



22 November 2023

ASX Announcement (ASX: DXN)

Trading Update & Equity Raising

Highlights:

- **DXN to exit from its Sydney data centre, thereby saving approximately \$1.4m in cash costs per year in lease liabilities over the remaining nine years of the lease.**
- **DXN signs binding commitments for equity placements to raise A\$2.1m to facilitate the exit from the Sydney lease, repay some existing liabilities, and provide working capital for growth of its modular data centre division.**
- **DXN has received a notification of award to build modular cable landing station to a consortium of government owned enterprises. This is a significant win for the Company and will generate revenues of approximately A\$5.5m, subject to successful completion of contract negotiations.**

DXN Limited (ASX:DXN) (“**DXN**” or “**the Company**”) is pleased to announce the following initiatives, which place the Company on a much-improved footing and allow management to focus on the significant potential of its market leading modular data centre solutions.

Sydney Lease Deed of Surrender

DXN and the landlord of its Sydney data centre located at 5 Parkview Drive, Sydney, Olympic Park, NSW (**Sydney Site**) have signed a Deed of Surrender of the Sydney Site. This will facilitate an exit from the lease, with a deferred settlement payment over 18 months of \$800,000 which includes back-rent and rent until the settlement date.

DXN will surrender the site by the end of February 2024 and will undertake the decommissioning of its modular data centre equipment in the facility, the cost of which it expects will be offset by proceeds of sales of the decommissioned and repurposed modules to customers.

DXN's exit from the lease obligations will save the Company approximately A\$1.4m in cash costs per year on a pro rata basis excluding the surrender payment. DXN will look to relocate existing customers to an alternate data centre in Sydney, where those customers will continue to be serviced by DXN.

Equity Raising

DXN is delighted to announce that in conjunction with the surrender of the lease, it has binding commitments to raise A\$2.1m from existing shareholders and new investors (**Placement**). The Placement was executed at 0.2cps (\$0.002 per share).

The proceeds from the Placement will be utilised to:

- provide capital required to facilitate the exit of the Sydney lease;
- repay some existing liabilities and pay existing creditors; and

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- fund the working capital requirements of the Modular Division, including a large cable landing station project for which DXN has received notification of an award (refer below for further details).

The Placement shares will be issued in two tranches: (1) 430m ordinary shares within the Company's ASX Listing Rule 7.1 and 7.1A placement capacity that are expected to be allotted by 28 November 2023 raising an initial \$860,000 (before costs); and (2) 620m ordinary shares raising \$1.24m (before costs) that will be issued subject to shareholder approval at an extraordinary general meeting expected to be held in January 2024. Investors in the second tranche placement, including PURE Asset Management, members of the Board of Directors of DXN, and new and existing investors, have signed binding commitments to participate subject to shareholders voting in favour of the placement. Further details will be provided in a notice of meeting expected to be issued by early December.

Use of Proceeds

Expected Use of Proceeds	A\$
General working capital purposes	950,000
Repayment of financial liabilities and pay existing creditors	500,000
Working capital to support proposed new modular division contract	250,000
Facilitate exit of Sydney Site	250,000
Transaction and legal costs	150,000
Total	2,100,000

The Board of Directors of DXN will also ratify the issuance of up to 200m options to key management and members of the Board with an exercise price at the Placement price of 0.2cps. Any options issued to members of the Board would be subject to shareholder approval and will be included in the agenda for the January 2024 EGM.

Modular Division Pipeline

While there was uncertainty over the Company's ownership in 1H FY23, some prospective customers delayed discussions. We are pleased to report that customers have resumed their engagement and the Company is in discussions for additional orders with governments, domestic companies and international enterprise customers.

DXN has been notified of an award to build modular cable landing stations for a consortium of government owned enterprises with a total revenue value of approximately A\$5.5m, which is expected to be delivered within 12 months from project commencement, subject to successful completion of contract negotiations. These discussions and contractual negotiations are ongoing and there is not guarantee that they will culminate in the successful award of a binding contract to DXN for the amount of revenue referred to above or at all. DXN will continue to keep shareholders updated as required.

Market demand is strong, and we look forward to announcing additional contract wins in FY24.

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Cost Saving Initiatives

Operating cost overhead was reduced by \$1.7m in FY23, with a further \$0.8m per annum targeted in FY24. The surrender of the Sydney data centre lease will result in a further \$1.4m (ex GST) reduction in cash costs per annum following the payment of the deferred settlement fee of \$800k.

Work is continuing to enhance the overall margins for our modular data centre business. Some cost reductions have already been implemented and further initiatives are being planned in order to increase the scale of our manufacturing capacity and also to enhance our gross margins.

Data Centre Operations

DXN continues to review various options to sell one or both of its data centre assets, thereby providing the opportunity to partially repay existing debt facilities and invest in a sales team to accelerate growth in the Modular Division.

About DXN Limited

DXN's core business is designing, engineering, manufacturing and deploying leading edge modular data centres and critical data centre infrastructure in Australia and internationally. We are a leading provider across the Asia Pacific region with a significant track record with major government and blue chip enterprise customers.

The Company also operates, maintains and markets data centres within Australia.

For more <https://dxn.solutions>.

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ASX Release authorised by the Board

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