

9 September 2021

ASX Announcement

DXN Limited announces acquisition of Darwin data centre, an equity capital raising and new debt facility

Highlights:

- DXN has entered into an agreement to purchase the Secure Data Centre in Darwin, Northern Territory, for ~\$4.88 million (\$4.68 million in cash and \$200,000 in DXN shares).
- In FY21 SDC had unaudited revenues of ~\$1.7 million and EBITDA of ~\$0.7 million.
- SDC offers the only continuously maintainable data centre in the Northern Territory. It currently has 70 racks occupied by a broad range of government, telecommunications and commercial customers. SDC can expand to 127 racks in its current configuration and has a further growth opportunity to develop additional racks at the existing premises.
- DXN has received binding commitments for ~\$1.64 million in a placement to strategic investor DC Alliance (\$1.25 million) and sophisticated investors (~\$0.39 million) and proposes to raise up to \$1.5 million via a Share Purchase Plan ("SPP") available to existing shareholders, with both the Placement and SPP priced at \$0.009 per share.
- DXN has also agreed terms with PURE Asset Management for the provision of a \$4 million debt facility.
- DXN will hold a General Meeting ("GM") of shareholders scheduled for 22 October 2021 to approve the issue of the PURE debt facility warrants and any SPP shortfall.

Acquisition of SDC Data Centre in Darwin

DXN Limited (ASX:DXN)(DXN or the **Company**), has entered into a binding share and unit sale agreement to purchase 100% of a data centre in Darwin, Northern Territory, for a purchase price of ~\$4.6 million in cash and \$200,000 worth of shares in DXN (the **Acquisition**).

As part of the consideration for the transaction (in addition to the cash payment), the Vendors will receive 16,666,667 DXN shares at a deemed issue price of \$0.012 per share, value of \$200,000. \$850,000 of the purchase price will be retained to cover any warranty claims associated with the Acquisition. Subject to any warranty claims, the retention amount will be paid one year after settlement.

DXN will also enter into an operating agreement with Paul and Tracey Grist (the operational vendors) for a period of three years to operate the Darwin data centre and provide continuity to existing policies and procedures in respect to staff, key contractors and other matters.

The Darwin data centre is the only continuously maintainable data centre in the Northern Territory of Australia. It has 70 racks occupied and the capacity to expand to 127 racks. SDC is a data centre that provides services to the NT and Federal governments and a number of managed service providers, telecommunications and enterprise customers. Customer contracts have an average contract term greater than three years.

Matthew Madden, CEO of DXN, said: "the agreement is another example, following the acquisition of DC3 from TasmaNet in February 2020, of how DXN will deliver on its vision to develop and grow EDGE data

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centres. Our goal is to continue to expand our carrier-neutral Edge data centre footprint in Australia, the South Pacific and SE Asia. This is expected to include fully-owned facilities and facilities built or managed on behalf of third-party owners.”

Paul Grist, MD of SDC, said: “the agreement with DXN helps us realise the potential for SDC. In connecting with a national and international network, SDC will become a gateway into the Northern Territory. We are really proud of what we have achieved but are very excited about the journey ahead”.

The key Terms and Conditions of the Acquisition are outlined in the Annexure to this announcement.

Placement

DXN is pleased to announce it has received binding commitments for ~\$1.64 million through a placement to strategic investor DC Alliance (**DCA**) and sophisticated investors to issue 182,662,966 fully paid ordinary shares at \$0.009 per share, which represents a 16% discount to the Company’s 30-day volume weighted average share price as at 6 September 2021 (**Placement**).

The Company will issue 76,531,113 fully paid ordinary shares under the Company’s current Listing Rule 7.1 placement capacity and 106,131,853 fully paid ordinary shares under the Company’s current Listing Rule 7.1A placement capacity.

The Company expects to complete the issue of the Placement shares on Friday, 10 September 2021.

DC Alliance is a Singapore-based company focussed on the development of tier-certified data centre facilities across the Asia Pacific region. DC Alliance has owned the Pier DC data centre in Perth since September 2020.

DC Alliance will also have an option to increase its investment in the Company by a further placement of \$1.25 million worth of shares, subject to FIRB approval being obtained by DC Alliance by 15 December 2021 and DXN shareholder approval at the General Meeting scheduled for 22 October 2021. The placement price will be at a 20% premium to 10-day VWAP, subject to a maximum price of \$0.015.

In addition to the placement, DXN and DCA are working towards an agreement to establish a strategic alliance to cross sell the Australian data centre assets. It is currently intended that the agreement will address the two companies working together to market and sell data centre services, colocation racks, and connectivity across two data centre locations: Perth and Sydney. DXN and DCA plan to share sales and market insights to develop a joint customer value proposition for colocation sales and establish a common set of products between DXN and DCA, which will enhance the experience for current and potential clients.

