



PROSPECTUS

Sovereign Cloud Holdings Limited

ACN 622 728 189

Sovereign Data Protection

Initial public offering of
approximately 26.67 million
Shares at an Offer Price of
\$0.75 per Share to raise
approximately \$20.0 million

This Prospectus is an important document and should be read in its entirety. You should seek professional advice if you have any questions about the Shares being offered under this Prospectus, or any matter relating to an investment in the Company.

Joint Lead Manager



Joint Lead Manager



Legal Adviser





Important Notices

The Offer

This Prospectus is issued by Sovereign Cloud Holdings Limited (ACN 622 728 189) ("**Company**") for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) ("**Corporations Act**"). The Offer contained in this Prospectus is an initial public offering to acquire Shares in the Company. See Section 7 for further information on the Offer.

Lodgement and Listing

This Prospectus is dated 23 October 2020 ("**Prospectus Date**") and was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date.

The Company will apply to the Australian Securities Exchange ("**ASX**") for admission of the Company to the Official List and Official Quotation of the Shares within seven days of the Prospectus Date. The fact that ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Shares, the Offer, or the Company.

None of ASIC, ASX or their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date

This Prospectus expires on 22 November 2021, being the date that is 13 months after the Prospectus Date ("**Expiry Date**"). No Shares will be issued on the basis of this Prospectus after the Expiry Date.

Note to Applicants

The information contained in this Prospectus is not investment or financial product advice and has been prepared as general information only, without consideration of your particular investment objectives, financial situation or needs. It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company.

In particular, you should consider the risk factors that could affect the business, financial condition and financial performance of the Company, a summary of which is set out in Section 6. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company, the repayment of capital by the Company, or any return on investment in Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, the Directors, and any other person involved in the preparation of this Prospectus. You should rely only on information in this Prospectus.

Exposure Period

The Corporations Act prohibits the Company from processing applications to subscribe for Shares under this Prospectus ("**Applications**") in the seven day period after the date of lodgement of this Prospectus ("**Exposure Period**"). The Exposure Period may be extended by ASIC

by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Obtaining a copy of this Prospectus

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at <https://www.australiacloud.com.au/prospectus/> to persons who are Australian residents only.

During the Offer Period, this Prospectus is available in electronic form at <https://www.australiacloud.com.au/prospectus/>. The Offer in this Prospectus in electronic form is available only to persons within Australia. The Prospectus is not available to persons in other jurisdictions (including the United States) in which it may not be lawful to make such an invitation or offer. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

You may, before the Offer Period expires, obtain a paper copy of this Prospectus (free of charge) by telephoning the AUCloud Offer Information Line on 1800 262 299 (within Australia) or +61 1800 262 299 (outside Australia) from 8.30am to 5.30pm (Sydney time), Monday to Friday (excluding public holidays) during the Offer Period.

Applications for Shares may only be made during the Offer Period on an Application Form attached to or accompanying this Prospectus.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of this Prospectus.

Refer to Section 7 for further information.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not, and should not be relied upon as being, indicative of future performance.

Financial Information

Section 5 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information. The financial information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 1.2, 1.4, 5 and 6.

The financial information for the Company in Section 5 includes information for the historical financial years ended 30 June 2018, 30 June 2019 and 30 June 2020. All references to FY18, FY19 and FY20 in this Prospectus are to the historical financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 respectively.

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed of the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("**AASB**") and the significant accounting policies set out in Section 5.16.

The Financial Information is presented in an abbreviated form and does not contain all the disclosures and comparative information that are usually provided in an annual report prepared in accordance with the Australian Accounting Standards and Corporations Act.

Certain financial data included in this Prospectus is "non-IFRS financial information" under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Company. The non-IFRS measures do not have standardised meanings prescribed by Australian Accounting Standards and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

Forward looking statements

This Prospectus contains forward looking statements which may be identified by words such as "anticipates", "may", "should", "could", "likely", "believes", "estimates", "expects", "targets", "predicts", "projects", "forecasts", "intends", "guidance", "plan" and other similar words that involve risks and uncertainties. These forward looking statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. The Company does not undertake to, and does not intend to, update or revise any forward looking statements, or publish prospective financial information in the future, regardless of whether new information, future events or other factors affect the information contained in this Prospectus, except where required by law.

Forward looking statements are subject to risks that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Forward looking statements should be read in conjunction with, and are qualified by reference to, the investment risks set out in Section 6 and other information in this Prospectus. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the control of the Company, the Directors, and the Company's management. The Company, the Directors, the Company's management, and the Joint Lead Managers cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

Industry and market data

This Prospectus, including Section 2, contains statistics, data, and other information (including forward looking statements) relating to markets, market sizes, market shares, market segments, market positions and other industry data pertaining to the Company's business and markets.

Market data and statistics are inherently uncertain. There is no assurance that any of the forward looking statements in the surveys, reports and surveys of any third party that are referred to in this Prospectus will be achieved. The Company has not independently verified, and cannot give any assurances as to the accuracy or completeness of, this market and industry data or the underlying assumptions used in generating this market and industry data.

Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the investment risks set out in Section 6.

Selling restrictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions.

Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to US Persons (as defined in Rule 902(k) of Regulation S under the US Securities Act of 1933, as amended ("**US Securities Act**"). Any securities described in this Prospectus have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States or to US Persons except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful.

Defined terms and interpretation

Defined terms and abbreviations used in this Prospectus have the meanings defined in the Glossary in Section 11 or are defined in the context in which they appear.

Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time. Unless otherwise stated or implied, references to years are financial year ("**FY**") references. Unless otherwise stated or implied, financial amounts expressed in this Prospectus are in Australian dollars.

Privacy

By completing an Application Form to apply for Shares, you are providing personal information to the Company through the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request, and carry out appropriate administration. Some of this personal

information is collected as required or authorised by certain laws, including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may also be provided to the agents and service providers of the Company on the basis that they deal with such information in accordance with the Company's privacy policy and applicable laws. The agents and service providers of the Company may be located outside Australia, where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of the preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public Shareholder register.

The information contained in the Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Shareholder register is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports, and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law.

A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the corporate directory on page 102 of this Prospectus. Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website at <https://www.australiacloud.com.au>.

You may request access to your personal information held by or on behalf of the Company and you may correct the personal information held by or on behalf of the Company about you. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Website:
www.linkmarketservices.com.au

Telephone:
1800 502 355

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Company's website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information available on the Company's website is incorporated into this Prospectus by reference.

Disclaimer

The Company expects the Shares to be quoted on a normal settlement basis on ASX on Monday, 14 December 2020. The Company, the Directors and any other person involved in the preparation of this Prospectus disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving a holding statement, even if such person received confirmation of allocation from the AUCloud Offer Information Line or confirmed their firm allocation through a Broker.

Morgans Corporate Limited ("**Morgans**") and Canaccord Genuity (Australia) Limited ("**Canaccord**") have acted as joint lead managers to the Offer. The Joint Lead Managers have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by any of them or by any of their respective affiliates, officers or employees.

To the maximum extent permitted by law, the Joint Lead Managers and their respective affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their respective names and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Questions

If you have any questions about how to apply for Shares, call your Broker or the AUCloud Offer Information Line on 1800 262 299 (within Australia) or +61 1800 262 299 (outside Australia) from 8.30am until 5.30pm (Sydney time), Monday to Friday (excluding public holidays) during the Offer Period. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares.

Offer management

Morgans and Canaccord are jointly managing and underwriting the Offer for the Company.

This Prospectus is important and should be read in its entirety.

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Key Offer Information

Key Offer Dates

Prospectus lodgement date	Friday, 23 October 2020
Broker Firm Offer and Priority Offer open	Monday, 9 November 2020
Broker Firm Offer and Priority Offer close and Applications due	5.00pm (Sydney time) Friday, 20 November 2020
Settlement of the Offer	Monday, 7 December 2020
Issue and allotment of Shares	Tuesday, 8 December 2020
Expected despatch of holding statements	Wednesday, 9 December 2020
Expected commencement of trading on ASX on a normal settlement basis	Monday, 14 December 2020

Dates may change

The dates above are indicative only and may change without notice. The Company, in conjunction with the Joint Lead Managers, reserves the right to vary the times and dates of the Offer including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer before the scheduled Closing Date or to extend the Offer Period to accept late Applications, either generally or in particular cases, without notification.

Key Offer Statistics

Offer Price	\$0.75
Total number of Shares offered under the Institutional Offer, the Broker Firm Offer, and the Priority Offer	26.67 million
Total number of Shares on issue on Completion of the Offer ¹	99.6 million
Amount to be raised under the Offer	\$20.0 million
Market capitalisation at the Offer Price	\$74.7 million

Notes:

- This includes 72,890,398 Shares held at the Prospectus Date by existing Shareholders and the Shares offered under the Institutional Offer, the Broker Firm Offer and the Priority Offer, but does not include any Shares which may be issued on exercise of Options which are on issue as at the Prospectus Date.*

How to invest

Under the Institutional Offer, Institutional Investors have been invited to commit to the Joint Lead Managers to acquire Shares.

Applicants under the Broker Firm Offer may apply for Shares by completing and lodging a valid Application Form attached to or accompanying this Prospectus with the Broker who invited them to participate in the Offer.

Applicants under the Priority Offer will be invited to apply by the Company and should follow the personalised instructions provided.

Further instructions on how to apply for the Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you require a replacement Application Form or have any questions relating to the Offer, please contact the AUCloud Offer Information Line on 1800 262 299 (within Australia) or +61 1800 262 299 (outside Australia) from 8.30am until 5.30pm (Sydney time), Monday to Friday (excluding public holidays) during the Offer Period. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

Letter from the Chair

23 October 2020

Dear Investor

On behalf of the Board of Directors of Sovereign Cloud Holdings Limited (“**Company**” or “**AUCloud**”), we are pleased to present you with this opportunity to become a shareholder in the Company.

AUCloud is an Australian sovereign cloud Infrastructure as a Service (“**IaaS**”) provider exclusively focused on the Australian Government, the Australian Defence Force (“**ADF**”) and Critical National Industry communities (“**CNI**”).

The Australian Government invests in Information and Communication Technology (“**ICT**”) systems to support the secure and continuous delivery of government business. Secure ICT systems maintain the confidentiality, protect the integrity and facilitate the availability of the information that government entities process, store and communicate. It is estimated that the Australian Government will spend over \$13 billion per year to maintain and grow its ICT capabilities¹.

Cyber threats to government and commerce posed by malicious actors have increased in line with increased connectivity. Increased geopolitical tensions, increased crime, control of legal authority and locality of data have heightened the importance of sovereign security solutions. Global IaaS brands with resources distributed globally may store data overseas which opens the stored data to legal, jurisdictional compromise.

AUCloud’s IaaS service provides its customers with a highly secure, scalable, automated cloud solution, delivering an efficient and effective hosting environment for critical and sensitive applications and systems. The services and data managed by AUCloud are all hosted and maintained in Australia. AUCloud will seek to secure contracts from the Australian Government, ADF and CNI where it has this strategic advantage.

The Company has invested significantly into creating two autonomous inter-connected geographically diverse Sovereignty Zones in Canberra and Sydney. Through the Company’s ecosystem of over 60 channel partners, AUCloud has built a pipeline of sales opportunities.

Funds raised under this Prospectus will be applied to continuing the expansion of the AUCloud customer base, including the hiring of additional sales, support, and technical professionals.

The Company is offering 26.67 million Shares at the Offer Price of \$0.75 per Share. An application will be made for admission of the Company to the official list of ASX and the official quotation of the Shares on ASX. At the Offer Price, AUCloud will have a market capitalisation of \$74.7 million on completion of the Offer.

This Prospectus contains detailed information about AUCloud’s business, team and plans for the future. It also outlines in Section 6 the potential risks associated with this investment, and it is recommended that you consider the terms of the Offer contained in this Prospectus carefully and in their entirety. If you are in any doubt as to anything in this Prospectus, you should consult your accountant, financial adviser, stockbroker, lawyer, or other professional adviser.

On behalf of the Board of the Company, we recommend this opportunity to you and look forward to welcoming you as a shareholder.

Yours faithfully,



Cathie Reid
Chair



¹ Combination of figures from Digital Transformation Agency, ICT Report of the ICT Procurement Taskforce, 2017 - <https://www.dta.gov.au/help-and-advice/ict-procurement/digital-sourcing-framework-ict-procurement/ict-procurement-taskforce-report>; NSW Government - <https://www.digital.nsw.gov.au/sites/default/files/NSW%20Government%20Cloud%20Policy.pdf>; and Victoria Government - <https://www.audit.vic.gov.au/report/victorian-government-ict-dashboard?section=32857--audit-overview>

1. Investment Overview

1.1 Introduction

Topic	Summary	More Information
What is AUCloud?	<p>AUCloud is the trading name of Sovereign Cloud Holdings Limited.</p> <p>AUCloud is a sovereign Infrastructure as a Service (“IaaS”) provider targeting the provision of secure cloud-based computing services to each level of Australian Government, Australian Defence Force (“ADF”) and to Critical National Industries (“CNI”) such as financial services, telecommunications and utilities.</p>	Section 3.1
What is the AUCloud’s market opportunity?	<p>The Australian Government invests in Information and Communication Technology (“ICT”) systems to support the secure and continuous delivery of government business. Secure ICT systems maintain the confidentiality and protect the integrity of the information that government uses.</p> <p>It is estimated that Australian Government ICT spend will be in excess of \$13 billion per year².</p> <p>The Australian Federal Government with its digital transformation strategy plans to bring its services online by 2025. COVID-19 has fast-tracked government digital transformation, including the introduction of the COVIDsafe app, mobilising of Telehealth services and business continuity planning driven by work from home requirements.</p> <p>The Australian Government and ADF have also announced an additional \$21 billion in special ICT projects over the next decade to 2030.</p> <p>AUCloud has positioned itself to capitalise on these investment initiatives as a direct provider of IaaS services or through a channel partner selling into the Australian Government or ADF.</p>	Section 2
What are AUCloud’s strategies?	<p>Government and CNI manage a large volume of sensitive data. Cyber security and privacy risks inherent to managing sensitive data, means governments and CNI consider data security and data sovereignty as a key factor in cloud procurement.</p> <p>Data security guidance supports the secure adoption of cloud services by government with a focus on locality and ownership of data³.</p> <p>AUCloud has invested into its Information Security Registered Assessors Program (“IRAP”) accredited cloud platform which satisfies the increasing need from government organisations to protect their growing body of data. AUCloud will seek to secure contracts from the Australian Government, ADF and CNI where it has this strategic advantage.</p>	Section 3
What are AUCloud’s competitive strengths?	<p>AUCloud competes across three main areas – sovereignty, security and performance.</p> <p>Sovereignty</p> <ul style="list-style-type: none"> • Data securely stored locally: All data securely stored and managed within two data centres in Sydney and Canberra • All Australian: Located and operated in Australia by security-cleared personnel • Government focused: Solutions developed in conjunction with, and for, Government and CNIs 	Sections 3.5 and 3.9

² Combination of figures from Digital Transformation Agency, ICT Report of the ICT Procurement Taskforce, 2017 - <https://www.dta.gov.au/help-and-advice/ict-procurement/digital-sourcing-framework-ict-procurement/ict-procurement-taskforce-report>; NSW Government - <https://www.digital.nsw.gov.au/sites/default/files/NSW%20Government%20Cloud%20Policy.pdf>; and Victoria Government - <https://www.audit.vic.gov.au/report/victorian-government-ict-dashboard?section=32857--audit-overview>

³ ACSC - <https://www.cyber.gov.au/sites/default/files/2020-07/Anatomy%20of%20a%20Cloud%20Assessment%20and%20Authorisation%20%28July%202020%29.pdf>

Topic	Summary	More Information
What are AUCloud's competitive strengths? (cont'd)	<p>Security</p> <ul style="list-style-type: none"> IRAP certified to PROTECTED: Meets and exceeds the Australian Signals Directorate Information Security Manual ("ISM") control requirements Data privacy: Sovereign ownership limits application of foreign legislation Exclusive security: Implemented a threat security monitoring solution via e2e-assure <p>Performance</p> <ul style="list-style-type: none"> User centric and transparent pricing: Simple, consistent and competitive 'pay as you use' pricing Supported by major partners: Partnerships with VMware and Cisco to create a structurally sound technology stack Efficiency enhancing technology: API first product development and a 'technology-managing-technology' process enhancing efficiency <p>These strengths are underpinned by employees across Canberra, Sydney and Brisbane covering technical development, customer support, sales and marketing.</p>	Sections 3.5 and 3.9
What is AUCloud's business model and how does it generate revenue?	<p>AUCloud sells its IaaS solution both direct to customers and through over 60 channel partners that bundle the AUCloud IaaS solution into their own service offering.</p> <p>AUCloud sells standardised IaaS service lines (processing power, storage, backup, disaster recovery and cyber threat monitoring) that replace or complement existing on-premises IT systems and support new digital services.</p> <p>AUCloud provides two cloud operating environments in which to deploy customer services – OFFICIAL and PROTECTED – aligned to the associated security classification level required by the Australian Government.</p> <p>The pricing of AUCloud services varies based on resources consumed, service level requirements and/or security classifications.</p>	Sections 3.3, 3.6, 3.7 and 3.8
Who are AUCloud's customers?	<p>The Company's target market is Government, ADF and CNI such as financial services, telecommunications, utilities, healthcare and education. The Company's primary sales focus is on selling to Government departments, either directly or through a network of 60 channel partners.</p> <p>Each contract was secured through a competitive tender where the Company was successful against global IaaS and local cloud providers.</p> <p>The Company has built a pipeline of sales opportunities.</p> <p>AUCloud is also targeting sales through the Australian Government digital marketplace where government departments can procure digital services themselves without a formal tender process.</p>	Section 3.6
Who are AUCloud's competitors?	<p>The IaaS market in Australia is concentrated among the top global IaaS providers AWS, Azure, IBM, Google, Oracle and Alibaba Cloud representing 85%.</p> <p>Under the Cloud Security Guidance and related Cloud Assessment and Authorisation Framework issued by the Australian Government in July 2020,⁴ cloud consumers should consider the security risks of using foreign-owned providers and storing data offshore.</p> <p>Australian IaaS providers with appropriate sovereign data infrastructure, such as AUCloud, are more appropriately structured to take advantage of this thematic.</p> <p>There are several Australian IaaS competitors to AUCloud that market cloud services to Government, including Macquarie Telecom, NTT Data, Sliced Tech and Vault Cloud.</p>	Section 2

