same period last year when cash receipts from customers was \$3.38m.

Net cash from / (used in) operating activities for the quarter was (\$908k) bringing the YTD figure to (\$2.48m) an improvement of \$2m over the same period last year when net cash used in operating activities was (\$4.49m).

New sales in the period of \$1.0m (announced March 2021) include key orders secured with Covalent Lithium Pty Ltd, worth circa \$325k, for the supply of modules in Western Australia, and a contract with Boeing Defence Australia, worth circa \$700k, to deploy a communications module in Australia.

The second module deployed for Southern Cross Cable Network’s cable landing station in Tokelau is in the process of on-site commissioning. Once complete, the team will then move on to the final site commissioning module in Kiribati.

Newcrest Mining’s module (announced August 2020) achieved its factory acceptance testing milestone ahead of schedule. The Streamline Connect module (announced December 2020) is complete and is scheduled for factory acceptance testing this week.

Outlook

DXN is continuing to see pipeline growth in our primary targeted sectors – subsea cable operators, resources and regional telco. We are confident that these sectors will deliver additional contracts in Q4 2021. As previously reported, DXN is also focused on furthering the development of our EDGE strategy for regional Data Centers and several opportunities are evolving.

DXN expects a strong cash collection period between April and June, underpinned by contracted revenue of \$2.3m.

DXN Limited

ABN: 46 620 888 548

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Company Financial and Corporate Overview

The Company has total funding available heading into the June quarter of more than \$2m, including the March quarter cash balance of ~\$1m, the recently announced \$528,000 placement to Armytage Capital and a debt facility of \$500,000 expected to be provided by 1 of 2 debt funders in May.

The aggregate amount of payments to related parties and their associates included in the current quarter totalled \$17,000. 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 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 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")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,494	4,523
1.2 Payments for		
(a) research and development	(15)	(67)
(b) product manufacturing and operating costs	(1,053)	(3,014)
(c) advertising and marketing	(6)	(14)
(d) leased assets	(485)	(1,648)
(e) staff costs	(638)	(2,568)
(f) administration and corporate costs	(190)	(883)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	18
1.5 Interest and other costs of finance paid	(17)	(57)
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	(908)	(2,487)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(40)	(140)
(d) investments		
(e) intellectual property	(5)	(36)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)	74	2,059
2.6	Net cash from / (used in) investing activities	29	1,883

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)	(6)
3.5	Proceeds from borrowings	-	676
3.6	Repayment of borrowings	(2,249)	(2,756)
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	(2,251)	(1,881)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,150	3,592
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(908)	(2,487)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	29	1,883

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)	(2,251)	(1,881)
4.5	Effect of movement in exchange rates on cash held	(7)	(94)
4.6	Cash and cash equivalents at end of period	1,013	1,013

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	948	1,039
5.2	Call deposits	65	1,203
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)	1,013	4,150

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**

17

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	1,257	1,257
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,257	1,257

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 \$984,000 secured principal and interest Chattel Finance Facility with ANZ Bank to finance generators and chillers. The interest rate is 4.47% pa.

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;
2. A \$273,000 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)	(908)
8.2 Cash and cash equivalents at quarter end (Item 4.6) *	1,013
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,013
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.12

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:

The company expects net cash outflows to reduce through the next 2 quarters as a result of expected receipts of circa \$3.5m from customers currently under contract.

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

- The company completed a placement of 44,000,000 fully paid ordinary shares to Armytage Private Pty Ltd to raise \$528,000 on 14 April 2021; and
- The Company is in advanced discussions with 2 debt funders for a facility of \$500,000 and expects this to be finalised during the month of May.

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: Yes, 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 the placement and the debt facility expected to be provided by 1 of the 2 debt funders outlined in point 2 are expected to fund net operating cash flows.

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: 29 April 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.