The Board considers that, subject to signing a binding agreement with DCA, the enlarged data centre network would result in stronger Australia wide edge coverage and firmly establish the duo in the industry. Furthermore, DXN and DCA would together explore expanding into other geographical markets.

Roy Wong, Executive Chairman of DC Alliance, said: “I have been tracking DXN ever since DC Alliance started. I have always seen DXN as the most suitable partner for DC Alliance and I am pleased that this vision is now set in motion with our commitment as a strategic shareholder and finalising a binding agreement. I strongly believe it will be a win-win relationship and it is our common goal to grow and achieve greater heights together with our complementary skills, solutions and network.”

Matthew Madden, CEO of DXN Ltd, added: “DXN saw the immense potential of what we can do together in Australia and the Asian region after meeting DC Alliance. They have a great Tier III data centre in Perth

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which would perfectly complement our Tier III data centre in Sydney. Furthermore, DC Alliance's presence in Singapore will be a great springboard for expansion to the rest of Asia. We see many mutual benefits in this partnership, and I look forward to finalising a binding agreement and working closely with DC Alliance."

TMT Partners Pty Ltd (**TMT Partners**) who acted as Corporate Advisor to the Company, will receive a 1.5% Capital Raising Management Fee on all funds raised in the Placement, Debt Facility and Share Purchase Plan and a 4.5% Placement Fee on funds directly raised in the Placement and Debt Facility. The Company will also issue 10,888,857 options to TMT Partners (subject to shareholder approval) which are exercisable at \$0.014 and have an expiry of three years from the date of issue.

Share Purchase Plan

In order to provide all existing shareholders the opportunity to invest at the same price as the Placement, without brokerage or other related charges, DXN will offer shareholders the opportunity to participate in a Share Purchase Plan (**SPP**). DXN proposes to raise up to \$1.5 million via the SPP at an issue price of \$0.009 per share.

The record date for SPP eligibility is Wednesday, 8 September 2021. Shareholders who own DXN shares and are registered on the record date will be able to participate in the SPP.

Shareholders can apply for SPP shares up to a maximum of \$30,000. Shares issued under the SPP will rank equally with existing ordinary shares.

The Issue price of \$0.009 per share is a:

- 10% discount to the last traded price of \$0.01
- 10% discount to the 5-day VWAP of \$0.01
- 16% discount to the 30-day VWAP of \$0.0107

Key dates for the SPP	Proposed Date
Record date for determining SPP entitlements	8 September 2021
Announcement of the SPP and Lodge Appendix 3B	9 September 2021
Issue of Shares under Placement and release of Appendix 2A and Cleansing Notice	10 September 2021
Documents mailed to eligible shareholders	15 September 2021
SPP opens – opening date for acceptances	16 September 2021
SPP closes – closing date for acceptances	30 September 2021
Announcement of results	4 October 2021
Issue of new shares under SPP and release Appendix 2A	6 October 2021
Quotation of shares issued under the issue	7 October 2021

New Debt Facility

DXN is pleased to also announce it has executed a binding term sheet for a new four year secured \$4.0 million debt facility with PURE Asset Management (**PURE**) to support the Acquisition and the Company's future growth strategies.

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Matthew Madden, CEO of DXN Ltd said: “we are pleased to announce this new \$4 million debt facility with PURE. The facility will enable the completion of the Darwin acquisition and provide working capital to facilitate our future growth opportunities”.

Mike Henshaw, Director, PURE Asset Management said: “We have followed DXN since Matthew Madden’s appointment and have been impressed by the operational progress he and his team have been able to achieve. In our view, the Company is now positioned to deliver shareholder value both from its existing assets and through executing a growth strategy. We believe the demand for Edge DC services and modular DCs is structural, and with this package of funding, DXN is now in a position to capitalise on it. We look forward to a long and successful partnership.”

The key terms are summarised as follows:

- **Facility Amount** - A\$4 million. Initial drawdown of \$2.5 million and a second drawdown of \$1.5 million before 15 March 2022.
- **Repayment** - interest only during term, fully repayable at maturity
- **Amortisation** - none
- **Interest Rate** - 8.75% interest rate plus line fee of 2.5% pa, interest to be paid every quarter.
- **Security** - first ranking security over all assets of the Company and its Australian subsidiaries, supported by subsidiary guarantees. Any intercreditor deed in relation to any material permitted financial indebtedness of, or permitted security interest granted by DXN on terms required by the Lender.
- **Warrants** – Subject to receipt of prior shareholder approval, the Issue of 200 million warrants
Exercise price: Lower of:
 - \$0.02 (122% premium to the placement & SPP price); and
 - (after 31 December 2021) an Adjusted Price, insofar as there are future issue(s) of equity securities exceeding 15% of the number of shares on issue in DXN immediately prior to the new issue(s), in any 12-month period
- **Term:** 48 months from utilisation of Term Loan.