⁴ ACSC - <https://www.cyber.gov.au/sites/default/files/2020-07/Anatomy%20of%20a%20Cloud%20Assessment%20and%20Authorisation%20%28July%202020%29.pdf>

Topic	Summary	More Information
Why is the Offer being conducted?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> a) provide AUCloud with working capital and growth capex funding to execute its strategy of delivering IaaS cloud-based services during its early revenue phase; b) provide AUCloud with the benefits of increased transparency and credibility that arise from being a listed entity; and c) fund the costs relating to the Offer. 	Section 7.3

1.2 Risks

Topic	Summary	More Information
What are the main risks of an investment in AUCloud?	<p>Competitive landscape and actions of others</p> <p>AUCloud operates in a competitive landscape alongside a number of other service providers with competing technologies, product offerings and geographic presence. There are also a number of global 'IaaS' providers which offer competing services to AUCloud on a global scale.</p> <p>Cyber risk</p> <p>Given AUCloud's business model is premised on providing secure hosting environments for critical and sensitive applications, any unauthorised access to customer data would severely prejudice the Company's reputation as a credible provider of such services to its targeted customers.</p> <p>Changes to law or Government policy</p> <p>The storage of data, including the migration of systems to the cloud, for Governments and critical national industries is a current focus of Government policy, which is evolving rapidly.</p> <p>Authorisations and accreditations</p> <p>AUCloud relies on authorisations and accreditations to operate its business. There is no guarantee that AUCloud will be able to obtain or retain the authorisations and accreditations it requires to compete in the market.</p> <p>Concentration of customer base and nature of customer contracts</p> <p>AUCloud has a relatively concentrated customer base. If AUCloud were to lose one or more of its key customers, AUCloud's business and financial condition could be adversely impacted.</p> <p>Ability to attract and retain key employees</p> <p>AUCloud's business is dependent on attracting and retaining highly skilled and experienced employees.</p> <p>Short operating history</p> <p>AUCloud is recently established and has little operational track record. As a result, the execution of AUCloud's business plan may take longer to achieve than planned and the costs of doing so may be higher than budgeted.</p> <p>Low customer uptake of service</p> <p>A lack of customer demand and aggressive competition could limit the Company's ability to achieve desired rates of return on investment, and have a material adverse effect on the growth prospects and/or financial position of the Company, which may cause the Company to require further funding.</p> <p>Funding and capital</p> <p>The continued growth of the Company relies on customer acquisition. Like most IaaS business, expansion capital is required to maintain and grow the existing technology platform.</p>	Section 6

1.3 Governance, Board and management

Topic	Summary	More Information																								
Who are the Directors of AUCloud?	<p>The Board comprises the following 4 Directors, two of whom are Independent Directors:</p> <ul style="list-style-type: none">• Cathie Reid – <i>Non-Executive Director and Chair</i>• Phil Dawson – <i>Chief Executive Officer and Managing Director</i>• Ross Walker – <i>Non-Executive Director</i>• Allan Brackin – <i>Non-Executive Director</i> <p>Further details regarding the background and expertise of the Directors is set out in Section 4.1.</p>	Section 4.1																								
Who are the senior executives of AUCloud?	<p>AUCloud's management team is led by Phil Dawson.</p> <p>The management team of AUCloud comprises:</p> <ul style="list-style-type: none">• Michelle Crouch – <i>Interim Chief Financial Officer</i>• Bernadette Jenkinson – <i>Head of Sales</i>• Bradley Bastow – <i>Chief Operating Officer</i>• Peter Farrelly – <i>Chief Information Security Officer</i>• Suzanne Roche – <i>Head of Communications</i>• Steven Clarke – <i>Head of Software</i> <p>Further details regarding the qualifications and experience of the key management team is set out in Section 4.3.</p>	Section 4.3																								
Who are the substantial Shareholders and what is the capital structure?	<p>Ownership of AUCloud on Completion of the Offer*</p> <table><thead><tr><th>Name</th><th>Shares</th><th>%</th></tr></thead><tbody><tr><td>Badger 31 Pty Ltd</td><td>13,730,569</td><td>13.8%</td></tr><tr><td>Edwards Bay Capital Pty Ltd</td><td>6,865,284</td><td>6.9%</td></tr><tr><td>Petromac Holding Pty Ltd</td><td>6,865,284</td><td>6.9%</td></tr><tr><td>Assured Digital Group Limited (UK)</td><td>6,934,000</td><td>6.9%</td></tr><tr><td>Other Pre-IPO Shareholders</td><td>38,495,261</td><td>38.7%</td></tr><tr><td>New Shareholders</td><td>26,666,666</td><td>26.8%</td></tr><tr><td>Total</td><td>99,557,064</td><td>100.0%</td></tr></tbody></table> <p><i>*Excluding the effect of dilution on exercise of Options that the Company has granted (see Sections 4.4.2 and 7.5)</i></p>	Name	Shares	%	Badger 31 Pty Ltd	13,730,569	13.8%	Edwards Bay Capital Pty Ltd	6,865,284	6.9%	Petromac Holding Pty Ltd	6,865,284	6.9%	Assured Digital Group Limited (UK)	6,934,000	6.9%	Other Pre-IPO Shareholders	38,495,261	38.7%	New Shareholders	26,666,666	26.8%	Total	99,557,064	100.0%	Sections 4.4.2, 7.5 and 7.6
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What are the shareholdings of the Directors of AUCloud?	<table><thead><tr><th>Directors</th><th>Shares held at Prospectus Date</th></tr></thead><tbody><tr><td>Cathie Reid¹</td><td>14,884,569</td></tr><tr><td>Phil Dawson²</td><td>6,934,000</td></tr><tr><td>Ross Walker³</td><td>1,607,578</td></tr><tr><td>Allan Brackin</td><td>806,667</td></tr></tbody></table> <p>Notes:</p> <ol style="list-style-type: none">1 Shares held by Cathie Reid include 1,154,000 shares held by the Silver Linings Trust in which Cathie Reid holds a 46% interest2 Shares held by Phil Dawson include 6,934,000 shares held by Assured Digital Group Limited (a UK based company) in which Phil Dawson and his spouse hold a 39% interest3 Ross Walker holds a 4.5% interest in the Silver Linings Trust which owns 1,154,000 shares in the Company. This interest has been excluded from the number of shares held by Ross Walker in the above table given the minority unitholding position in that trust. <p>Further information is set out in Section 4.</p>	Directors	Shares held at Prospectus Date	Cathie Reid ¹	14,884,569	Phil Dawson ²	6,934,000	Ross Walker ³	1,607,578	Allan Brackin	806,667	Section 4.4.2														
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Allan Brackin	806,667																									

Topic	Summary	More Information
What will the governance arrangements of AUCloud be?	AUCloud has a framework for managing the Company, including corporate governance policies. Summaries of the corporate governance policies adopted by AUCloud are set out in Section 4.7.	Section 4.7
What fees, benefits and interests are payable to Directors and other persons (including related parties) connected with AUCloud or the Offer?	Directors and Key Management Personnel are entitled to remuneration and fees as described in Section 4.4.1. Advisers and other service providers are entitled to fees for services and have other interests as disclosed in Section 10.8	Sections 4.4.1 and 10.8
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	Approximately 57.49% of the shares in the Company following completion of the Offer will be subject to mandatory or voluntary escrow for up to 24 months from quotation. Refer to Sections 6.3.2 and 10.4 for a summary of these escrow arrangements.	Sections 6.3.2 and 10.4
Have there been any recent related party transactions?	Other than the remuneration and fees payable to Directors and Key Management Personnel described in Section 4.4.1, various related party transactions have been summarised in note 23 to the Company's financial statements for the year ended 30 June 2020. In FY20, an entity associated with Cathie Reid agreed to underwrite up to \$2.5 million of the FY20 Entitlement Offer, including their entitlements under the offer. The underwriters did not receive a fee for underwriting the Entitlement Offer. Under the arrangements between the Company and the entity associated with Cathie Reid, the Company received \$579,015 for the shares issued under her entitlement and a further \$524,287 for the shares issued to her under the underwriting commitment.	Section 4.4.3 and FY20 statutory accounts

1.4 Financial information

Topic	Summary	More Information																														
What is AUCloud's dividend policy and when will the first dividend be paid?	The Board has no intention to pay dividends in the foreseeable future. In particular, the Board anticipates that in the short to medium term, any surplus cash flow is more appropriately applied to continue to grow AUCloud's business.	Section 5.14																														
What is the key financial information I need to know about AUCloud's financial position, performance and prospects?	<p>The table below sets out the summarised audited historical and pro forma consolidated statement of financial position as at 30 June 2020. Details of the pro forma consolidated statement of financial position, including the pro forma adjustments, are set out in Section 5.9</p> <table> <tr> <th></th><th>Historical</th><th>Pro forma</th></tr> <tr> <th></th><th>30 June 2020 (\$)</th><th>30 June 2020 (\$)</th></tr> <tr> <td>Total current assets</td><td>1,835,995</td><td>25,611,895</td></tr> <tr> <td>Total non-current assets</td><td>12,823,965</td><td>12,823,965</td></tr> <tr> <td>Total assets</td><td>14,659,960</td><td>38,435,860</td></tr> <tr> <td>Total current liabilities</td><td>3,777,362</td><td>3,777,362</td></tr> <tr> <td>Net non-current liabilities</td><td>4,661,200</td><td>4,661,200</td></tr> <tr> <td>Total liabilities</td><td>8,438,562</td><td>8,438,562</td></tr> <tr> <td>Net assets</td><td>6,221,398</td><td>29,997,298</td></tr> <tr> <td>Total equity</td><td>6,221,398</td><td>29,997,298</td></tr> </table>		Historical	Pro forma		30 June 2020 (\$)	30 June 2020 (\$)	Total current assets	1,835,995	25,611,895	Total non-current assets	12,823,965	12,823,965	Total assets	14,659,960	38,435,860	Total current liabilities	3,777,362	3,777,362	Net non-current liabilities	4,661,200	4,661,200	Total liabilities	8,438,562	8,438,562	Net assets	6,221,398	29,997,298	Total equity	6,221,398	29,997,298	Section 5.9
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Total equity	6,221,398	29,997,298																														

Topic	Summary	More Information
What is the amount of tax losses that AUCloud has?	AUCloud has incurred losses since inception as the Company built the cloud-based technology platforms at data centres in Canberra and Sydney. At 30 June 2020, the gross value of tax losses carried forward totalled \$16.4 million.	Section 5.4

1.5 Overview of the Offer

Topic	Summary	More Information														
What is the Offer?	<p>The Company is offering to issue approximately 26.67 million Shares at the Offer Price of \$0.75 per Share, to raise gross proceeds of \$20.0 million.</p> <p>Each Share issued under this Prospectus will, from the time of issue, rank equally with all other Shares on issue.</p>	Section 7.1														
Who is the issuer of the Prospectus?	Sovereign Cloud Holdings Limited (ACN 622 728 189), a company registered in Queensland, Australia.	Section 7.1														
What is the structure of the Offer?	<p>The Offer comprises:</p> <ul style="list-style-type: none">the Institutional Offer, which consists of an invitation to acquire Shares made to Institutional Investors;the Broker Firm Offer, which consists of an invitation to acquire Shares made to retail clients of select retail brokers; andthe Priority Offer, which is open to selected investors in Australia nominated by AUCloud. <p>No general public offer of Shares will be made under the Offer. Members of the public wishing to subscribe for Shares under the Offer must do so through a Broker with a firm allocation.</p>	Section 7.2														
What are the key Offer metrics?	<table><tr><td>Offer Price</td><td>\$0.75</td></tr><tr><td>Total number of Shares under the Offer¹</td><td>26.67 million</td></tr><tr><td>Total number of Shares on Completion of the Offer</td><td>99.6 million</td></tr><tr><td>Amount to be raised under the Offer</td><td>\$20 million</td></tr><tr><td>Market capitalisation at the Offer Price²</td><td>\$74.7 million</td></tr></table> <p><i>Notes</i></p> <p>1. Comprises the Shares offered under the Institutional Offer, the Broker Firm Offer and the Priority Offer.</p> <p>2. Shares may not trade at the Offer Price after Listing.</p>	Offer Price	\$0.75	Total number of Shares under the Offer ¹	26.67 million	Total number of Shares on Completion of the Offer	99.6 million	Amount to be raised under the Offer	\$20 million	Market capitalisation at the Offer Price ²	\$74.7 million	Section 7 and Key Offer Information on page 6 of this Prospectus				
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Total number of Shares on Completion of the Offer	99.6 million															
Amount to be raised under the Offer	\$20 million															
Market capitalisation at the Offer Price ²	\$74.7 million															
Is the Offer underwritten?	The Offer is fully underwritten by the Joint Lead Managers in accordance with the terms of the Underwriting Agreement.	Sections 7.13 and 10.6.1														
Who are the Joint Lead Managers of the Offer?	The Joint Lead Managers are Morgans Corporate Limited and Canaccord Genuity (Australia) Limited.	Important notices and Sections 7.13 and 10.6.1														
How will proceeds of the Offer be used?	<table><tr><th>Use of funds</th><th>Amount (\$m)</th></tr><tr><td>Customer growth capex</td><td>\$9.3</td></tr><tr><td>Lease payments (12 months)</td><td>\$3.1</td></tr><tr><td>Increase in headcount (employee costs)</td><td>\$2.7</td></tr><tr><td>Working Capital</td><td>\$3.2</td></tr><tr><td>Expenses of the Offer</td><td>\$1.7</td></tr><tr><td>Total</td><td>\$20.0</td></tr></table> <p><i>Notes</i></p> <p>Further detail on these expenses, together with adjustments to reflect the cash on hand at the Prospectus Date, is set out in Section 7.3</p>	Use of funds	Amount (\$m)	Customer growth capex	\$9.3	Lease payments (12 months)	\$3.1	Increase in headcount (employee costs)	\$2.7	Working Capital	\$3.2	Expenses of the Offer	\$1.7	Total	\$20.0	Section 7.3
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Working Capital	\$3.2															
Expenses of the Offer	\$1.7															
Total	\$20.0															

Topic	Summary	More Information
Does AUCloud expect to need to raise more equity or debt capital?	AUCloud will raise sufficient funds as part of the Offer to achieve the objectives described in this Prospectus. However, it is likely that AUCloud will require further funding in the future. Funding may be from a number of sources, including further finance lease arrangements (see Section 10.6.6), however, until the Company is cash-flow positive the repayments under such arrangements will ultimately need to be supported by further equity funding.	Sections 3.2, 5.9.1, 6.2.9 and 10.6.6.
Will the Shares be listed on ASX?	The Company will apply to ASX for admission of the Company to the Official List and Official Quotation of the Shares under the ticker code 'SOV' within seven days of the Prospectus Date. Completion of the Offer is conditional on ASX approving this application. If ASX approval is not granted within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest (in accordance with the Corporations Act).	Section 7.16
When can I sell my Shares on ASX?	The Company expects that Shares will commence trading on ASX on Monday, 14 December 2020 on a normal settlement basis. It is the responsibility of the Applicants to confirm their allocation of Shares prior to trading in Shares. Shareholders who sell Shares before they receive their holding statements do so at their own risk.	Section 7.16.3
How can I apply?	Under the Institutional Offer, Institutional Investors have been, or will be, invited to commit to the Joint Lead Managers to acquire Shares. The allocation of Shares under the Institutional Offer has been, or will be, determined by the Joint Lead Managers in consultation with AUCloud. Applicants under the Broker Firm Offer may apply for Shares by completing and lodging a valid Application Form attached to or accompanying this Prospectus with the Broker who invited them to participate in the Offer. Applicants under the Priority Offer will be (or have been) invited to apply by AUCloud and should follow the personalised instructions provided.	Section 7
When do I apply?	Applications under the Broker Firm Offer and the Priority Offer will only be accepted during the Offer Period, which is open from 9.00am (Sydney time) on Monday, 9 November 2020 to 5.00pm (Sydney time) on Friday, 20 November 2020 (unless a later Application is expressly permitted by AUCloud). All times and dates referred to in this Prospectus are subject to change, and as such, if you wish to participate in the Offer, you are encouraged to submit your Application Form as soon as possible after the Opening Date.	Section 7
What are the minimum and maximum Application Amounts?	For Applicants under the Broker Firm Offer and the Priority Offer, the minimum Application Amount is \$2,000 and in increments of at least \$500 thereafter. Please ensure that your Application Amount is for a multiple of the Offer Price. There is no maximum Application Amount, however you may be subject to scale back.	Section 7
What is the allocation policy?	The allocation of Shares between the Institutional Offer, the Broker Firm Offer and the Priority Offer has been, or will be, determined by the Joint Lead Managers in consultation with AUCloud, having regard to the allocation policy outlined in Sections 7.9.2, 7.10.6 and 7.11.3. Institutional Offer: The allocation of Shares among Applicants in the Institutional Offer has been, or will be, determined by agreement between AUCloud and the Joint Lead Managers. Broker Firm Offer: With respect to the Broker Firm Offer, it will be a matter for the Brokers how they allocate firm stock among their eligible retail clients. However, the Joint Lead Managers, in consultation with AUCloud, reserve the right to reject or scale back Applications under the Broker Firm Offer. Priority Offer: Applications under the Priority Offer will be at the absolute discretion of AUCloud. The Priority Offer is capped at \$3 million.	Section 7

Topic	Summary	More Information
Can the Offer be withdrawn?	AUCloud may withdraw the Offer at any time before the issue of Shares to successful Applicants under the Offer. If the Offer or any part of it does not proceed, all relevant Application Monies will be refunded in full, without interest (in accordance with the Corporations Act).	Section 7.15
Is there a cooling-off period?	Cooling-off rights do not apply to Applications. Once you lodge an Application, you cannot withdraw it (other than in certain limited circumstances permitted by law).	Important notices
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on Wednesday, 9 December 2020.	Section 7 and Key Offer Information on page 6 of this Prospectus

1.6 Taxation

Topic	Summary	More Information
What are the taxation implications of investing in the Shares?	A summary of Australian tax consequences of participating in the Offer and investing in Shares is set out in Section 9. These implications will differ depending on the individual circumstances of the Applicant. Applicants should obtain their own professional taxation advice about the consequences of investing.	Section 9

1.7 Transaction costs

Topic	Summary	More Information
What are the fees and costs associated with the Offer?	Total transaction costs are expected to be approximately \$1,700,000. Transaction costs will be paid by the Company from the proceeds of the Offer.	Section 10.10
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants who apply for Shares using an Application Form. Investors who buy or sell Shares on ASX may be subject to brokerage and other transaction costs. Transfers of Shares on ASX should not attract any Australian stamp duty. Shareholders should confirm the stamp duty consequences of dealing with their Shares with their taxation adviser.	Section 7.8

1.8 Further information

Topic	Summary	More Information
Where can I find more information about the Offer?	If you have further enquiries or questions relating to aspects of this Prospectus or about the Offer, please call the AUCloud Offer Information Line on 1800 262 299 (within Australia) or +61 1800 262 299 from 8.30am until 5.30pm (Sydney time), Monday to Friday (excluding public holidays) during the Offer Period. If you are in any doubt as to anything in this Prospectus you should consult your accountant, financial adviser, stockbroker, lawyer or other professional.	Section 7.17

2. Industry Overview

2.1 AUCloud in the Industry

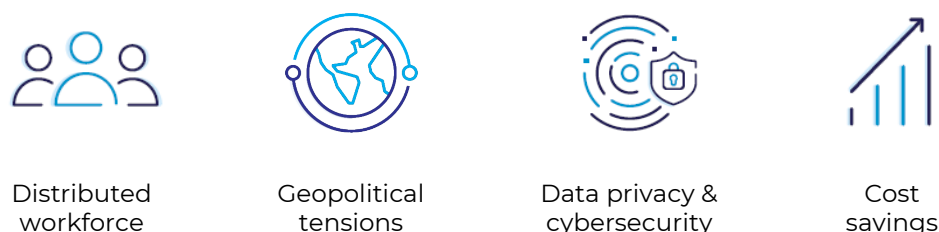
AUCloud is a sovereign IaaS provider targeting the delivery of secure cloud-based computing services to each level of Australian Government, Australian Defence Force (“ADF”) and to CNI such as financial services, telecommunications and utilities.

