



31 January 2022

ASX Announcement

## Quarterly Report

The Board of pre-fabricated modular Data Centre specialist, DXN Limited (ASX:DXN) (“DXN” or “the Company”) is pleased to provide its quarterly report and Appendix 4C for the three months ended 31 December 2021 (Q2FY22).

### Highlights

- Cash Receipts - \$6.2m for Q2 up 214% on same period last year
- New Contracts in the period - ~\$3.2m
- Strong Cash Position - \$3.1m as at 31<sup>st</sup> December 2021
- Resolution of Melbourne Dispute

### Operating update

The December quarter (Q2FY22) recorded the Company’s best sales performance in its history producing cash receipts from customers for the quarter of \$6.2m, an improvement of 214% over the same period last year when cash receipts from customers were \$1.97m.

Net cash generated from operating activities for the quarter was \$1.94m, significantly higher than the previous corresponding period of \$55k.

During the quarter, DXN successfully completed delivery of the following projects:

- Sub.Co Cable Landing Station
- Boeing Defence Modular Data Centre
- Covalent Lithium Edge Data Centre
- Wingu Africa Edge Data Centres and Cable Landing Station

New contracts awarded in during the quarter totalled ~\$3.2m (~\$1.8m over the same period last year) and included:

- Sub.Co Backhaul ~\$2.5m
- Cosmos Grid Tech Crypto Mining ~\$670k

#### **DXN Limited**

ABN: 46 620 888 548

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Below is a summary of the expenditure incurred during the quarter as follows:

<b>Summary of Expenditure for the Quarter</b>	
<b>Q2 2022 - October to December 2021</b>	
	<b>\$A'000</b>
Research and development	0
Product manufacturing and operating costs	-3,405
Advertising and marketing	-1
Other Operating Overhead*	-2,720
Other Non-Operating Overhead	-98
Depreciation / Amortisation	-605
<b>Total</b>	<b>-6,829</b>
<small>* Other Operating Overhead is inclusive of staff costs, Darw in expenses (\$187k), Melbourne rent adjustment (\$455k), legal fees associated with Melbourne dispute (\$200k) and consulting fees on capital/debt raising (\$160k)</small>	

### Melbourne Lease Resolution

The Company advised the market on 25 August 2021 that the liability to pay rent for its Melbourne data centre was the subject of a dispute and that legal proceedings were on foot between the landlord of the Lorimer St property and DXN. The dispute centred around the landlord claiming unpaid rent since February 2021. DXN brought a claim alleging that the landlord repudiated the lease, in essence terminating the lease resulting in no ongoing liability for DXN to pay rent.

DXN participated in mediation with the landlord of the Lorimer Street premises on 17 December 2021 and the dispute was resolved on terms that provide that:

- the Lease is terminated;
- The bank guarantee of \$500,000 (including GST) was surrendered by DXN to the landlord, as a payment in lieu of outstanding rent;
- DXN has no accrued/future liabilities or obligations to the landlord under the Lease; and
- DXN is released from all claims under or in connection with the Lease including those made in the proceeding.

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## Cash Position

As at 31 December 2021, DXN had a cash balance of \$3.1m.

## Company Update

Post the quarter end, Matthew Madden, former CEO of the Company resigned for personal reasons with Shalini Lagrutta, DXN global head of sales, being appointed as CEO of DXN (ASX announcement 18 January 2022).

## Related Party Payments

The aggregate amount of payments to related parties and their associates included in the current quarter totalled \$57k. These payments consisted of Director's fees, salaries, and superannuation for non-executive directors. All payments were on normal commercial terms.

## Outlook

Since the end of the December quarter, DXN has signed a new contract with Multiplex worth ~\$3.5m (ASX announcement 25 January 2022) taking DXN's Modular Division sales bookings for YTD FY22 to ~\$12.5m.

Looking ahead to the rest of the financial year, sales opportunities for the modular data centre division remain strong as we continue to focus on our key market segments of Subsea Cables, Resources, Telco, Satellite and Edge data centres across the APAC region.

The combination of new contracts in the modular manufacturing division expected to be delivered in FY22 and the inclusion of revenues from the Secure Data Centre acquisition in Darwin, puts the Company in a strong position to significantly outperform the previous year's revenue.

## CEO Market Update

The newly appointed CEO, Shalini Lagrutta, will be providing a video market update with a link to be distributed to shareholders on 2 February 2022.

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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 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>

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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 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	6,179	7,899
1.2 Payments for		
(a) research and development	-	(13)
(b) product manufacturing and operating costs	(2,774)	(4,317)
(c) advertising and marketing	-	(1)
(d) leased assets	(460)	(841)
(e) staff costs	(1,184)	(2,529)
(f) administration and corporate costs	(645)	(900)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(5)	(16)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	827	874
1.8 Other (provide details if material)	-	
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,938</b>	<b>156</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	(3,826)	(3,826)
(b) businesses	-	-
(c) property, plant and equipment	-	(7)
(d) investments	-	-
(e) intellectual property	-	(7)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	197	197
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3,629)</b>	<b>(3,643)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,500	3,144
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	(80)	(202)
3.5	Proceeds from borrowings	4,000	4,000
3.6	Repayment of borrowings	(1,335)	(1,626)
3.7	Transaction costs related to loans and borrowings	(370)	(370)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,715</b>	<b>4,946</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	1,099	1,664
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,938	156
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,629)	(3,643)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,715	4,946
4.5	Effect of movement in exchange rates on cash held	(14)	(14)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,109</b>	<b>3,109</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,740	546
5.2	Call deposits	369	553
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,109</b>	<b>1,099</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(57)
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>Includes directors fees, salaries and superannuation for non-executive directors.</i></p>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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	4,000	4,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>4,000</b>	<b>4,000</b>
<b>7.5 Unused financing facilities available at quarter end</b>		-
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 \$4,000,000 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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	1,938
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,109
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,109
<b>8.5 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: 31 January 2022

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.