Funds use

The funds raised from the Placement, SPP and debt facility are intended to be applied towards:

Uses	\$
Purchase price – SDC acquisition ¹	3,825,974
Module manufacturing growth and working capital ²	1,444,026
Acquisition Costs and facility establishment fee ³	200,000
Repayment of existing debt ⁴	1,300,000
Offer costs	370,000
Total Funds raised	~\$7,140,000

Notes

1. Excludes \$200,000 in shares to be issued to the Vendors at settlement.
2. Funds to be applied towards DXN Modules product manufacturing and general working capital
3. Funds to be applied to against costs associated with the SDC acquisition and Pure debt facility.
4. Funds to be applied against repayment of the ANZ and Export Finance debt

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About DXN Limited

DXN is Asia Pacific's only vertically integrated manufacturer and operator of modular data centres. Our core business is designing, engineering, manufacturing, maintaining and operating data centres.

DXN's business has two core divisions that provide complementary and symbiotic services that better captures what we do, how we do it and why we do it. They are our;

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

About DC Alliance

DC Alliance is a Singapore-based company that specialises in the development of Tier certified colocation data centre facilities across Asia Pacific. It is backed by accredited investors and institutions such as Figtree Holdings Limited which is listed on the Singapore Stock Exchange's Catalist board. It acquired Pier DC in Perth, Australia in 2020 as its first data centre facility. For more information, please visit <https://www.dcalliance.com.au>.

About PURE Asset Management

PURE Asset Management is a specialist provider of hybrid capital to Australia's most compelling emerging growth companies. Founded in 2018, PURE provides funding for working capital, acquisitions and buybacks via structures that are less dilutive than equity capital, offering companies an alternative to equity markets. For more information, please visit www.puream.com.au

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ASX Release authorised by the Board of Directors

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APPENDIX – KEY TERMS AND CONDITIONS OF THE ACQUISITION

The key terms and conditions of the Share and Unit Sale Agreement are as follows:

- **Parties:** DXN Limited, Secure Data Centre Pty Ltd ATF the SDC Trust and Paul Grist, John Townes, Proactive Solutions Pty Ltd ATF Paul Grist Family Trust and Trewortha Holdings Pty Ltd ATF Townes Family Trust (the “Vendors”).
- **Acquisition:** DXN has agreed to acquire, and the Vendors (as the holders of all of the shares and units in SDC) have agreed to sell, 100% of the shares on issue in Secure Data Centre Pty Ltd ATF SDC Trust and 100% of the units on issue in the SDC Trust (together “SDC”) subject to the conditions precedent, and for the consideration, set out below.
- **Consideration:** The total consideration to be paid by DXN for the Acquisition comprises a purchase price and payout of entitlements of \$4,875,974 (**Purchase Price**) which is payable as follows:
 - \$3,825,974 in cash payments to the Vendors;
 - \$200,000 in equity consideration to Proactive Solutions Pty Ltd ATF Paul Grist Family Trust (16,666,667 DXN shares at a deemed issue price of \$0.012 per share); and
 - a warranty retention amount of \$850,000 shall be held by DXN for 12 months after settlement of the Acquisition.

The Consideration Shares will be subject to 12 months voluntary escrow from the date of issue.

- **Conditions Precedent:** Settlement of the Acquisition is conditional upon satisfaction (or waiver by DXN) of the following outstanding conditions precedent:
 - DXN executing an operating agreement for the data centre with Paul and Tracey Grist and Proactive Solutions Pty Ltd ATF the Grist Family Trust;
 - DXN completing a debt and/or equity capital raising (details of which are set out in this announcement);
 - the Vendors obtaining change of control consents from customers (where required);
 - DXN notifying all customers of the change of ownership of SDC immediately prior to settlement;
 - SDC being debt free (as defined in the Share and Unit Sale Agreement) and having an agreed level of working capital; and
 - The Vendors procuring execution of the Option Deed, pursuant to which DXN will be granted a 3 year option to purchase the SDC land and property for \$2.1 million by its owner .
- **Settlement:** Settlement of the Acquisition will occur after satisfaction (or waiver by DXN) of the conditions precedent. It is currently contemplated that settlement will occur no later than 18 October 2021.

The Share and Unit Sale Agreement otherwise contains representations and warranties, indemnities and negative covenants from the Vendors and dispute resolution provisions considered standard for an agreement of this nature.

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