AUCloud sells its IaaS solution direct to customers and through over 60 channel partners that bundle the AUCloud IaaS solution into their own service offering.

The Australian Government is embracing digital transformation with plans to bring its services online by 2025⁵. Both the Australian Government and ADF have announced increased expenditure on information and communication technology (“ICT”), digital and cyber security over the coming decade to 2030.

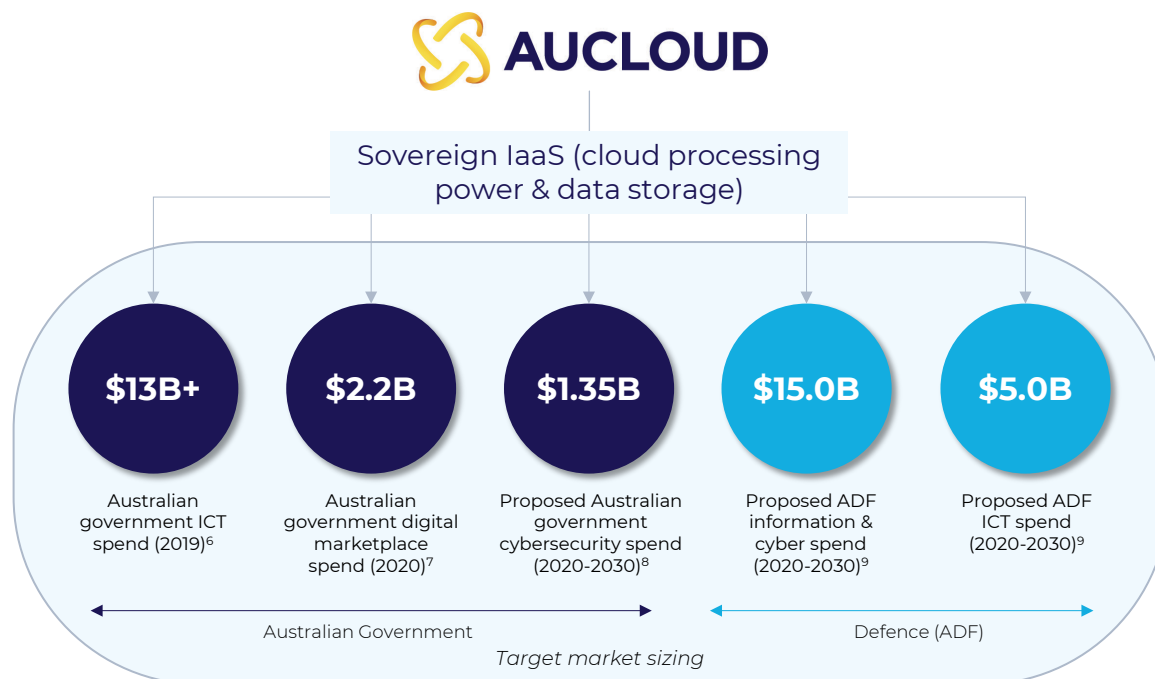
Digital transformation has been fast-tracked for a number of reasons, including an increasingly distributed workforce as a consequence of COVID-19, increased focus on data sovereignty, privacy and security concerns due to heightened geopolitical tensions, and the ongoing need to reduce government costs.

Figure 1: Digital Transformation Drivers



AUCloud seeks to differentiate itself in the market with secure, sovereign data capabilities supported by cyber threat monitoring technologies, with a view to increasing AUCloud’s appeal to the Australian Government and vendors to the Australian Government.

Figure 2: AUCloud Industry Positioning



⁵ Digital Transformation Agency - <https://www.dta.gov.au/digital-transformation-strategy>

⁶ Combination of figures from Digital Transformation Agency, ICT Report of the ICT Procurement Taskforce, 2017 - <https://www.dta.gov.au/help-and-advice/ict-procurement/digital-sourcing-framework-ict-procurement/ict-procurement-taskforce-report>; NSW Government - <https://www.digital.nsw.gov.au/sites/default/files/NSW%20Government%20Cloud%20Policy.pdf>; and Victoria Government - <https://www.audit.vic.gov.au/report/victorian-government-ict-dashboard?section=32857--audit-overview>

⁷ Digital Transformation Agency, 2020 - <https://www.dta.gov.au/news/digital-marketplace-reaches-2b-milestone>

⁸ Australian Government, 2020 - <https://www.pm.gov.au/media/nations-largest-ever-investment-cyber-security>

⁹ Australian Defence Force (ADF), 2020 Defence Strategic Update - <https://www.defence.gov.au/StrategicUpdate-2020/>

2.2 What is Cloud Computing?

IaaS is a service category within cloud computing. Cloud computing enables on-demand access to a shared pool of computing resources such as network infrastructure, servers, data storage and applications. Cloud computing removes the need for organisations to install, maintain and upgrade software and hardware, thereby eliminating or significantly reducing the costs and complexities associated with on-premise systems.

Standardisation of process, made possible by defined cloud computing services, also provides the basis for reduced costs and accelerated delivery of projects.

Cloud computing is typically contracted on a consumption basis, which reduces the upfront capital expenditure for users and transfers the cost to a recurring operating expense.

Cloud resources can be public (shared by many), community (shared by many but restricted to a selected community), private (used by a single customer) or utilise a hybrid approach of both public and private clouds.

Cloud computing comprises five essential characteristics:

- **On-demand self-service:** A user can provision computing capabilities, such as server time and network storage, as needed without requiring human interaction with each service provider.
- **Broad network access:** Capabilities are made available over the network and accessed through standard devices such as desktop workstations, laptops, mobile phones and tablets.
- **Resource pooling:** Computing resources such as processing power, bandwidth and data storage are pooled to serve multiple consumers with different physical and virtual resources dynamically assigned and reassigned according to user demand. The location of these computing resources may be anywhere, but can be specified to a country, state or data-centre.
- **Rapid elasticity:** Capabilities can be elastically provisioned to scale rapidly as needed in line with demand. To the user, the capabilities available for provisioning often appear to be unlimited and can be appropriated in any quantity at any time.
- **Measured service:** Cloud systems can automatically control and optimise resource use by using a metering capability which provides transparency for the provider and user.

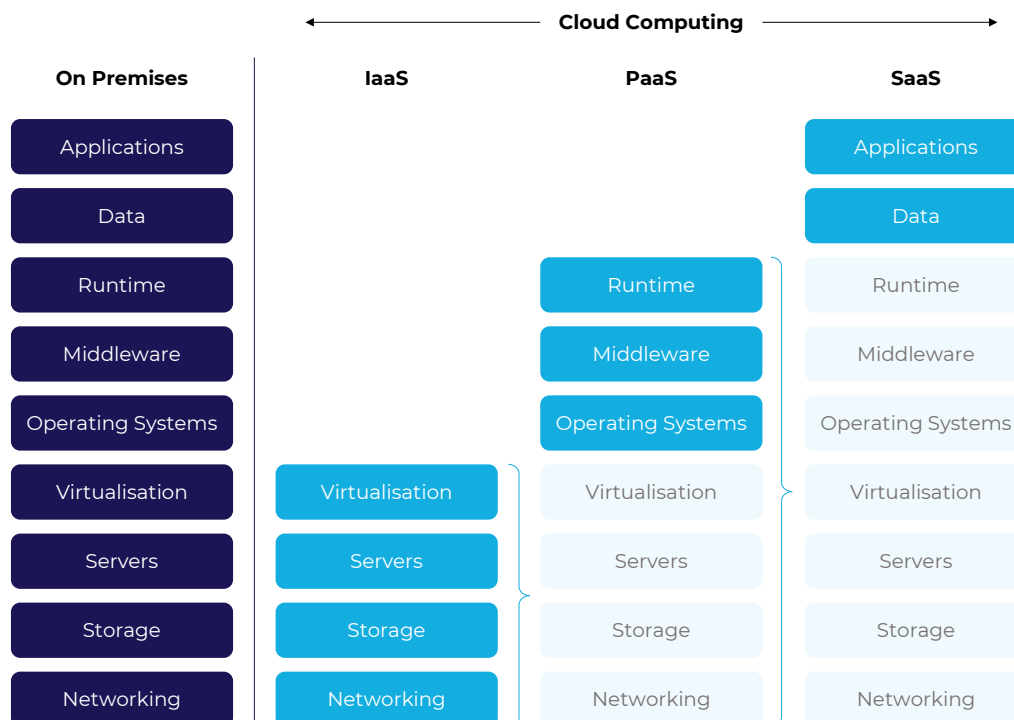
2.3 Cloud Computing Service Categories

As cloud computing replicates the traditional IT system there are three cloud computing service categories:

- **Infrastructure as a Service ("IaaS"):** The ability to provision processing power, data storage, networks and other fundamental computing resources where a user can deploy and run platform operating systems as well as software applications.
- **Platform as a Service ("PaaS"):** The capability to deploy onto the IaaS, user-created or acquired applications for example middleware, using programming languages, libraries, services and tools.
- **Software as a Service ("SaaS"):** The capability to run applications on the IaaS. The applications are accessible from connected devices through either a web browser or a program interface.

As IaaS is at the bottom of the cloud computing stack it effectively underpins PaaS and SaaS services.

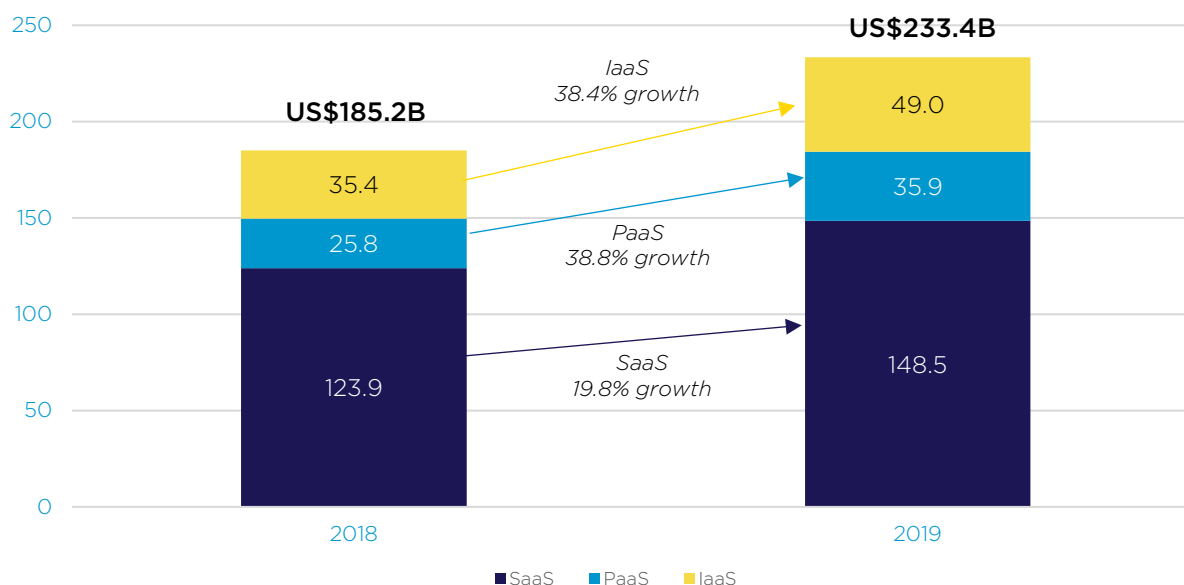
Figure 3: On-premises IT vs Cloud Computing Service Categories



The size of the three public cloud services markets globally have more than doubled since 2016. During this same period, the combined spending on IaaS and PaaS has nearly tripled¹⁰.

As illustrated in Figure 4, worldwide public cloud services revenue grew to US\$233.4 billion in 2019, growing by 26.0% from 2018. IaaS grew to US\$49 billion in 2019, growing by 38.4% from 2018¹⁰. International Data Corporation expects spending on IaaS and PaaS to continue growing at a higher rate than the overall cloud market over the next several years as resilience, flexibility, and agility guide IT platform decisions¹⁰.

Figure 4: Worldwide Cloud Services Revenue (US\$ billions)¹¹



Source: International Data Corporation, 2020

¹⁰ International Data Corporation – <https://www.idc.com/getdoc.jsp?containerId=prUS46780320>

¹¹ International Data Corporation – <https://www.idc.com/getdoc.jsp?containerId=prUS46780320>

In Australia, cloud services revenue was predicted to reach A\$6.5 billion in 2019, and Gartner estimates that cloud services revenue will grow to A\$10.3 billion in 2022. From the cloud services spend, IaaS revenue in Australia was predicted to reach A\$652 million and is estimated to almost double to A\$1.2 billion in 2022¹². A number of Australian Government and ADF initiatives as outlined in Section 2.6 indicate strong growth in cloud and IaaS spend in AUCloud's target market.

As an IaaS provider, the Company is well positioned to capitalise on this trend towards increased spend on cloud and IaaS.

2.4 Key Advantages of IaaS and Cloud

Key advantages of cloud and specifically IaaS include:



Reduced costs

Replacing the upfront costs of computer equipment and related expenses, such as a physical data centre and support staff with predictable operational expenditure for the amount of computing processing and data storage used.



Business continuity

Improved availability of computing infrastructure to rapidly and flexibly scale to meet peaks in usage demand, with infrastructure located in multiple physical locations for improved disaster recovery.



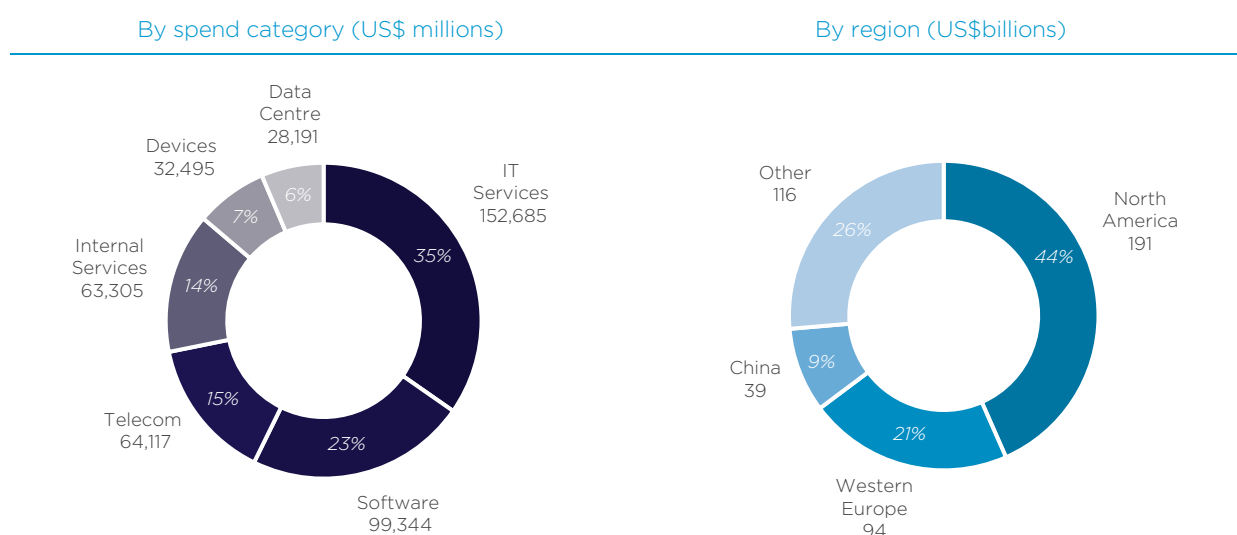
Sustainability

Potentially reducing carbon footprint due to the more efficient use of computer hardware requiring less electricity and less air conditioning.

