



December 2024 Quarterly Activities Report and Trading Update

DXN Limited (“DXN” or “the Company”), a prefabricated modular data centre specialist, is pleased to provide an update on the operations for the quarter ending 31 December 2024 (the “December Quarter” or “Q2 FY25”).

Key Highlights

- **Revenue for the quarter of \$4.8 million, an increase of 58.1% from Q1FY25.**
- **Cash balance of \$5.1 million as at 31 December 2024.**
- **Launched new HPC AI Module in January at Pacific Telecom Conference, to meet customers growing demand for AI infrastructure.**
- **Advancements in key customer projects including commencing installation on site at Stanmore Coal.**
- **Work commenced in factory for Pilbara Ports project.**
- **Successful \$6.5 million capital raise, including a 25% reduction in the PURE Asset Management (“PURE”) loan balance, and with an additional 25% to be settled in Q3 2025.**
- **Effective exit from Sydney Data Centre lease, unlocking significant savings.**

Financial highlights

The December quarter began with a \$6.5 million capital raise at \$0.07 per share, with proceeds allocated to upgrading the Darwin Property, driving modular data centre innovation, partially repaying the PURE loan, and supporting general working capital. By the end of the quarter, the Company had utilised funds from the capital raise for the designated debt repayment, reducing the PURE loan by 25%, as well as for settling associated capital raise fees and funding general working capital needs.

Operating Cashflow for the December Quarter was negative (\$2.6) million, compared to negative (\$130k) for the prior quarter ending 30 September 2024. This variance is primarily due to timing differences associated with project progress payments. Specifically, DXN received some customer payments for project milestones during FY24. These payments were related to various segments of current projects, with future progress payments tied to upcoming milestones. In Q2FY25, payments to suppliers and subcontractors for these projects became due, leading to a temporary decline in cash flow. This fluctuation reflects standard project cash flow cycles and does not indicate any underlying operational issues.

The Company remains diligent in managing working capital and ensuring that strong relationships with both our customers and suppliers are maintained.

Cash for the quarter ended at \$5.1 million. During the quarter the Company made a repayment of

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\$1 million to PURE and received shareholder approval at the Company's Annual General Meeting to convert an additional \$1 million of the loan to equity as part of Tranche 2 of its October 2024 capital raise. The equity conversion will be finalised in Q3FY25. This activity was part of DXN's broader strategy to strengthen its balance sheet.

Q2 FY25 delivered revenue of \$4.8 million, an increase of 58.1% (Q4 FY25: \$3.0 million). The Company remains on track to achieve its FY25 revenue guidance.

Importantly, top-line growth remains DXN's priority as the Company continues to capture market share in the short term. It's the Company's imperative to better comprehend the demand within the three identified growth sectors, being Cable Landing stations (CLS), Mining Operations and Edge Data Centres. A recent study on the Company's total addressable market identified a cumulative market value of \$1.1 billion between 2024 to 2029 for DXN's three core segments within Asia Pacific.¹

The increasing demand for international bandwidth and subsea cable deployments for the CLS market, presents a \$158 million annual opportunity. While the rising global demand for critical commodities and increased exploration spend, presents a significant opportunity in modular data centres for mining operations. By 2029 the mining operations segment has a potential annual market opportunity of \$53 million¹.

Finally, increasing demand for localised, low-latency compute solutions is expected to drive demand in the Edge Data Centre division; with annual demand of \$52 million anticipated by 2029, at a 25% compound annual growth rate (CAGR).¹

Operating highlights

Modular Data Centre revenue totalled \$4.1 million during the December Quarter. The revenue contributions were largely derived from existing projects, such as DXN's largest win to date, being the East Micronesia Cable Station (EMCS).

DXN made significant strides across customer projects, which is crucial to the Company's long-term success. DXN continues to strengthen its position within the mining sector, having commenced installation and commissioning of a module to site for Stanmore Coal, following a successful Factory Acceptance Test (FAT) at the Company's facility in late November. The Company also began work on the Pilbara Ports project within its factory; the Company expects FAT delivery for this project by March 2025.

The Company continues to grow its market share within the mining operations segment and the progress being made on these projects further highlights the confidence customers have with DXN's abilities.

DXN's Data Centre Operations delivered revenue of \$646k in Q2 FY25 and is tracking according to plan.

The quarter observed DXN's effective exit from Sydney Data Centre lease, with the final payment of \$61,000 made in November 2024. The exit from lease obligations unlocks approximately \$1.4 million in cash costs per year, over the remaining 9 years of the lease. The exit reflects the Company's ability to manage its obligations efficiently and generate financial savings and is in alignment with DXN's strategy to streamline the business and focus on high-growth areas.

Related Party Payments

¹ All values refer to AUD and are based on Company research and management estimates

The aggregate payments to related parties and their associates totalled \$289k. These payments consisted of fees, salaries, and superannuation for the managing and non-executive directors, including approximately \$78k in back pay commissions from FY24.

