



30 October 2023

ASX Announcement: DXN

September 2023 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 30 September 2023.

Highlights

- New Modular Data Centre contracts in the September quarter include:
 - supply and installation of a Cable Landing Station (CCLS) with the Government of Timor-Leste for a total contract value of ~USD\$1.4m (A\$2.1m) to be delivered by April 2024
 - This follows the signing of a 2x modular contract with Pilbara Minerals Ltd in June for \$1.8m and the Anglo-American module build in April for \$1.15m.
- Revenue from sales for the quarter of \$1.76m.

Operating Update

Modular Data Centre Manufacturing

In September 2023, DXN reported that it has signed a contract for the supply and installation of 1x Cable Landing Station (CLS) with the Government of Timor-Leste for a total contract value of ~USD\$1.4m (A\$2.1m). The Timor-Leste South Submarine Cable (TLSSC) project aims to construct a submarine cable connection between Díli (Timor-Leste) and the North-West Cable System (NWCS) which spans Darwin and Port Hedland. The TLSSC project depends on the cable landing infrastructure in Díli to provide a secure location for all the infrastructure that is required to terminate and operate the cable system.

Data Centre Operations

DXN’s data centres continue to operate in line with expectations, with receipts for the September quarter of \$1,590k (previous quarter \$694k).

During the September quarter, DXN’s sought to renegotiate its existing Sydney Data Centre lease contract with a view to exit that lease.

Summary of payments

During the September quarter the Company’s payments include the following:

- product manufacturing and operating costs of \$623k (previous quarter \$407k) as the company

increase production to meet new module orders

- staff costs of \$711k (previous quarter \$862k)
- administration and corporate of \$595k (previous quarter \$743k) due to cost reductions
- leased assets of \$178k (previous quarter \$332k)

Operating Cash Flow

DXN had a negative operating cash flow for the September quarter due primarily to increased operating costs to meet new module orders.

Cash Position

As of 30 September 2023, DXN had a cash balance of \$440k.

Related Party Payments

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

Outlook

The DXN Board and management continue to focus on expanding its Data Centre Modular Manufacturing business due to experience and expertise in this line of business and streamline business operations across its Data Centre Operations as part of its cost restructuring program to reduce costs and return the company to operating breakeven and profitability.

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For more information please

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Release authorised by the Board.

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 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.

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")

30 September 2023

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	1,590	1,590
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(623)	(623)
(c) advertising and marketing	0	0
(d) leased assets	(178)	(178)
(e) staff costs	(711)	(711)
(f) administration and corporate costs	(595)	(595)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(112)	(112)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	37	37
1.8 Other (provide details if material)	(209)	(209)
1.9 Net cash from / (used in) operating activities	(801)	(801)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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)	0	0
2.6	Net cash from / (used in) investing activities	0	0
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
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	0	0
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
3.10	Net cash from / (used in) financing activities	0	0
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,268	1,268
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(801)	(801)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	0

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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)	0	0
4.5	Effect of movement in exchange rates on cash held	(27)	(27)
4.6	Cash and cash equivalents at end of period	440	440

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	440	440
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)		0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	440	440

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	0
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>		

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	4,150	4,150
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	4,150	4,150
7.5 Unused financing facilities available at quarter end		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 \$4.15m 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		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(801)
8.2 Cash and cash equivalents at quarter end (item 4.6)	440
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	440
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.55
<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: YES, the company has increased manufacturing operations to meet new module orders and continues to reduce operating and corporate costs in line with its strategy	
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, the company has engaged with brokers to raise new capital to support DXN's key corporate initiatives, including facilitating the exit from its lease of a data centre in Sydney, working capital requirements for the modules business and general corporate purposes. The company continues to seek a sale of its data centres that will generate additional capital to repay loans and increase funding for manufacturing operations. The company has also lodged its R&D refund application which is expected to be received in the December quarter.	

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: YES, the company expects to be able to continue operations and to meet its business objectives as it continues to grow its module manufacturing business generating new contracts and revenues, seeking capital via an equity raise, continues to progress the proposed sale of data centres, and continued reduction in operating expenses.

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: 30 October 2023

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.