2.5 Government ICT Spending

Global government ICT spending reached US\$440 billion in 2019¹³. Government organisations are accelerating IT spending on digital public services, public health, social services, education, and workforce reskilling. Whilst Government and CNL infrastructure is still dominated by self-managed (or on-premise) legacy infrastructure, Gartner predicts that adoption of cloud services will continue to accelerate and spending on in-house servers and storage will continue to decline¹⁴.

Figure 5: Global Government ICT Spending (2019)¹⁴



Source: Gartner, 2020

¹² Gartner, reference in ARN - <https://www.arnnet.com.au/article/659610/australia-public-cloud-services-spending-hit-10b-by-2022/>

¹³ Gartner - <https://www.gartner.com/en/newsroom/press-releases/2020-08-05-gartner-forecasts-global-government-it-spending-to-de>

¹⁴ Gartner - <https://www.gartner.com/en/newsroom/press-releases/2020-08-05-gartner-forecasts-global-government-it-spending-to-de>

2.6 Australian Government ICT Situation

2.6.1 Australian Government ICT Spend

The Australian Government invests in ICT systems to support the secure and continuous delivery of government business. Secure ICT systems maintain the confidentiality, protect the integrity and facilitate the availability of the information that government entities process, store and communicate.

In 2015-16, Australian Federal Government agencies reported that they spent \$6.2 billion on ICT goods and services, and committed to procure \$9.0 billion of ICT goods and services into future years. The Australian Federal Government's reporting of ICT spending excludes defence ICT, which is the single largest source of ICT procurement¹⁵. This was the last announced figure of total ICT spend by the Australian Government.

To minimise IT sprawl and escalating costs, the ICT Procurement Taskforce recommended a target to reduce total annual ICT spending by 10% over the next four years. Recommendations to reduce ICT spend included 'Cloud first' approaches that minimised cyber-security risks¹⁶.

On a state level, the NSW Government has estimated its ICT spend to be \$3.99 billion in FY20 and has stated all future IT procurement will be 'cloud by default'¹⁷. In 2018, the Victorian Government estimated its ICT spend to be approximately \$3 billion¹⁸. Together with Federal Government spend this would make total Australian Government ICT spend to be in excess of \$13 billion per year.

2.6.2 Australian Government Digital Transformation

In November 2018, the Australian Federal Government, unveiled its new digital transformation strategy with plans to bring its services online by 2025¹⁹. Ready access to government data or other public information in Australia is estimated to have an average wider net economic benefit of up to \$14 billion per year²⁰.

The Digital Transformation Agency ("DTA") tasked with leading the digital transformation strategy is undertaking a number of initiatives and projects including:

- **Secure Cloud Strategy:** To help government agencies utilise the benefits of cloud computing and supporting them through the transition.²¹
- **Hosting Strategy:** To reduce data sovereignty, ownership and supply chain risks by offering a certification to facilities based on the sovereign nature of ownership or the provider for placement of government data up to the PROTECTED classification while ensuring government hosting services are more efficient and cost-effective.²²
- **Digital Marketplace:** To simplify the procurement process for government agencies to access digital service providers.²³

This shift in government approach is expected to increase the business opportunities for system integrators and managed service providers with government departments. As of 31 July 2020, \$2.2 billion of digital services contracts have been awarded through the Australian Government digital marketplace, including \$1.5 billion to SMEs²⁴.

¹⁵ Digital Transformation Agency, *ICT Report of the ICT Procurement Taskforce, 2017* - <https://www.dta.gov.au/help-and-advice/ict-procurement/digital-sourcing-framework-ict-procurement/ict-procurement-taskforce-report>

¹⁶ Digital Transformation Agency, *ICT Report of the ICT Procurement Taskforce, 2017* - <https://www.dta.gov.au/help-and-advice/ict-procurement/digital-sourcing-framework-ict-procurement/ict-procurement-taskforce-report>

¹⁷ NSW Government - NSW Government Cloud Policy -

<https://www.digital.nsw.gov.au/sites/default/files/NSW%20Government%20Cloud%20Policy.pdf>

¹⁸ Victorian Government - <https://www.audit.vic.gov.au/report/victorian-government-ict-dashboard?section=32857--audit-overview>

¹⁹ Digital Transformation Agency - <https://www.dta.gov.au/digital-transformation-strategy>

²⁰ Digital Transformation Agency - *2018-19 Annual Report* - <https://dta-www-drupal-20180130215411153400000001.s3.ap-southeast-2.amazonaws.com/s3fs-public/files/Annual%20reports/dta-annual-report-2018-19-revised-7-Nov-19.pdf>

²¹ Digital Transformation Agency - <https://www.dta.gov.au/our-projects/secure-cloud-strategy>

²² Digital Transformation Agency - <https://www.dta.gov.au/our-projects/hosting-strategy/overview>

²³ Digital Transformation Agency - <https://www.dta.gov.au/our-projects/about-digital-marketplace>

²⁴ Digital Transformation Agency - <https://www.dta.gov.au/news/digital-marketplace-reaches-2b-milestone>

2.6.3 Australian Government and ADF Initiatives

The Australia Government has stated “our region is in the midst of the most consequential strategic realignment since the Second World War ... with the Indo-Pacific at the centre of greater strategic competition, making the region more contested”²⁵. Threats to human security, such as the COVID-19 pandemic and natural disasters, mean disaster response and resilience measures are now a focus for the Australian Government and ADF.

This view is leading to investment in ICT in various special domains including:

- **The Australian Government announcing it will invest \$1.35 billion in cyber security over the next decade to 2030²⁶:** Funding will be allocated to deter and respond to cyber threats to Australia. Cyber threats to government and commerce posed by malicious actors have increased in line with increased connectivity.
- **ADF investing in strengthened information and cyber domain capabilities totalling \$15 billion over the next decade to 2030²⁷:** Information underpins all effective military operations. Secure and resilient information systems are critical to delivering capability, conducting operations, sharing information with partners and communicating with other government agencies. From the \$15 billion budget allocated to “Enhanced Information and Cyber Domain Capabilities”, between \$3.3 billion and \$5 billion will be spent on network resilience improvements over the next two decades and between \$0.7 billion and \$1 billion on network security upgrades in the next decade.
- **ADF investing in strengthened ICT capabilities totalling \$5 billion over the next decade to 2030²⁸:** Modern, secure, sustainable and scalable ICT is critical to enable current and future defence and business operations. Defence operates one of the largest and most complex information environments in Australia. It is required to collect, process, store, and transmit information that underpins the ADF’s capabilities. Investments in new ICT capabilities aligned to security, information access and management, applications, connectivity, and processing and storage are a key focus.

Outside of strategic priorities, the Australian Government has also had to respond rapidly to the COVID-19 pandemic. COVID-19 has fast-tracked government digital transformation, including the introduction of the COVIDsafe app, mobilising of Telehealth services and business continuity planning driven by work from home requirements.

AUCloud is positioned to capitalise on these investment initiatives as a direct provider of services or through a channel partner selling into the Australian Government or ADF.

2.6.4 Data Security

Government and CNI manage a large volume of sensitive data. Cyber security and privacy risks inherent to PROTECTED data, ensures governments and CNI focus on data security and data sovereignty when procuring cloud solutions.

When establishing new ICT systems, or implementing improvements to current ICT systems, Government entities must address security. This is mainly governed by the following:

- **The Protective Security Policy Framework (“PSPF”)²⁹:** developed through the Attorney General’s Department to assist Australian Government entities to protect their people, information and assets, at home and overseas.
- **The Australian Signals Directorate (“ASD”) through The Australian Cyber Security Centre (“ACSC”):** leads the Australian Government’s efforts on national cyber security and improve the cyber resilience of the Australian community. ACSC has recently reviewed and released a new approach to security best practice assessment of cloud services with a revised assessment framework³⁰. This highlights the different types of data that should be risk assessed as well as the risks associated with foreign owned and operated cloud service providers.
- **Information Security Registered Assessors Program (“IRAP”)³¹:** IRAP provides the framework to endorse individuals from the private and public sectors to provide cyber security assessment services to Australian Government.

Data security guidance emerging from this framework supports the secure adoption of cloud services by government with a strong focus on locality and ownership of data.

²⁵ Australian Defence Force (ADF), 2020 Defence Strategic Update - <https://www.defence.gov.au/StrategicUpdate-2020/>

²⁶ Australian Government, 2020 - <https://www.pm.gov.au/media/nations-largest-ever-investment-cyber-security>

²⁷ Australian Defence Force (ADF), 2020 Defence Strategic Update - https://www.defence.gov.au/StrategicUpdate-2020/docs/Factsheet_Information_and_Cyber.pdf

²⁸ Australian Defence Force (ADF), 2020 Defence Strategic Update - <https://www.defence.gov.au/StrategicUpdate-2020/>

²⁹ <https://www.protectivesecurity.gov.au/>

³⁰ <https://www.cyber.gov.au/acsc/view-all-content/publications/anatomy-cloud-assessment-and-authorisation>

³¹ <https://www.cyber.gov.au/acsc/view-all-content/programs/irap>

2.6.5 Australian Government Data Classification

Official information is all information created, sent or received as part of the work of the Australian Government. Official information can be collected, used, stored and transmitted in many forms including electronic, physical and verbal communication (for example presentations). The originator of the information, or who receives the information from outside the Australian Government, determines whether official information is sensitive or security classified information.

The Australian Government uses three security classifications: PROTECTED, SECRET and TOP SECRET³². The relevant security classification is based on the likely damage resulting from compromise of the information's confidentiality, integrity or availability. Damage can incorporate financial damage, risks to trade and commerce, impacts to infrastructure and operations as well as reputation.

Where a loss of the information's confidentiality would cause limited damage but does not warrant a security classification, that information is considered sensitive and is treated as OFFICIAL: Sensitive. All other information from business operations and services requires a routine level of protection and is treated as OFFICIAL. Information that does not form part of official duty is treated as UNOFFICIAL. OFFICIAL: Sensitive, OFFICIAL and UNOFFICIAL are not security classifications.

In the government's data classification, the definition of data has extended to also include customer data, metadata, monitoring data and analytics data therefore all related data must be protected to its level of classification.

Figure 6: Australian Government Data classification³³

Classification	Business Level Impact	Description
Top Secret	Catastrophic	Data that may have exceptionally grave damage to the national interest, organisations or individuals if compromised
Secret	Extreme	Data that may have serious damage to the national interest, organisations or individuals if compromised
Protected	High	Data that may provide damage to the national interest if compromised
Official: Sensitive	Low-to-Medium	Data that provides limited damage to an individual or organisation if compromised
Official	Low	Routine data that provides no, or an insignificant amount of damage if compromised
Unofficial	No	Data that provides no damage. This data does not form part of official duty

Security Classification

General Classification

Source: "Protective Security Policy Framework" Australian Government

When sensitive and security classified information is unattended, meaning it is not under the immediate control or in the physical presence of the person responsible for it, the data must be stored securely. Securely storing sensitive and security classified official information protects the information from compromise.

2.7 Critical National Industries ("CNI")

Industries that handle sensitive data are exposed to the same risks. These CNI include financial services, telecommunication, utilities, education, health and aviation. Each is characterised as important to the economy whose ongoing service provision is essential to the population.

Each of these industries is experiencing the same pressures as faced by government including the need for increased data security and privacy, and increased cost-consciousness while maintaining operations for a distributed workforce. This makes the AUCloud service offering relevant to the CNI as they undergo ongoing digital transformation.

Australian Government is currently undertaking a wide-ranging consultation to increase the scope and requirements that critical infrastructure and systems of national significance will be required to follow. The draft proposal places significant emphasis on upgrading the security and resilience of an increasing number of industries and systems that will fall under these guidelines, regulations and legislation.

³² Protective Security Policy Framework" Australian Government - <https://www.protectivesecurity.gov.au/sites/default/files/2020-09/pspf--infosec--8--sensitive-classified-information.pdf>

³³ Protective Security Policy Framework" Australian Government - <https://www.protectivesecurity.gov.au/sites/default/files/2020-09/pspf--infosec--8--sensitive-classified-information.pdf>

2.8 Key Market Drivers for Digital Transformation

2.8.1 Cloud adoption

On-premises computing is typically expensive to install and manage relative to cloud computing, while often being under-utilised and operated at less than optimal scale. Scale, standardisation and automation allow cloud services to be able to reduce the unit costs of running infrastructure. Significant adoption of cloud services is being experienced due to its scalability, cost efficiency and flexibility in an increasingly connected world.

2.8.2 COVID-19

The impact of COVID-19 led lockdown and social distancing measures implemented by governments, globally. In these unprecedented circumstances, digital transformation has become a pressing necessity for governments and companies to maintain continuity. Governments have had to respond quickly with increased focus on digital health, remote work, data analysis, and dynamic resourcing.

Employees have been required to work from home, often using their own devices, and access services via the cloud. Organisations with on-premises infrastructure have had to rapidly transform their approach to maintain operations. The COVID-19 disruption has accelerated cloud adoption with both government and enterprise organisations. Australian businesses increased their adoption of key digital technologies in the past year as much as over the past 10 years³⁴.

2.8.3 Sovereignty

With a global interconnection of digital services there has been increased focus on national intelligence and sovereignty of data. Increased connectivity can also bring exposure to increased cybercriminal activity.

Increased geopolitical tensions, increased crime, control of legal authority and locality of data have heightened the importance of sovereign security solutions. The global IaaS service provider with resources distributed globally may store data overseas, and is generally subject to the laws of the country in which it is stored as well as the country in which it is accessed. This includes customer data backups, metadata, monitoring data and analytics data. However, certain nations (US, China) and supra-national states (EU), have created extra territorial legislation that seeks to secure the legal rights of access or control of the data underpinned by any cloud services that are operated or owned by companies domiciled in their jurisdiction, irrespective of where the data is stored.

By contrast to the global IaaS service providers, AUCloud is managed, located and operated in Australia. Consequently, unlike global providers, the data of AUCloud's government, ADF, or CNI customers is subject to Australian legal jurisdiction and remains located in Australia under the control of vetted Australian security personnel. Furthermore, all service and support activities are undertaken in Australia, which negates the requirement for monitoring or support data to be shipped off-shore.

2.8.4 Cyber risks and privacy

Continued innovation in sectors such as digital health, IoT platforms, drones, artificial intelligence and self-driving cars will all continue to generate new data sets that will require processing and storage. As more data is digitised and stored on the cloud there is an increasing requirement to keep this data protected and private. A data breach occurs when personal information that an entity holds is subject to unauthorised access or disclosure, or is lost. A data breach may be caused by malicious action (by an external or insider party), human error, or a failure in information handling or security systems. Data breaches have occurred with increasing frequency.

The Privacy Act contains Australian Privacy Principles that set out entities' obligations for the management of information. Compliance with the requirement to secure information is key to minimising the risk of a data breach. Entities are required to take reasonable steps to protect the information that they store or manage.

For new digital transformation projects, security and data privacy are key considerations.

2.8.5 Cost consciousness

Government agencies are required to consider both financial and non-financial value, including the quality of goods and services, whole-of-life costs and fitness for purpose. The use of cloud services and their intrinsic standardisation can significantly reduce the direct and indirect costs related to implementation and exit. Consumption based commercial models can reduce the relative levels of under-utilised assets and ensure that cloud consumers only use what they need, and pay only for what they use.

³⁴ Alphabeta - https://alphabeta.com/wp-content/uploads/2020/09/200922_australias-digital-resilience_report.pdf

2.9 Competitive Landscape

The global IaaS market for cloud services is concentrated among the top five IaaS providers – AWS, Microsoft Azure, Google Cloud and China's Alibaba Cloud and Tencent – accounting for 80% of the global market³⁵.

Figure 7: Global IaaS Companies by Market Share

Global IaaS Competitors	Global market share
AWS	45.0%
Azure	17.9%
Alibaba	9.1%
Google	5.3%
Tencent	2.8%

Source: Gartner, 2019

In Australia it is estimated that the top six providers, AWS, Azure, IBM, Google, Oracle and Alibaba Cloud represent 85% of the market³⁶.

Under the new Cloud Security Guidance³⁷ and related Cloud Assessment and Authorisation Framework, the key risks to be assessed when procuring cloud computing services are sovereignty (ownership, location and operation) of the provider and a requirement to understand the impact of non-sovereign activities on all aspects of data including customer, metadata, monitoring and analytics data. The ability to ensure that these data types remain within Australia and are subject to Australian legislation is a competitive advantage of AUCloud and other Australian IaaS providers over global providers. Australian IaaS providers with appropriate sovereign data infrastructure, such as AUCloud, are well placed to take advantage of this market situation.

There are several Australian IaaS competitors to AUCloud. The most active that have achieved early Government accreditation are:

Figure 8: Australian IaaS Companies

Macquarie Telecom:	ASX listed telecommunication, data centre and managed service provider
NTT Data:	Division of Nippon Telegraph & Telephone
Sliced Tech:	Private company
Vault Cloud:	Private company

AUCloud's exclusive focus on IaaS combined with highly automated technology provides a viable proposition not only for the Australian Government but also for a wide range of service and software vendors to the Australian Government.

