



25 July 2023

ASX Announcement: DXN

June 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 June 2023.

Highlights

- Modular Data Centre contracts in quarter totaling \$3.9m
- New orders include:
 - Anglo American module build order for \$1.15m
 - order from Pilbara Mines Ltd for 2 Modular Data Centres for ~\$1.8m, together with
 - first module order from Flow2Edge Holdings (“Flow”) for ~\$590k as part of its Exclusive Global Distribution Licence Agreement (EGDLA)
- DXN has also entered into an agreement with Flow for additional sales support to their Modular Data Centres with an annualised value of \$362k
- Revenue from sales for the quarter of \$1.55m
- DXN continue to streamline costs with further reductions initiated in the quarter with cost reductions benefiting future quarters.

Operating Update

Modular Data Centre Manufacturing

During the June quarter, Anglo American placed a module build order for \$1.15m, as announced to the market on 3 April 2023, and which is scheduled to be delivered and installed by DXN in October 2023 (announced 3 April 2023).

Also during the quarter, DXN signed Pilbara Mining Limited for 2 modular data centres for \$1.8m, with delivery scheduled for February 2024 (announced 30 June 2023)

Further, Flow Digital placed orders totalling \$0.58m during the quarter. DXN continued to provide paid consulting services which increased by \$0.36m per year for its EGCSA contract to Flow (announced 3 May 2023)

DXN has been working closely with Flow as they jointly expand the Asia-Pacific sales pipeline for its module manufacturing business. DXN anticipates that Flow will commence placing orders for modules in the coming quarter(s).

Data Centre Operations

DXN’s data centres continue to operate in line with expectations, with revenues for the June quarter of

A\$694k (previous corresponding quarter A\$700k).

During the June quarter, DXN's sought to renegotiate its existing Sydney Data Centre lease contract and seek additional customers to utilise available space in that centre.

Summary of payments

During the June quarter the Company's payments include the following:

- product manufacturing and operating costs of A\$407k;
- staff costs of A\$862k;
- administration and corporate of A\$743k;
- leased assets of A\$332k.

Operating Cash Flow

DXN had a negative operating cash flow for the June quarter due primarily to a lack of new Data Centre modular sales. As reported under 'Outlook' below, the Company has signed a new modular contract with Pilbara Minerals Limited which, on the back of the Anglo-American contract, will generate cash inflows for the modular manufacturing business over the next 3 quarters.

Cash Position

As of 30 June 2023, DXN had a cash balance of \$1.268 million.

Related Party Payments

The aggregate amount of payments to related parties and their associates included in the June quarter totaled \$44k. These payments consisted of director's fees, salaries, and superannuation for non-executive directors. All payments are made on normal commercial terms.

Outlook

Following the successful execution of the Anglo America and Pilbara Minerals modular data centre contracts, DXN continues to negotiate with other parties to complete additional Data Centre modular sales during the September quarter. The DXN Board and management have continued to focus on expanding its Data Centre Modular Manufacturing business due to its experience and expertise in this line of business.

The DXN team continues to support Flow Digital, underpinned by the EGDLA focused on the APAC market, as well as potential new modular manufacturing opportunities within Australia (primarily in mining and edge data centres), we anticipate a positive revenue response in the FY24 financial year.

DXN will continue to update shareholders on each contract as it grows this business division.

DXN is also in discussions to further streamline its Data Centre operation businesses to reduce costs and return the company to operating breakeven and profitability.

-ends-

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 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,967	8,851
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(407)	(3,859)
(c) advertising and marketing	-	-
(d) leased assets	(332)	(1,742)
(e) staff costs	(862)	(3,990)
(f) administration and corporate costs	(743)	(2,503)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	9
1.5 Interest and other costs of finance paid	(111)	(454)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	4	1,097
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(483)	(2,591)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(2)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(2)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,125
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	-	(172)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	-	1,953

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,753	1,925
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(483)	(2,591)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(2)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,953
4.5	Effect of movement in exchange rates on cash held	(2)	(17)
4.6	Cash and cash equivalents at end of period	1,268	1,268

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	1,268	1,753
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,268	1,753

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	44
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><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></p> <p><i>6.1 - Includes director's fees, salaries and superannuation for non-executive directors.</i></p>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	4,000	4,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	4,000	4,000
7.5	Unused financing facilities available at quarter end		-
7.6	<p>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.</p> <p>A \$4,000,000 secured facility with Pure Asset Management Pty Ltd to finance working capital and acquisitions. The interest rate (including line fee) is 11.25% p.a plus a 2.50% establishment fee. The maturity date is 14 October 2025. The facility is secured by a General Security Agreement over the assets of the company.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(483)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,268
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,268
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.63
	<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: 25 July 2023

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.