Outlook

The third quarter of the year has commenced strongly with DXN having announced a \$0.6 million contract with BwebwerikiNET Limited (BNL), a Republic of Kiribati State Owned Enterprise. The contract is funded by the Asian Development Bank and further strengthening DXN's leading position within the broader Pacific Islands region.

Under the contract DXN has been appointed to design, build and install a Colocation Module and an Office Module and to assist in the mitigation of potential catastrophic failures. The Company will commence the design and build components of the project at the Company's Perth factory; with an expected completion date during 2025.

The BNL signing positions DXN for sustained growth, increasing FY25 YTD Project Wins to approximately \$1.8 million.

In January 2025, some of the team including DXN's Managing Director Shalini Lagrutta attended the Pacific Telecom Conference, a major customer event whereby over 40 customer meetings were held across two days with both new & existing customers. At the conference DXN launched a new HPC AI Module solution, which received positive early feedback from conference attendees. The product combines cutting-edge technology with scalable design, a complete cooling solution that can be prefabricated and tested prior to shipping and a module with built in power backup and distribution. These features highlight DXN's ability to adapt to the rapidly growing demand for AI infrastructure.

The launch of a new product highlights DXN's growing capabilities. The Company continues to be agile and tailor solutions to customer needs. DXN's flexibility and speed alongside robust tailored solutions make it well-positioned to capture significant market share in the coming years and further supports the Company's FY25 revenue guidance of \$16.0 million.

Shalini Lagrutta, Managing Director of DXN, commented, "Our modular solutions are uniquely positioned to meet customer needs for speed, scalability, cost efficiency, and resilience. The first half of 2025 highlights the ability of our nimble team to capitalise on the opportunities presented within the market.

The business continues to gain momentum, with an increasing amount of inbounds from prospective customers. Our focus remains on capturing an increasing amount of the \$1.1 billion market across the three segments we are targeting in Asia Pacific, to grow revenue over the coming years."

Quarterly Webinar

The Company will host an investor webinar with Managing Director Shalini Lagrutta and CFO Laila Green on Wednesday, 5 February 2025 at 10:00am (AEDST).

Investors can register for the webinar via the link below:

https://us02web.zoom.us/webinar/register/WN_SVsbnem3T-6buY4UY9FVkJQ

Following the presentation investors will have the opportunity to ask questions.

Investors can submit questions prior to the webinar to melanie@nwrcommunications.com.au or do so via the Q&A function during the webinar.

Ends-

This announcement was authorised for release by the Board of Directors.

For more information please contact:

Managing Director

Shalini Lagrutta

investorrelations@dxn.solutions

Investor Relations

Melanie Singh

melanie@nwrcommunications.com.au

+61 4 39 748 819

About DXN Limited

DXN is a vertically integrated manufacturer and operator of modular data centres in Asia Pacific. DXN's core business is designing, engineering, manufacturing, maintaining and operating data centres. The Company works with major government and blue-chip enterprise customers.

It has two core divisions:

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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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 2024

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	2,122	5,678
1.2	Payments for		
	(a) research and development	(44)	(44)
	(b) product manufacturing and operating costs	(3,308)	(5,309)
	(c) advertising and marketing	(4)	(5)
	(d) leased assets	(289)	(608)
	(e) staff costs	(841)	(1,609)
	(f) administration and corporate costs	(157)	(579)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	10	21
1.5	Interest and other costs of finance paid	(112)	(229)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	3	3
1.8	Other (provide details if material)	(32)	(101)
1.9	Net cash from / (used in) operating activities	(2,652)	(2,782)
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	(40)	(40)
	(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 (6 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)	(87)	(175)
2.6	Net cash from / (used in) investing activities	(127)	(215)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,068	6,128
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	(35)	(35)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	(1,000)	(1,000)
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	5,033	5,093
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,765	2,984
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,652)	(2,782)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(127)	(215)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,033	5,093
4.5	Effect of movement in exchange rates on cash held	77	16
4.6	Cash and cash equivalents at end of period	5,096	5,096

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	5,096	2,765
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)	5,096	2,765

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	289
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	3,000	3,000
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	3,000	3,000
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 \$4.0m 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 Group.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,652)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,096
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	5,096
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.9
<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: DXN operates a project-based model, where net operating cash flows inherently fluctuate due to the timing of progress payments. Therefore, the current level of net operating cash flows is not expected to remain constant. Cash flows will vary based on the stage and progress of projects, including milestones achieved and the timing of customer payments.
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: No

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, DXN expects to be able to continue its operations and meet its business objectives. This expectation is based on its project-based business model, which generates revenue through progress payments tied to contractual milestones. The entity actively manages its cash flow and resources to align with project demands and has a robust pipeline of future projects.

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 January 2025

Authorised by: The Board of Directors

 (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.