³⁵ Gartner, referenced in <https://cloudcomputing-news.net/news/2020/aug/19/worldwide-public-cloud-services-market-hit-233bn-in-2019-says-idc/>

³⁶ Telsyte - <https://www.telsyte.com.au/announcements/2020/6/25/hyperscale-clouds-dominate-as-iaas-spending-set-to-exceed-1-billion-in-2020>

³⁷ ASD - <https://www.cyber.gov.au/acsc/government/cloud-security-guidance>

3. Company Overview

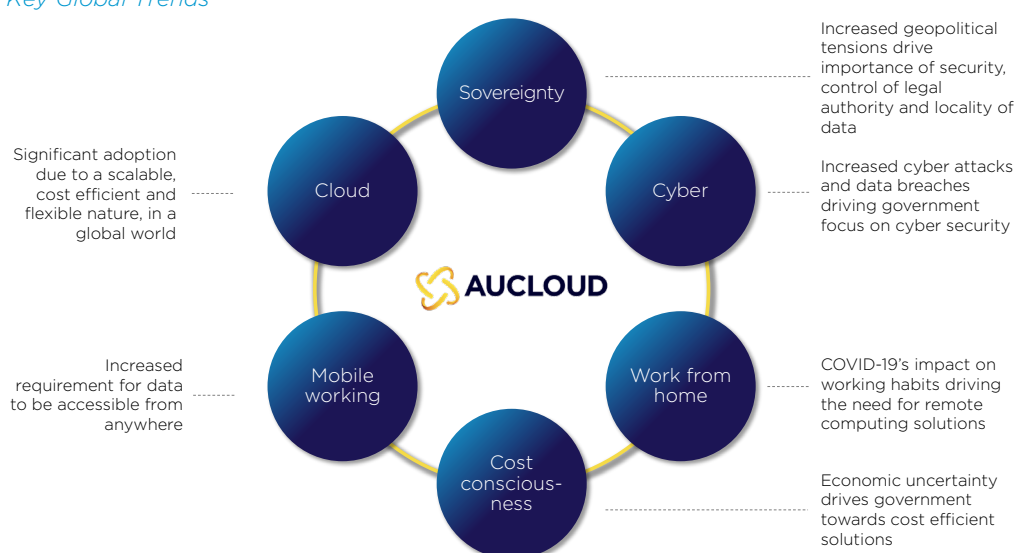
3.1 AUCloud Overview

AUCloud is a sovereign IaaS provider delivering secure cloud-based computing services. AUCloud primarily targets each level of Australian Government, ADF and CNI such as financial services, telecommunication and utilities with a service offering optimised to the requirements of these markets.

AUCloud aims to bring Australian Government, ADF and CNI customers on its cloud platform to realise reduced costs, increased agility and higher security as benefits of digital transformation. The Company's cloud platform has been designed to deliver a scalable, user centric and flexible 'pay-as-you-go' solution with a high degree of security and automation.

The Company believes it will benefit from a number of global trends as illustrated in Figure 9, which underpins a Government and CNI shift from legacy self-managed infrastructure to sovereign cloud solutions. In particular, the emergence of COVID-19 has been a key catalyst for accelerated cloud adoption as more people work from home and users are geographically dispersed. This has led to more demand for IaaS services offered by providers such as AUCloud.

Figure 9: Key Global Trends



One of the Company's competitive strengths is its IRAP-accredited cloud platform which satisfies the increasing need from government organisations to protect their growing body of data. The Company has relationships with over 60 channel partners who market and sell AUCloud's services.

With Australia's Cyber Security Strategy 2020³⁸ and recent Cloud Security Guidance from ASD/ACSC³⁹ mandating a strict focus on data sovereignty, and the DTA facilitating a framework for the migration to cloud computing, AUCloud's sales growth is expected to be predominantly driven by the relocation of existing on-premise Government, ADF and CNI ICT systems to the cloud. AUCloud actively participated in the establishment of Australia's Cyber Security Strategy 2020 release.

Figure 10: AUCloud Key Principles

AUSTRALIAN by definition:	ASSURED by design:	ACCOUNTABLE by transparency:
Controlled, located and operated in Australia, with all data and services resident and monitored in Australia by security cleared personnel.	IRAP certified with cyber security practices engineered to PROTECTED.	Simple, clear, competitive pricing.
AMPLIFIED by scale:	AGILE by nature:	ALIGNED to community values:
Capacity designed to support reliable execution for SaaS through to national scale programmes.	Culturally responsive and commercially attuned. Ability to deploy automated elasticity in seconds.	Underpinned by behaviours that improve outcomes for all Australians through a stronger and more resilient Australia.

³⁸ Australia's Cyber Security Strategy, Commonwealth of Australia 2020 (<https://www.homeaffairs.gov.au/cyber-security-subsite/files/cyber-security-strategy-2020.pdf>)

³⁹ Anatomy of a Cloud Assessment and Authorisation, ASD/ACSC July 2020; Cloud Assessment and Authorisation Frequently Asked Questions, ASD/ACSC July 2020 (<https://www.cyber.gov.au/acsc/government/cloud-security-guidance>)

3.2 Background

AUCloud was established to deliver sovereign cloud services to Australian Governments, ADF and CNI. The business was formed in 2016 based on the success of UKCloud, a sovereign IaaS provider to the UK Government.

UKCloud was co-founded in 2011 by Phil Dawson (then UKCloud CEO) and others. Phil Dawson left UKCloud in 2016 to investigate whether a similar business to UKCloud would be successful in Australia. An Australian based entity, Sovereign Cloud Australia Pty Ltd ("**SCA**") was formed by Phil Dawson in 2016 for this purpose.

In December 2017, SCA was acquired by Sovereign Cloud Holdings Limited ("**SCH**") to pursue the initial development of SCA's cloud technology platform. At the same time, \$10.0 million was raised by the Company to fund this strategy.

In 2018, the Company completed the build of its first cloud platform within the Canberra Data Centres ("**CDC**") facilities, gained independent IRAP accreditation to support OFFICIAL and PROTECTED data, and commenced beta testing with customers via direct and channel partner relationships.

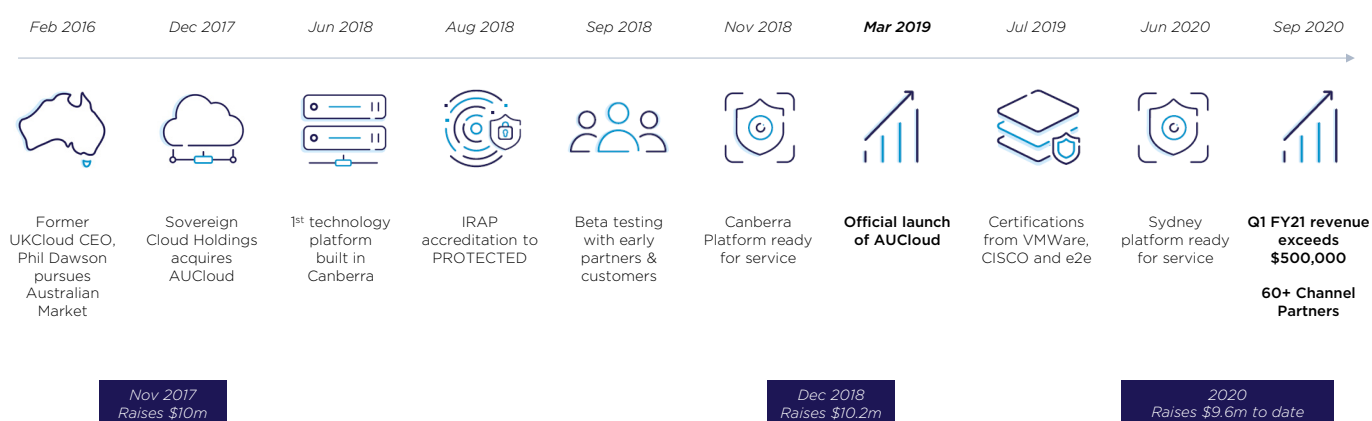
In late 2018, the Company raised \$10.2 million in equity plus further funding including \$4.7 million through a finance facility provided by a major international IT vendor. The vendor finance assisted in funding the necessary hardware requirements to build a second platform in the Sydney-based CDC facility. AUCloud was officially launched to the market in March 2019 and has since secured contracts supporting Australian Government departments, ADF and other CNI.

In 2020 calendar year, an additional \$9.6 million was raised from existing shareholders and a strategic placement to Wilson Asset Management. AUCloud's Sydney-based platform was fully completed in June 2020, providing clients with the ability to deploy their services across geographically diverse facilities and highly resilient platforms.

AUCloud will raise sufficient funds as part of the Offer to achieve the objectives described in this Prospectus. However, it is likely that AUCloud will require further funding in the future. Funding may be from a number of sources, including further finance lease arrangements (see Section 10.6.6), however, until the Company is cash-flow positive the repayments under such arrangements will ultimately need to be supported by further equity funding.

The Company now has 36 employees across Canberra, Sydney and Brisbane covering technical development, customer support, sales and marketing.

Figure 11: AUCloud Key Milestones



3.3 Service Offering

AUCloud sells standardised IaaS service lines that replace or complement existing on-premises IT systems and supports new digital services. AUCloud provides two cloud operating environments in which to deploy customer services – OFFICIAL and PROTECTED – aligned to the associated Australian Government security classification level.

Figure 12: AUCloud Service Offering



AUCloud's operating environment is also protected through an exclusive license to deploy CUMULO, e2e-assure's cyber threat monitoring technology.

As a significant amount of the Australian Government workloads are based on VMware technology, many target market customers are familiar with the cloud service interface to utilise AUCloud's services. This reduces the barrier for customers moving from legacy infrastructure to the Company's cloud services. AUCloud is one of a few companies in the world to have achieved VMware Cloud Verified status, providing its clients with access to all VMware Cloud Infrastructure capabilities including integration and interoperability, cost optimisation and flexibility.

A commercial pricing model has been designed to meet the flexibility required by customers. Pricing is based on a standard menu which varies based on resources consumed, service level requirements and/or security classifications. Pricing is transparent and consistent across the customer base and varies based on the length of contract or volume commitment. AUCloud's revenue model is based on relatively short-term usage contracts, however, the Company expects customers to continue to use and expand their service requirements.

The Board believes that the sovereignty, security, service and value of AUCloud's services will allow it to compete against global IaaS providers.

3.4 Technology Overview

3.4.1 Proprietary Platform

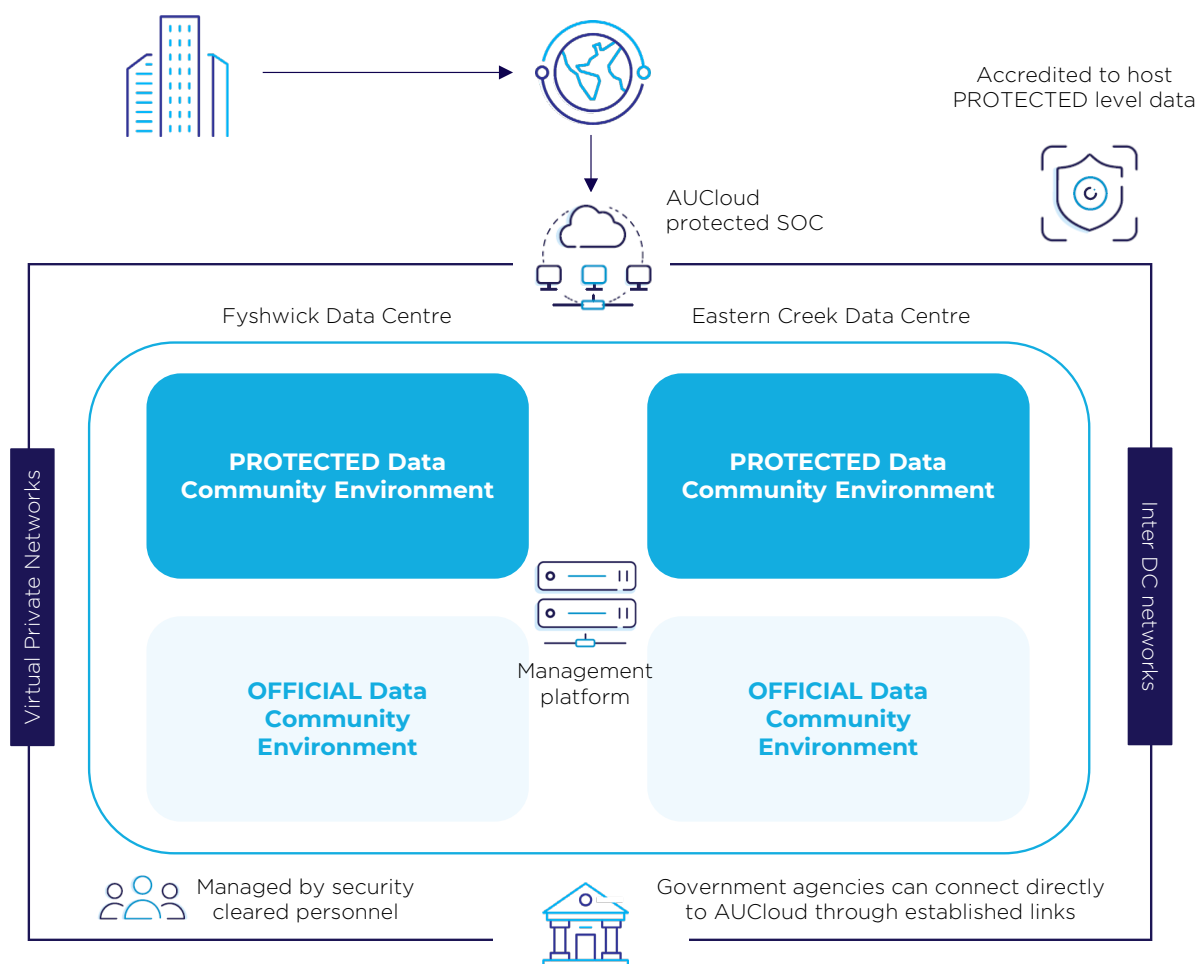
AUCloud has developed its proprietary-built platform offering a very high degree of security and connectivity. A significant amount of time and capital has been invested establishing a proprietary technology platform which is IRAP-certified to a PROTECTED level and delivers minimum efficient scale and competitive pricing.

AUCloud is built upon Cisco networks, servers and storage, and industry-recognised VMware-verified hyper scale architecture allowing seamless integration from government environments. All services deployed on AUCloud are protected by e2e-assure's cyber threat monitoring service. CUMULO provides a single holistic view of risk and threats across an enterprise, including private and public cloud infrastructure, and is designed to identify threats before they become incidents.

Services are supported by AUCloud security cleared personnel. AUCloud has built a comprehensive management platform incorporating a wide range of infrastructure services allowing self-service, automation, and identity management.

Federal Government agencies can connect directly to AUCloud through Government-owned links or a direct connection for the agencies already in a CDC.

Figure 13: Technology Platform



3.4.2 Certifications

AUCloud is ISO27001 certified across the entire organisation. Certification covers end to end development management, operation and security of AUCloud information systems and infrastructure, AUCloud automation and orchestration capabilities, and service delivery.

AUCloud has achieved VMware Cloud Verified status which provides customers with access to the full set of VMware Cloud Infrastructure capabilities including integration and interoperability, cost optimisation and flexibility.

AUCloud is recognised as a Cisco Master Partner for Cloud and Managed Services to support high-risk and complex business and technology projects specifically in its IaaS and Disaster Recovery ("DRaaS") offerings.

3.4.3 Key Technology Suppliers

AUCloud has seven main technology suppliers:

- **Canberra Data Centres (“CDC”)**: Space leased in two data centres in Canberra in Sydney
- **Cisco**: network, servers and storage
- **VMware**: virtualisation and VDI
- **e2e-assure**: cyber threat monitoring system (exclusive partnership)
- **Pure Storage**: cloud hosting platform
- **Cloudian**: S3 compatible object storage
- **Veeam**: backup and disaster recovery software and ransomware prevention

Aside from the above suppliers, all material technical operations are completed in-house.

3.5 Value Proposition

AUCloud has a strong value proposition aligned to the needs of its target customer categories.



Sovereignty

Data securely stored locally

All data securely stored and managed within two data centres in Sydney and Canberra

All Australian

Owned, located and operated in Australia by security-cleared personnel

Government focused

Solutions developed in conjunction with, and for, Government and CNIs.



Security

Security IRAP certified to PROTECTED

Meets and exceeds the Australian Signals Directorate Information Security Manual (“ISM”) control requirements

Data privacy assured

Sovereign ownership limits the risk of application of foreign legislation

Exclusive security

Implemented a world class threat security monitoring solution via e2e-assure



Performance

User centric and transparent pricing

Simple, consistent and competitive ‘pay as you use’ pricing model

Supported by major partners

Partnerships with VMware and Cisco to create a structurally sound technology stack

Efficiency enhancing technology

API first product development and a ‘technology-managing-technology’ process enhancing efficiency

3.6 Customers and Targets

The Company's target market is Government, ADF and CNI such as financial services, telecommunications, utilities, healthcare and education. The Company's primary sales focus is on selling to Government departments, either directly or through a network of over 60 channel partners.

Since the launch of the platform in March 2019, AUCloud has entered into the following customer contracts:

- Implementation of a 3 year IaaS contract with a global systems integrator to re-platform a core Defence healthcare application, expanding into:
 - Support services;
 - Cyber Threat Monitoring ("**SOaaS**"); and
 - Other security enhancements;
- Virtual Desktop ("**VDaaS**") supporting The Australian National University's ("**ANU**") COVID-19 response, enabling continuity of service to 20,000 students and staff; and
- Central government agency with leadership role in digital transformation
 - Backup ("**BaaS**") for Microsoft O365; and
 - Enhanced cyber threat monitoring service.

AUCloud is also targeting sales through the Australian Government digital marketplace where government departments can procure digital services themselves without needing to go through a formal tender process.

Case Study: ANU

The impact of COVID-19 led global lockdown and social distancing measures to be implemented by workplaces. As employees have been required to work from home, often using their own devices, and accessing services via the cloud, Governments and CNIs have had to respond quickly to move away from relying on on-premises IT infrastructure.

Based in Canberra, ANU supports over 20,000 students from across the country and overseas, with a strong focus on the on-campus learning experience. When lockdown measures came into place in March 2020, ANU needed to quickly transition students, staff and lecturers to a remote platform with the same level of access as campus-based resources and functionality.

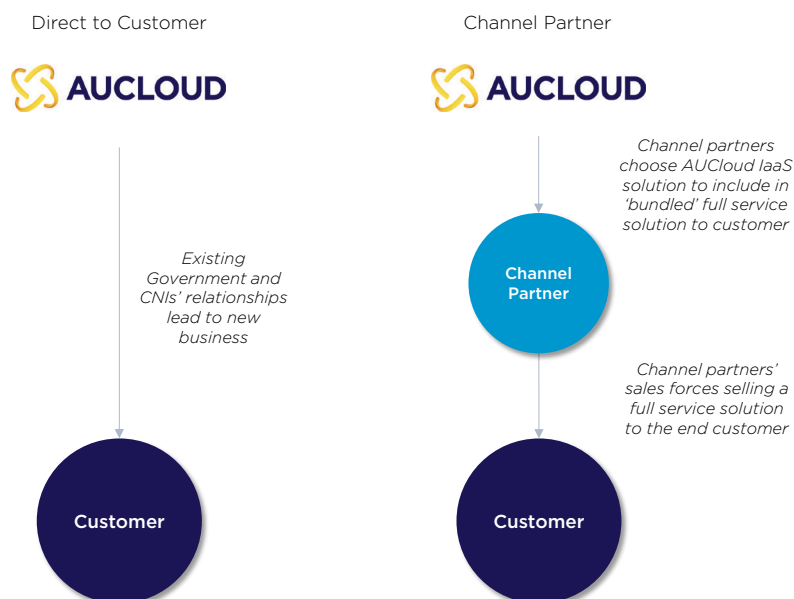
With partners VMware and Insitec, AUCloud implemented a turnkey solution that allowed the University to move its operations online, via remote access – within a week. Utilising the Company's 'Land and Expand' strategy, AUCloud secured the initial implementation contract, and escalated discussions about provision of a permanent solution. The COVID-19 disruption has accelerated cloud adoption including the use of IaaS and the Company has received similar enquiries from other universities and organisations as a result of the publicity.

3.7 Channels to Market

AUCloud's market strategy is both direct (to customer) and through a diversified range of channel partners, such as global systems integrators, defence contractors, local managed service providers, consultancy firms and various SaaS companies. By providing a "pure-play" secure cloud-based computing service, AUCloud acts only as a supplier to its channel partners rather than a competitor, which provides AUCloud access to most ICT contracts in the target market where IaaS is a core component. IaaS Cloud providers who are vertically integrated (providing data centres and/or managed services and IaaS services), can have difficulty convincing their competitors to become their channel partners. AUCloud's growing network of over 60 channel partners enables it to capitalise on a wider range of opportunities across the whole market.

Working alongside the Company's channel partners' sales teams delivers the benefit of both accessing long established business relationships in the target customer base and avoiding time, energy and capital resources required in creating and managing a directly employed sales team.

Figure 14: Channels to Market



3.8 Channel Partners

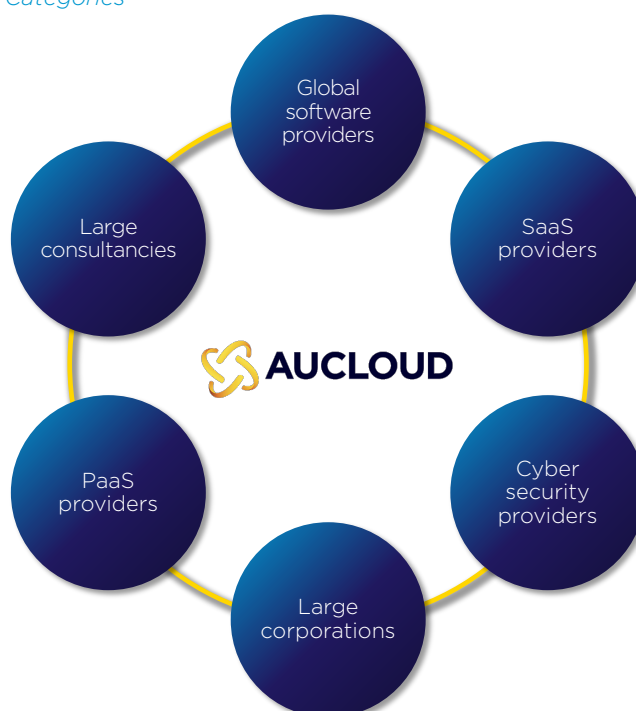
AUCloud has a growing network of over 60 channel partners. The Company has invested time and resources into educating partner organisations about the AUCloud platform. Each partner generally undertakes a trial period before endorsing AUCloud's solution as part of a 'bundled' full service offering to customers.

The AUCloud channel partner network is an efficient sales strategy as the Company can leverage the established networks and sales force of the partner to quickly build its contract pipeline, thereby testing new markets without significant incremental sales and marketing investment.

The Company has deliberately chosen to not offer services outside its core IaaS solutions so it does not compete with its channel partners.

By building a diversified network of channel partners, AUCloud is able to expand into new markets quickly and efficiently, for example CNI markets such as utilities or aviation where the Company does not have an established footprint.

Figure 15: Channel Partner Categories



3.9 Key Competitive Strengths

3.9.1 Sovereignty

The DTA's Whole-of-government Hosting Strategy⁴⁰ released in 2018 identified the sovereignty of data centre ownership as a key supply chain risk. Two categories of sovereignty were outlined, "Certified Sovereign" (the highest level of assurance and is only available to providers that allow the government to specify ownership and control conditions) and "Assured Sovereign" (safeguards against the risk of change of ownership or control through financial penalties or incentives).

From an operational point of view, AUCloud ensures that all technical activities and support services are undertaken from Australian located facilities, by Australian security vetted personnel.

All data on AUCloud's platform remains in Australia. This not only includes customer data, but also relates to metadata, monitoring, support and analytics data which mitigates the risk of data exposure to offshore jurisdiction and foreign owned entities.

3.9.2 Security

All services are designed to meet or exceed PROTECTED controls as outlined in the ACSC ISM. IRAP ensures Commonwealth government entities can access high-quality ICT assessment services, and is a mandatory risk assessment requirement for Commonwealth entities to ensure that self-managed or outsourced cloud services meet the requirements of the ASD/ACSC ISM controls. In August 2018, the Company secured accreditation from independent qualified IRAP assessors to confirm that its cloud services achieved or exceeded PROTECTED controls. This stringent accreditation and related process is required to provide cloud services to Commonwealth government entities.

A key differentiator of AUCloud's services is its ability to address increasing cyber security threats. The integration of e2e-assure's CUMULO cyber threat monitoring technology into AUCloud's core operational processes allows for improved automation and orchestration capabilities in the face of increasing cyber threats.

3.9.3 Performance

AUCloud's technology and service design, utilising scaled platforms, multi-tenanted architecture and automated system management, reduces unit costs to deliver value to customers. AUCloud is able to deliver a competitive 'pay as you use' model using a simple commercial model.

The Company's platform has been developed and built utilising Cisco and VMware technologies, providing assurance and validation for users who are familiar with the security and operational features of these products. Cisco and VMware are used extensively across Government and, combined with active vendor support, increases the attractiveness of AUCloud's service offering.

AUCloud's active engagement with product development by these global providers has seen the Company release new technologies:

- AUCloud was the first in Australia to implement the ransomware protection service using Object Lock with Veeam-Cloudian-VMware⁴¹.
- AUCloud provided the integrated deployment of vCloud Director with Cloudian offering enhanced S3 compatible storage services that leverages its limitless scalability, cost-effectiveness and rich feature set⁴².

AUCloud makes it quicker, easier and more secure to transition at scale to cloud through APIs and extensive automation technologies that enable instantaneous deployment and scale up or down of capacity.

3.10 Operations

AUCloud has grown to a team of 36 located between Canberra, Brisbane and Sydney. Despite the growth of activities undertaken, headcount has only increased by 8 in 2019 and 6 in 2020 to date, illustrating the benefits of increased investment in automation.

Figure 16: AUCloud headcount

Role	Headcount
Engineers (design/build)	12
Sales (pipeline/lead generation)	7
Service (ongoing/support)	6
CEO, Protect & Admin	4
Developers (software)	7
Total	36

⁴⁰ <https://www.dta.gov.au/our-projects/whole-government-hosting-strategy>

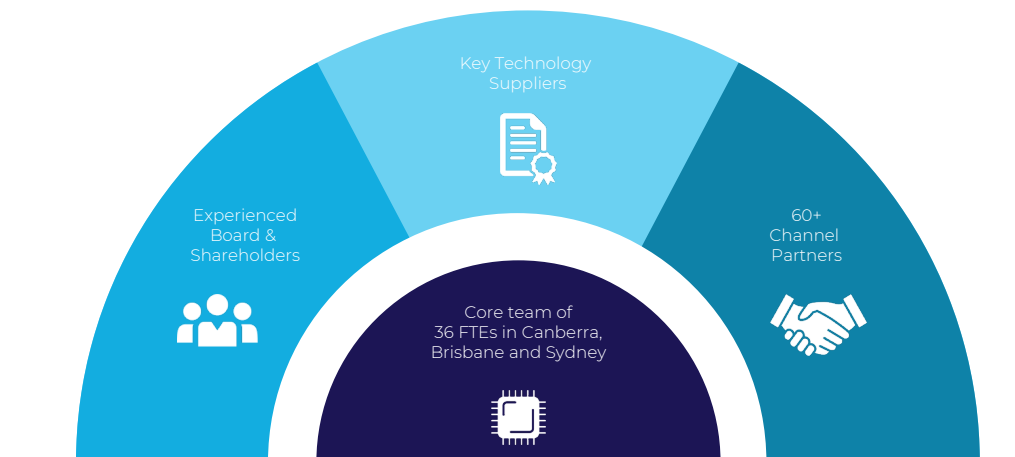
⁴¹ https://www.vmware.com/au/company/news/releases/2020/AUcloud_first_in_Australia_to_implement_new_ransomware_protection_service_with_Object_Lock_from_VMware_Cloudian_and_Veeam.html

⁴² <https://cloudian.com/resource/case-studies/aucloud/>

The core AUCloud team is supported by an experienced Board of Directors and active shareholder base with competencies and experience in growing technology companies.

AUCloud's accounting and finance activities are currently overseen by interim Chief Financial Officer Michelle Crouch, who is currently employed by Pitcher Partners Brisbane. These services include the provision of monthly management accounts, accounts payable, cash management, payroll related activities and taxation compliance. Michelle has been providing these services to AUCloud since inception. For more information see Section 4.

Figure 17: Organisation and partner foundation



3.11 Strategic Growth Plan

AUCloud intends to grow its business by establishing a leadership position in sovereign and secure IaaS services to Australian Government, ADF and CNI.

A key driver of revenue growth and operating leverage is expected to be the Government's transition from self-managed (or on-premise) legacy infrastructure to cloud infrastructure. As this occurs, the Company's growth may benefit from the key competitive strengths of sovereignty, security and performance.

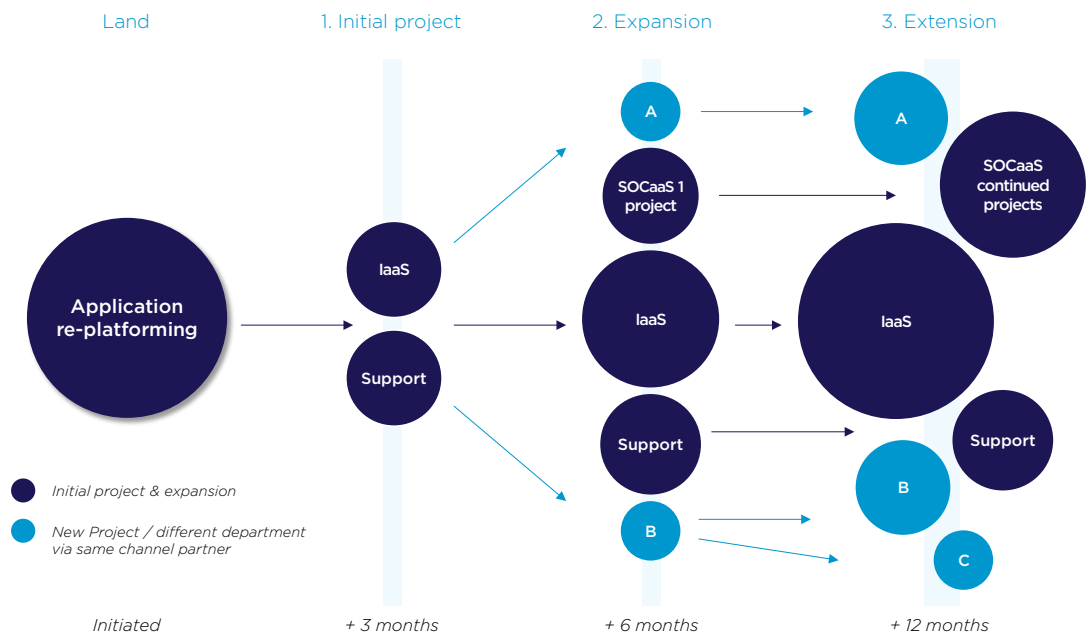
In the medium term, the Company intends to proactively market its services to State Governments, ADF and CNI through additional sales and marketing personnel. The Board intends to investigate a future strategy to build a separate cloud platform solely for Defence and National Intelligence which would manage large volumes of sensitive data classified as 'SECRET' and above.

3.11.1 Customer Growth

AUCloud currently has limited market share of the target addressable market in Australia, which is predominated by the large global cloud services providers. However, with recent changes to Federal Government policy, it will become more difficult for global cloud services providers to serve Government, ADF and CNI customers as they consider the specific related risks associated with data classification requirements. The Government's policy in this regard is evolving, but is still in its infancy.

AUCloud's current market strategy is a 'land and expand' approach, which involves winning an initial engagement, either directly through tender or digital marketplace engagements, or via its channel partners. Once the service is set up and first provided to an organisation, the Company has the opportunity to increase revenue via usage increase, cross sales and expansion of the service provided to the customer directly, or via a channel partner. Referrals between government departments commonly occur, creating increased expansion opportunities from initial engagement.

Figure 18: Land and Expand Strategy



A focus on the core verticals of Government, ADF and CNI is one of the pillars of the Company’s business model and enables the Company to better understand each vertical and the needs of each organisation that operate within it, informing the development of in-demand solutions.

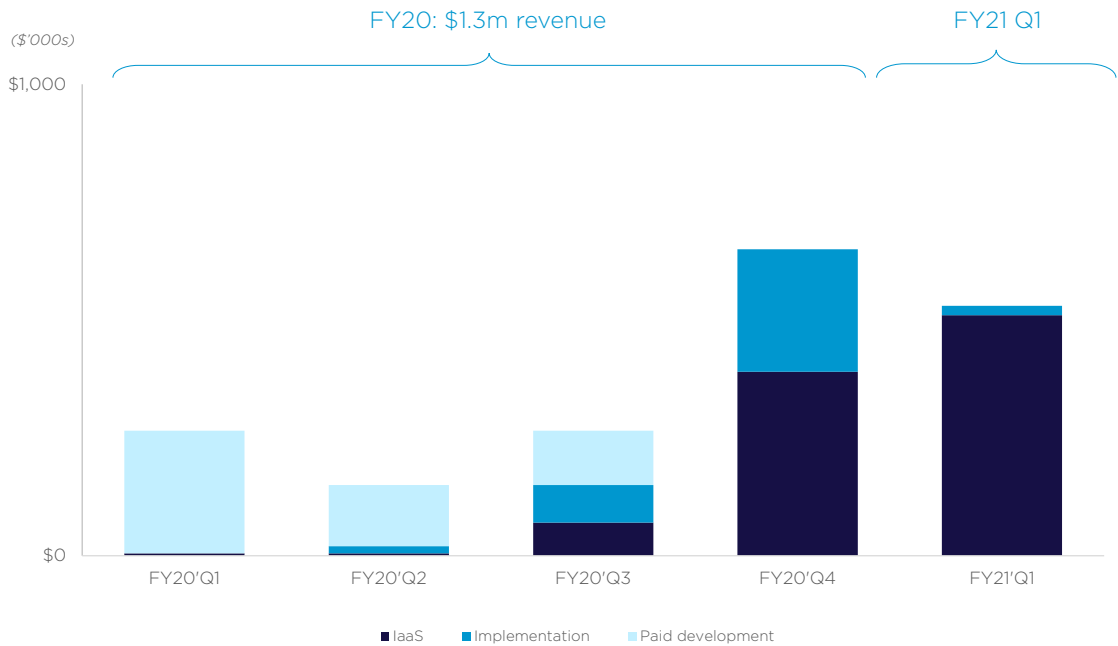
The land and expand strategy illustrates the ability to expand beyond the initial scope over time, leveraging AUCloud’s scalable and flexible platform.

Quarterly revenue has been broken down across revenue types including:

- **Paid development:** Paid development revenue underpins initial reference projects
- **Implementation revenue:** Relates to revenue received during customer onboarding period
- **IaaS revenue:** Relates to user consumption revenue

See Section 5 for further information.

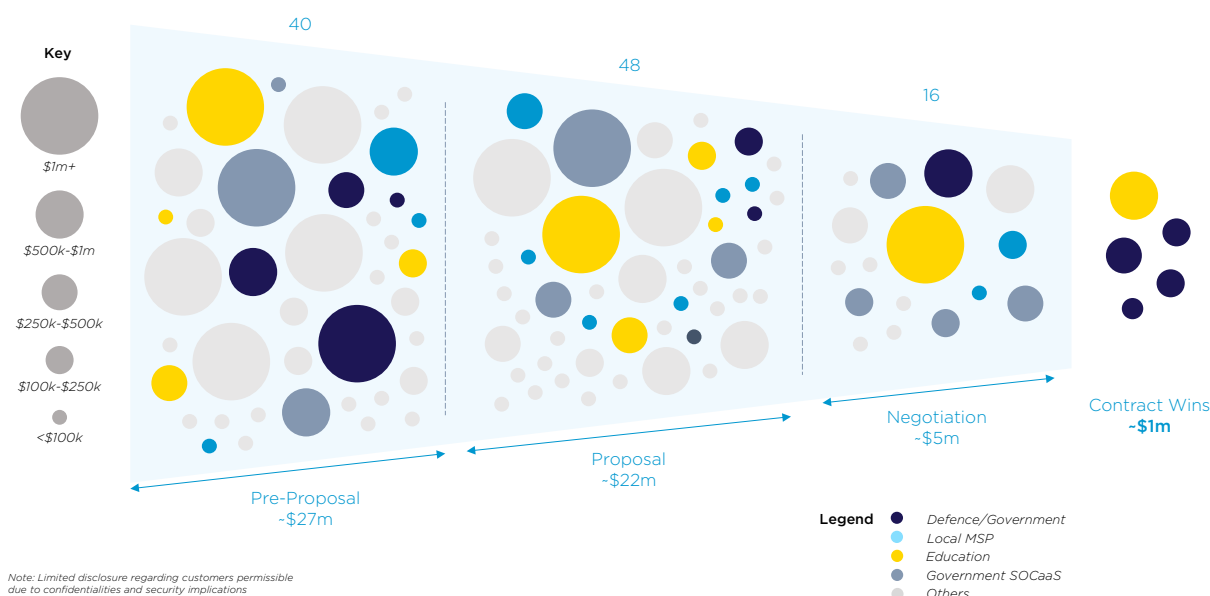
Figure 19: Historical Revenue



Note: FY21 Q1 results have not been audited or reviewed

AUCloud has developed a meaningful sales pipeline in excess of \$50 million.

Figure 20: Sales Pipeline



Notes

- **Pre-Proposal:** Engagement commenced with customer or channel partner on identified opportunity to form an understanding of needs and requirements.
- **Proposal:** Pricing scoped or validated relating to specific opportunity.
- **Negotiation:** AUCloud or channel partner are the preferred or only option under consideration and awaiting customer decision.

There is no guarantee that any opportunity identified in “Pre-Proposal”, “Proposal” or “Negotiation” categories will be contracted and, given the Company’s limited operating history, it does not have a sufficient reliable sample of historical rates of conversion of its sales pipeline.

3.11.2 Service Development

AUCloud adopts a pro-active approach to improving its IaaS offering by ongoing investment in research and development to expand the product offering.

The aim of AUCloud’s development operations team is to continually innovate to improve customer experience and reduce the cost of operations (to the Company and customers) through automation. The development team also aims to integrate innovative additional Australian security technologies to improve and increase the security of AUCloud’s platform.

New product features are driven by responding to customer and channel partner needs.

3.12 Intellectual Property

AUCloud’s designs, know-how and other related intellectual property has been developed in consultation with Government, Defence and CNI customers.

In addition, AUCloud’s technology licence agreement with UKCloud provides access to UKCloud’s designs, know-how and other intellectual property. A summary of the material terms of this agreement can be found in Section 10.6.2.

All development IP is developed in-house by the Company’s internal software development team who are based in Australia.

4. Key People, Corporate Governance and Benefits

4.1 Board of Directors

The Board of Directors of the Company, and their relevant experience, is as follows:



Cathie Reid AM – Chair

Bachelor of Pharmacy

Cathie is the Co-Founder of Icon Group, a provider of integrated cancer care services with operations in Australia, Singapore, Hong Kong, New Zealand and China. She is also the Managing Partner of Australia's Epic Pharmacy Group.

Cathie was the 2015 inductee for the Australian Business Women's Hall of Fame, named in the Top 100 Women of Influence by the AFR in 2013, won the National Telstra Business Women's Award in 2011 and recognised by Monash University with a Distinguished Alumni Award for Professional Achievement in 2012.

Other listed company directorships in the last 3 years: Chair of Flamingo AI Ltd (2014 - 2018).



Phil Dawson – Managing Director

MBA and a Bachelor of Science (Hons) in Chemistry

As Managing Director and one of the co-founders of AUCloud, Phil lives and works in Canberra having arrived from the UK in 2018. Prior to moving to Australia, he was the co-founding CEO of UKCloud, a provider of IaaS to UK Government. With the success of UKCloud under his belt, Phil stepped aside from UKCloud to team with a group of Australian entrepreneurs to develop the market for sovereign cloud in Australia.

Phil is a Board member of the ACT/Federal Council of the AIIA and has participated in both the ACSC Industry Forum on Cloud Security Guidance as well as the Federal Government's Digital Technology Task Force. Phil brings his experience of leading the fastest growing technology company in the UK between 2012 - 2015, and as a former Board member of TechUK, a member of the UK's Information Economy Council and as co-author of the UK's Data Capability Strategy.

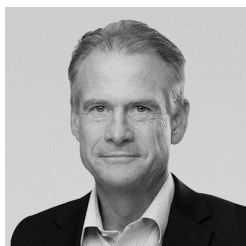


Allan Brackin – Non-Executive Director

Bachelor of Applied Science

Allan Brackin has been involved in the technology industry for over 30 years and is an experienced Director and Chairman of several public and private technology companies. Allan was formerly Director and Chief Executive Officer of Volante Group Limited, one of Australia's largest IT Services companies, from 2000 - 2004. From 1986 to 2000 Allan cofounded a number of IT companies which became part of the Volante Group.

Other listed company directorships in the last 3 years: Chairman of GBST Holdings Limited (2005 - 2019), Chairman of Opticomm Limited since 2014, Sensera Limited since 2018, and RPM Global Limited (2011 - 2020).



Ross Walker – Non-Executive Director

Bachelor of Commerce, FCA

Ross joined Pitcher Partners Brisbane (formerly Johnston Rorke) in 1985 and was Managing Partner for 20 years until his retirement from equity in 2017. He was predominately involved in corporate finance, valuations, audit, capital raisings and mergers & acquisitions.

Other listed company directorships in the last 3 years: Non-Executive Director of Wagners Holding Company Limited since 2017, Non-Executive Director of RPM Global Limited since 2007.

4.2 Director disclosure

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

Each Director has confirmed that he or she anticipates being available to perform their duties as a Non-Executive Director or an Executive Director, as the case may be, without constraint from other commitments.

4.3 Senior management

The senior management team of AUCloud, and their relevant experience, is as follows:

Phil Dawson – Managing Director

Refer to Section 4.1



Michelle Crouch – Interim Chief Financial Officer

*Member of the Institute of Chartered Accounting (CA),
Bachelor of Business (Accountancy) – Queensland University of Technology*

As Interim Chief Financial Officer, Michelle brings over 23 years of experience and has a breadth of knowledge across many areas of taxation and accounting. Michelle works closely with clients to identify and provide solutions on a range of tax compliance, accounting and commercial matters that are integral to clients' businesses and their personal taxation and financial affairs. Michelle's experience includes working for a range of industries such as Professional Services, Medical and Health, IT, and Consulting Businesses.

Michelle Crouch is currently employed by Pitcher Partners, who has been providing accounting, tax and financial services advice to AUCloud since inception, and will continue to provide these services until an appropriate candidate has been identified for the role of Chief Financial Officer.

The Board of AUCloud is in the advanced stages of an executive search for a Chief Financial Officer to fulfil this role on a permanent basis.



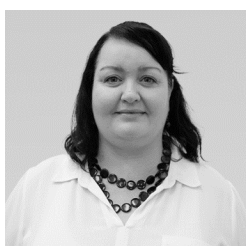
Brad Bastow – Chief Operating Officer

Bachelor's Degree in computing

Brad previously served as the Chief Technical Officer of the Department of the Prime Minister and Cabinet (PMC) where his main focus was driving ICT innovation within the department and across government.

Prior to joining PMC, Brad ran the Strategy and Architecture team in the Department of Education and Training's Shared Services Centre where he was responsible for driving public cloud adoption and the design, development and build of a large scale private cloud deployment. Within government Brad has managed high performing teams in building secure ICT environments; led large, multi-year federated identity projects and secure mobility implementations; and delivered large desktop upgrade projects. Brad also has significant ICT Security experience having served as the Department's IT Security Advisor and Assistant Director ICT Security for AGIMO.

Brad formerly served in the Royal Australian Navy and as an analyst in the Department of Defence.



Bernadette Jenkinson – Head of Sales

Economics, University of Wollongong

Bernadette Jenkinson, Head of Sales at AUCloud, has over 20 years account management experience in the private sector, focused exclusively in the ICT sector. With over 15 years leading high performing sales teams, at least 10 of those in senior and executive leadership positions, Bernadette has worked with global, national and SME service providers and vendors to deliver complex solutions to diverse Government and private sector organisations. This includes as a senior account executive for high profile companies such as the Westcon Group (across a range of roles), Verizon and Apple.

Bernadette is experienced in closing and managing multimillion-dollar contracts and commercial relationships; leading continuous improvement programs to sustain corporate growth and increased profitability; and transformational change management, specifically of work teams as they transition to improved operating models.

Bernadette's commitment to customers and focus on customer success (through structured customer success strategies and programs) has resulted in a track record of driving decisive business growth. This includes achieving business growth (in a previous role) leading a business unit from \$19m to \$129m over an 18 month period as well as the creation of a \$45+m incremental revenue division.

Bernadette's achievements have been recognised through an industry Management Excellence award and Presidents Club recognition. She has also been a finalist for multiple Women in ICT awards.



Suzanne Roche – Head of Marketing & Communications

BA. Hons. English Literature

Suzanne has executive management experience in the public, private and not for profit sectors. She has led the development of major Government programs and policies in the areas of healthcare, human service delivery and digital transformation. Suzanne is the former CEO of the Health eSignature Authority (HeSA), responsible for the rollout of PKI technology to the Australian Health Sector to facilitate online Medicare payments and rebates directly into doctor and patient accounts.

As General Manager of Policy and Advocacy for the Australian Information Industry Association (AIIA), the peak industry body representing the ICT sector), Suzanne was instrumental in leading national cyber security, digital identity, cloud, data, R&D, innovation and digital transformation policies.

Suzanne has served on several Boards and Advisory Committees and is currently on the Board of the ACT Women in Technology (WIC) forum.



Peter Farrelly – Chief Information Security Officer (CISO)

Graduate Diploma of Strategic Leadership, Diploma of Security and Risk Management

Peter is a senior cyber security and risk management professional with over 18 years' experience across the Federal Government sector. During that time, Peter has been able to combine a broad technical and advisory background with a commitment to business outcomes that provide practical and meaningful contributions with strong skills in security strategy, planning and execution, risk management, governance and controls.

Peter has a proven track record in delivering comprehensive cyber security programs in medium to large organisations, including multiple complex security transformation projects and has a deep knowledge and understanding of security domains, concepts and frameworks. Peter has held senior leadership roles as the Director of Information Security at the Royal Commission into Institutional Responses to Child Sexual Abuse (Attorney-General's Department), and Director Cyber Security Operations at the Department of Immigration and Border Protection.

Peter is a qualified IRAP assessor.



Steve Clarke – Head of Application Development

ICT A Levels Farnborough College of Technology, UK

As the Head of Applications Development for AUCloud, Steve Clarke brings over 20 years programming experience from a diversity of roles in both the UK and Australia. With deep expertise in the design and development of secure, scalable and performant architectures, Steve is an acknowledged automation and orchestration specialist, highly experienced in virtualisation automation engineering and the delivery of SOA and microservice architectures. Combined with his database design and development skills and experience in multi-tenant application design, Steve is instrumental in driving AUCloud's state of the art microservice, containerisation, API centric Infrastructure as a Service platform.

4.4 Interests and benefits of Directors

Other than as set out below or elsewhere in this Prospectus, no Director:

- has or had at any time during the two years preceding the Prospectus Date, any interest in the formation or promotion of the Company, in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer, or in the Offer; or
- has been paid or agreed to be paid any amount or given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

4.4.1 Director's interests and remuneration

Chief Executive Officer

Phil Dawson is employed as Chief Executive Officer. AUCloud has entered into an employment contract with Phil Dawson to govern his employment. See Section 4.4.3 for further details.

Non-Executive Directors

Under the Constitution, the Board may decide the remuneration to which each Director is entitled for his or her services as a Director. In addition, under the ASX Listing Rules, the total amount payable to all Directors for their services (excluding for these purposes, the remuneration of any Executive Director) must not exceed an aggregate in any financial year the amount fixed in general meeting (currently \$500,000 per annum). Any increase to that aggregate annual sum must be approved by Shareholders. Directors will seek approval of the Shareholders from time to time, as appropriate.

This aggregate annual sum does not include any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of the Company, which may be made in addition to or in substitution for the Director's fees.

Each of the Non-Executive Directors has entered into appointment letters with the Company, confirming the terms of his or her appointment, his or her role and responsibility and the Company's expectations of him or her as a Director. As at the Prospectus Date, the annual Non-Executive Directors' base fee to be paid by the Company to each of the Non-Executive Directors is \$80,000 and \$90,000 for the Chair.

All Non-Executive Directors' fees are inclusive of statutory superannuation contributions.

Deeds of access, insurance and indemnity

The Company has entered into deeds of access, insurance and indemnity with each Director. Each deed of access, insurance and indemnity contains a right of access to certain books and records of the Company and its related bodies corporate for a period of seven years after the Director ceases to hold office. This seven year period is extended where certain proceedings or investigations commence during the seven year period but are not resolved until later.

Pursuant to the Constitution, the Company must indemnify Directors and executive officers on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by those individuals as officers of the Company or a related body corporate of the Company. Under the deeds of access, insurance and indemnity, the Company indemnifies each Director on a full indemnity basis and to the full extent permitted by law against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or a related body corporate of the Company.

Pursuant to the Constitution, the Company may purchase and maintain insurance for each Director and executive officer of the Company to the full extent permitted by law against any liability incurred by those individuals in their capacity as officers of the Company or a related body corporate of the Company. Under the deeds of access, insurance and indemnity, the Company must maintain such insurance for each Director for a period of seven years after a Director ceases to hold office. This seven year period is extended where certain proceedings or investigations commence during the seven year period but are not resolved until later.

Other information

Directors are entitled to be paid for travel and other expenses incurred in attending to AUCloud's affairs, including attending and returning from general meetings of the Company or meetings of the Board or any Board committee. Any Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. These amounts are in addition to the fees set out above.

AUCloud does not pay benefits (other than statutory entitlements) on retirement to Non-Executive Directors.

4.4.2 Directors' interests in Shares

The Directors (and their associates) are entitled to apply for Shares under the Offer. A summary of Board shareholdings at the Prospectus Date is set out below:

Directors	On the Prospectus Date	Number of Options
Cathie Reid ¹	14,884,569	-
Phil Dawson ²	6,934,000	1,055,961
Ross Walker ³	1,607,578	-
Allan Brackin	806,667	-
Total (Directors)	24,232,814	1,055,961

Notes:

- ¹ The Shares held by Cathie Reid include 1,154,000 Shares held by the Silver Linings Trust in which Cathie Reid holds a 46% interest.
- ² The Shares held by Phil Dawson include 6,934,000 Shares held by Assured Digital Group Limited (a UK based company) in which Phil Dawson holds a 39% interest.
- ³ Ross Walker holds a 4.5% interest in the Silver Linings Trust which owns 1,154,000 Shares in the Company. This interest has been excluded from the number of Shares held by Ross Walker in the above table given the minority unitholding position in that trust.

Key management personnel ("KMP") include all directors of the Company and certain executives who, in the opinion of the Board and Managing Director, have authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The Board has considered these factors in relation to the senior management team and do not believe any of those individuals would be defined as a KMP for reporting purposes.

4.4.3 Executive remuneration and related arrangements

Executive Director

Details regarding the terms of employment of the Chief Executive Officer, Phil Dawson, are set out below.

Term	Description
Employer	Sovereign Cloud Holdings Limited
Remuneration and other benefits	\$331,486 (including superannuation)
Incentives	Up to 100% of base salary
Termination	3 months' notice
Restraints	12 months

The employment contract with the Managing Director includes the provision to increase base salary on a tiered basis, up to a maximum base salary of \$500,000 (excluding superannuation), based on the Company achieving certain revenue and EBITDA targets on a quarterly basis. Mr Dawson is entitled to a Short-Term Incentive ("STI") of up to 100% of his base salary initially with that percentage reducing as his base salary increases, subject to achieving personal performance targets. In the event that his base salary increases, Mr Dawson is also entitled to a Long-Term Incentive ("LTI") of up to 50% of his base salary, subject to achieving personal performance targets.

The number of Options to be offered to the Managing Director under the LTI component of his remuneration, on achieving each performance target, is to be calculated based on the Company's two week volume weighted average share price at the time the performance targets are met. There are three separate performance targets, each measured in terms of quarterly IaaS revenue and EBITDA milestones, to be achieved within certain timeframes otherwise the Options lapse.

Mr Dawson's incentive arrangements have been structured such that his incentives (STI and LTI) will not exceed his base salary and if his base salary increases (as a result of achieving the recurring revenue and EBITDA targets) his STI and LTI will decrease (as a percentage of his base salary).

The first performance target needs to be achieved on or before 30 June 2021, and thereafter, the performance targets are as follows:

	Timeframe	Performance Hurdle Growth	
	(quarter ending)	IaaS Revenue	EBITDA
Performance Target No. 2	30 June 2022	70%	250%
Performance Target No. 3	30 June 2023	50%	100%

Other key terms of the Managing Director's LTI are as follows:

- Exercise price – each Option will have an exercise price of \$0.20;
- Expiry date – the Options will expiry on 30 September 2025 or if the Managing Director ceases to be employed or engaged with AUCloud;
- Vesting date – the Options will vest 12 months after the performance target is achieved.

As at the Prospectus date no Options under the LTI have been issued.

Key Management Personnel employment arrangements and remuneration

All Key Management Personnel are employed under written terms of employment with AUCloud. The key terms and conditions of their employment include:

- total remuneration packages (including mandatory superannuation contributions);
- the potential to receive an annual STI (as summarised in Section 4.5) and eligibility to participate in the Employee Share Option Plan (as summarised in Section 4.6);
- express provisions protecting the Company's confidential information and intellectual property; and
- notice and termination of employment provisions, with notice periods of three months.

4.5 Short-term incentive plan

STI is an 'at risk' incentive provided in the form of cash. The Company has a variable pay structure through the STI for each person in the senior management team. The objective of the STI is to create clear alignment between individual and business performance and remuneration by providing a performance-based reward to participants in line with their relative contribution to the Company. The STI achieves the alignment by focusing participants on achieving goals which contribute to sustainable shareholder value and providing a clear link between performance and the Company's financial result.

The STI compensation is based on a percentage of the individual's base salary and varies from 25% to 100%. The amount of any STI in any financial year is determined by the Board in its sole discretion based on the achievement of certain performance targets. The current STI plan is the same for all senior management, such that they all have the same performance hurdles, which are based on the Company's financial performance in terms of achieving IaaS revenue and EBITDA milestones.

4.6 Employee Share Option Plan

LTI is provided as Options over ordinary shares of the Company under the rules of the Employee Share Option Plan ("**ESOP**").

ESOP was approved by the Board on 15 June 2018. Eligible participants of the ESOP include any person who is a director, employee or consultant. Options are granted at the discretion of the Board of Directors.

All Options under the ESOP are to be offered to eligible employees for no consideration. The offer to the eligible participant must be in writing and specify amongst other things, the number of Options for which the eligible employee may apply, the period within which the Options may be exercised, any conditions to be satisfied before exercise, the Option expiry date and the exercise price of the Options. The Board can impose any restrictions on the exercise of Options as it considers fit.

The Options may be exercised, in part or full, subject to the employee continuing to be employed at the relevant vesting dates, by the participant giving a signed notice to the Company and paying the exercise price in full. The Company will apply for official quotation of any Shares issued on exercise of any Options.

A holder of Options is not entitled to participate in the dividends, a new or bonus issue of Shares or other securities made by the Company to Shareholders merely because he or she holds Options. Unexercised Options will automatically lapse upon expiry. Unless determined otherwise by the Board, in the event of stated events detailed in the plan, including termination of employment or resignation, redundancy, death or disablement or in the event of a change of control of an employee's permitted nominee, unvested Options shall lapse and the expiry date of any vested Options will be adjusted in accordance with the accelerated timetables set out in the ESOP plan rules (subject to the Board's discretion to extend the term of exercise in restricted cases).

Once shares are allotted upon exercise of the Options the participant will hold the shares free of restrictions. The shares will rank equally for dividends declared on or after the date of issue but will carry no right to receive any dividend before the date of issue. Should the Company undergo a reorganisation or reconstruction of capital or any other such change, the terms of the Options (including number or exercise price or both) will be correspondingly changed to the extent necessary to comply with the Listing Rules. With this exception, the terms for the exercise of each Option remains unchanged. In the event of a change of control of the Company, the Company may buy-back the Option held by the participant at fair value or an amount agreed, arrange for Options in the bidder, allow Options to continue in accordance with their terms or a combination of the above.

The Options are not transferable, assignable or able to be encumbered, without Board consent and the Options will immediately lapse upon any assignment, transfer or encumbrance, with the exception of certain dealings in the event of death of the Option holder.

The ESOP plan will be administered by the Board which has an absolute discretion to determine appropriate procedures for its administration and resolve questions of fact or interpretation and formulate terms and conditions (subject to the Listing Rules) in addition to those set out in the ESOP plan.

The ESOP plan may be terminated or suspended at any time by the Board. The ESOP plan may be amended or modified at any time by the Board except where the amendment reduces the rights of the holders of Options, unless required by the Corporations Act or the Listing Rules, to correct any manifest error or mistake or for which the Option holder consents. The Board may waive or vary the application of the ESOP plan rules in relation to any eligible employee at any time.

4.7 Corporate governance

This Section summarises the key corporate governance policies and practices adopted by the Board and outlines how the Board will oversee the management of AUCloud's business. In conducting AUCloud's business, the Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising AUCloud's strategies, policies and performance;
- protect and optimise company performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Constitution;
- set, review and monitor compliance with AUCloud's values and governance framework; and
- ensure that the Shareholders are kept informed of AUCloud's performance and major developments affecting its state of affairs.

Accordingly, the Board has created a framework for managing AUCloud, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for AUCloud's business and that are designed to promote the responsible management and conduct of AUCloud.

The main policies and practices adopted by the Board, which will take effect from Completion of the Offer, are set out below. Details of the Company's key policies and practices and the charters for the Board and each of its committees are available at <https://www.australiacloud.com.au>.

4.7.1 ASX Recommendations

The ASX Corporate Governance Council has developed the ASX Corporate Governance Principles and Recommendations 4th edition ("**ASX Recommendations**") for ASX listed entities to promote investor confidence and assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptive, but guidelines against which entities have to report on an 'if not, why not' basis. Under the ASX Listing Rules, the Company will be required to disclose the extent of its compliance with the ASX Recommendations for each reporting period. Where the Company has not followed an ASX Recommendation, it will be required to identify the recommendation that has not been followed and give reasons for not following it. The Company must also explain what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Except as set out below, the Company intends to comply with all of the ASX Recommendations from the time of Completion of the Offer. The Company will also disclose the extent of its compliance with the ASX Recommendations in its annual reports.

Specifically, the majority of the Board are not Independent Directors and the Chair is not an Independent Director, as required by ASX Recommendations 2.4 and 2.5. Currently only two Board members are Independent Directors (Ross Walker and Allan Brackin), and Cathie Reid is the current Chair (who as set out in Section 4.7.2 is not considered by the Board to be an Independent Director as at the Prospectus Date). Further, the Company has a Remuneration and Nomination Committee (rather than a separate nomination committee and remuneration committee as required by ASX Recommendations 2.1 and 8.1), the Company has an Audit and Risk Committee (rather than a separate audit committee and risk committee as required by ASX Recommendations 4.1 and 7.1), and the Company's Audit and Risk Committee has only two members (rather than three members as required by ASX Recommendations 4.1 and 7.1). In addition, as set out in Section 4.7.2, the Chair of the Company's Remuneration and Nomination Committee, who is also the Chair of the Board, is not considered by the Board to be an Independent Director as at the Prospectus Date. The Board, having regard to AUCloud's stage of development and the collective experience and expertise of the Directors, considers the current composition of the Board (and its committees) is appropriate. It is the current intention of the Board that Allan Brackin (who as set out below is considered by the Board to be an Independent Director) will take over the role of Chair of the Board in the first half of the 2021 calendar year.

The Company has also not yet established measurable objectives for achieving gender diversity in the composition of its Board, senior executives and workforce generally (as required by ASX Recommendation 1.5) or produced a board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership (as required by ASX Recommendation 2.2), but intends to do so in its next reporting period.

4.7.2 Board composition and independence

The Board of Directors is comprised of four Directors, two of whom are Independent Directors. Detailed biographies of the Board members are provided in Section 4.1.

The Board Charter (summarised in Section 4.7.3) sets out guidelines to assist in considering the independence of Directors and has adopted a definition of independence that is based on that set out in the ASX Recommendations. In general, Directors will be considered to be independent if they meet those guidelines.

The Board is responsible for the overall governance of the Company. The Board considers issues of substance affecting the Company, with advice from external advisers as required. Each Director must bring an independent view and judgement to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issue concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practicable, and a Director must not participate in discussion or resolutions pertaining to any matter for which the Director has a material personal interest.

As at the Prospectus Date, Ross Walker and Allan Brackin are considered by the Board to be Independent Directors., as both Mr Walker and Mr Brackin are Non-Executive Directors, each with an interest in Shares in the Company below 2.5% as at the Prospectus Date. As at the Prospectus Date, Phil Dawson and Cathie Reid are not considered by the Board to be Independent Directors., as Mr Dawson is an Executive Director who is employed by the Company, and Ms Reid, despite being a Non-Executive Director, has an interest in Shares in the Company in excess of 20% as at the Prospectus Date. Further information regarding the Directors' interests in Shares is set out in Section 4.4.2.

4.7.3 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board. The Board Charter sets out the Board composition, the Board's role and responsibilities, the relationship and interaction between the Board and management, and the authority delegated by the Board to management and Board committees. The Board's role is to, among other things:

- demonstrate leadership, define AUCloud's purpose and set the strategic objectives of AUCloud;
- approve AUCloud's statement of values and code of conduct to underpin the desired culture within AUCloud;
- appoint the Chair (and potentially any Deputy Chair);
- appoint, and where necessary replace, the Chief Executive Officer;
- appoint, and where necessary replace, the Company Secretary and other senior executives of the Company;
- oversee management's implementation of AUCloud's strategic objectives, instilling of AUCloud's values and its performance generally;
- through the Chair, oversee the role of the Company Secretary;

- oversee the integrity of AUCloud's accounting and corporate reporting systems, including the external audit;
- oversee AUCloud's process for making timely and balanced disclosure of all material information concerning it, that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- with the assistance of the Audit and Risk Committee, satisfy itself that AUCloud has in place an appropriate risk management framework (for both financial and non-financial risks) and set the risk appetite within which the Board expects management to operate;
- satisfy itself that an appropriate framework exists for relevant information to be reported by management to the Board;
- whenever required, challenge management and hold it to account;
- satisfy itself that AUCloud's remuneration policies are aligned with AUCloud's purpose, values, strategic objectives and risk appetite;
- approve AUCloud's remuneration framework;
- review the performance and effectiveness of AUCloud's governance practices, policies and procedures;
- determine the Company's dividend policy, the amount and timing of all dividends, and the operation of the Company's dividend re-investment plan (if any);
- evaluate, approve and monitor operating budgets, major capital expenditure, capital management and all major acquisitions, divestitures and other corporate and financing transactions, including the issue of securities of the Company;
- approve financial reports, profit forecasts and other reports required at law or under the ASX Listing Rules to be adopted by the Board;
- ensure that AUCloud maintains a commitment to promoting diversity in the workplace; and
- perform such other functions as are prescribed by law or nominated by the Board from time to time.

The management function is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board, and by other officers to whom the management function is properly delegated by the Board or the Chief Executive Officer. AUCloud's management must supply the Board with accurate, timely and clear information on AUCloud's operations to enable the Board to perform its responsibilities. The Board collectively and any Director individually may seek independent professional advice at AUCloud's expense, following consultation with the Chair (or, if the Chair is the relevant Director, with the other Non-Executive Directors), with the advice being made available to the Board as a whole.

While the Board retains ultimate responsibility for the strategy and performance of AUCloud, the day to day operation of AUCloud is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board. The Board approves corporate objectives, and the Chief Executive Officer is responsible for implementing strategic objectives, plans and budgets approved by the Board in accordance with the directions of the Board.

4.7.4 Board committees

The Board may, from time to time, establish appropriate committees to streamline the discharge of its responsibilities. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

The Board has established an Audit and Risk Committee and a Remuneration and Nomination Committee. Membership of Board committees will be based on the needs of AUCloud, relevant legislation, regulatory and other requirements, and the skills and experience of Board members.

Committee	Overview	Members
Audit and Risk Committee	<p>The Audit and Risk Committee will assist the Board in fulfilling its responsibility for ensuring the integrity of AUCloud's financial reporting and the implementation of a sound system of risk management and control by monitoring, reviewing and advising or reporting to the Board on:</p> <ul style="list-style-type: none"> the reliability and integrity of AUCloud's financial management, application of accounting policies, financial reporting systems and processes; the appropriateness of the accounting judgements or choices exercised by management in preparing AUCloud's financial statements; the implementation and effectiveness of AUCloud's risk management and internal control policies and practices; management's performance against AUCloud's risk management framework, including whether it is operating within the risk appetite set by the Board; the implementation and effectiveness of AUCloud's internal audit systems and processes; the appointment and, if necessary, removal of AUCloud's external auditors and the work of, and relationship with, the external auditors; the implementation and effectiveness of AUCloud's systems and processes for ensuring compliance with all applicable laws, regulations and AUCloud policies; and AUCloud's taxation risk management, financial risk management and business policies and practices, and risks associated with transactions of a strategic or routine nature. 	Ross Walker (Chair) and Allan Brackin
Remuneration and Nomination Committee	<p>The role of the Remuneration and Nomination Committee in relation to remuneration includes, amongst other things, endeavouring to ensure that:</p> <ul style="list-style-type: none"> the directors and senior executives of AUCloud are remunerated fairly and appropriately; the remuneration policies and outcomes of AUCloud strike an appropriate balance between the interests of the Company's Shareholders, and rewarding and motivating the executives and employees in order to secure the long term benefits of their energy and loyalty; the human resources policies and practices are consistent with and complementary to the strategic direction and objectives of AUCloud as determined by the Board; short and long term incentives are challenging and linked to the creation of sustainable Shareholder returns; and any termination benefits are justified and appropriate. <p>The role of the Remuneration and Nomination Committee in relation to nomination includes, amongst other things:</p> <ul style="list-style-type: none"> reviewing and advising the Board on the composition of the Board and its committees and the necessary and desirable competencies of directors of AUCloud; developing a process for the evaluation of the performance of the Board, its committees, individual Executive Directors and Non-Executive Directors and other senior executives; ensuring that proper succession plans for directors and senior executives of AUCloud are in place for consideration by the Board; and advising the Board on induction and continuing professional development programs for directors of AUCloud. 	Cathie Reid (Chair), Ross Walker and Allan Brackin

4.7.5 Corporate governance policies

Code of conduct

The Company is committed to high standards of corporate governance and behaviour. Accordingly, the Board has adopted a formal code of conduct, to be followed by all directors, officers, employees, consultants, advisers and contractors of AUCloud.

The code of conduct is designed to provide a benchmark of professional behaviour throughout AUCloud, support AUCloud's business reputation and corporate image within the community, and make all directors, officers, employees, consultants, advisers and contractors of AUCloud aware of the consequences if they breach the code of conduct.

Securities trading policy

The Board has adopted a written policy, to take effect from Listing, for dealing in the Company's securities which is intended to explain the prohibited type of conduct in relation to dealings in the Company's securities under the Corporations Act and other laws applicable to AUCloud. The policy also seeks to establish a best practice procedure in relation to dealings in the Company's securities by employees, officers and directors of AUCloud, including senior executives, and their associates.

The securities trading policy sets out the restrictions that apply to such dealings including the 'prohibited periods', during which certain persons are generally not permitted to deal in the Company's securities, along with a procedure under which certain persons are required to submit prior notification and obtain written confirmation prior to such dealings outside those 'prohibited periods'.

The securities trading policy also sets out a prohibition on Directors and senior executives of AUCloud including any of their securities in the Company in a margin loan portfolio or otherwise trading in the Company's securities pursuant to a margin lending arrangement.

Continuous disclosure policy

Once listed on ASX, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules, in addition to those disclosure requirements to which the Company is currently subjected to under applicable law. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to disclose to ASX any information concerning AUCloud which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company is committed to observing its continuous disclosure obligations and has adopted a continuous disclosure policy which establishes procedures that are aimed at ensuring that directors, officers, employees and consultants of AUCloud are aware of, and fulfil, their obligations in relation to the timely disclosure of price sensitive information, including in relation to the requirements for disclosure of such information to ASX, dealings with analysts and institutional investors, and responding to market speculation and rumours.

Shareholder communication policy

The Board has adopted a Shareholder communication policy which aims to ensure effective communication with its Shareholders. AUCloud aims to ensure that its Shareholders are informed in a timely and readily accessible manner of all major developments affecting AUCloud.

In particular, information will be communicated to Shareholders through the ASX platform and publishing information on AUCloud's website at <https://www.australiacloud.com.au>. AUCloud's website will contain information relevant to its Shareholders and stakeholders, including statements lodged with ASX (including all financial results, annual reports and press releases), Board and Board committee charters, and corporate governance policies and other material relevant to Shareholders. All relevant financial and other information will be posted on AUCloud's website as soon as it has been released to ASX.

Diversity policy

The Board has adopted a diversity policy to take effect from Listing, which sets out AUCloud's commitment to diversity and inclusion in the composition of the Board, senior executives and workforce generally. The diversity policy involves a framework to achieve AUCloud's diversity goals and sets out AUCloud's commitment to creating a diverse work environment where decisions are based on merit and everyone is treated equally. The Board has the role of implementing the diversity policy and assessing progress in achieving its objectives, annually.

AUCloud's recruitment process is based on merit and does not tolerate discriminatory behaviour in its recruitment or people management process. As part of AUCloud's diversity policy, AUCloud encourages flexible work practices to assist employees, officers and directors of AUCloud to manage their personal and work commitments. This includes offering employees, officers and directors of AUCloud on extended parental leave, the opportunity (without any obligation) to maintain their connection with AUCloud by allowing such employees, officers and directors of AUCloud to receive all-staff communications, and to attend work functions and training programs.

Whistleblower policy

The Board has adopted a whistleblower policy, which encourages the reporting of suspected unethical, illegal, fraudulent, corrupt or dishonest conduct and that those who promptly report may do so with confidence and without fear of intimidation, ramifications or adverse consequences, complementing its code of conduct. Examples of reportable conduct under the whistleblower policy include (but are not limited to):

- dishonest, corrupt, fraudulent or unlawful conduct or practices, including bribery;
- financial irregularities;
- unfair, dishonest or unethical dealings with a customer or third party; and
- unethical or serious improper conduct, including breaches of any legal or regulatory obligations.

The whistleblower policy ensures protection over whistleblowers by allowing for anonymous reports to be made, protecting confidentiality of the whistleblowers and not tolerating any detriment caused or threatened to be caused against any person who has made or who is believed to have made a report regarding the reportable conduct.

Anti-bribery and corruption policy

The Board has adopted an anti-bribery and corruption policy to demonstrate its commitment to conducting its business and operations with honesty, integrity and the highest standards of personal and professional ethical behaviour, complementing AUCloud's code of conduct. All directors, officers, employees and consultants of AUCloud must not:

- give, promise to give, offer, solicit or accept any bribe;
- give, promise to give, or offer, a payment, gift, form of hospitality, or other benefit or advantage with the intention of influencing, inducing or rewarding improper performance;
- give, promise to give, or offer, a payment, gift, form of hospitality, or other benefit or advantage to a government official, agent or representative to 'facilitate' or expedite a routine procedure (where the payment is not a legitimate payment pursuant to an applicable local law);
- accept a payment, gift, form of hospitality, or other benefit or advantage from a third party that the person knows or suspects is offered with the expectation that it will obtain a business advantage for the third party through improper performance by the person or AUCloud;
- accept a payment, gift, form of hospitality, or other benefit or advantage from a third party if the person knows or suspects that it is offered or provided with the intention of influencing improper performance by the person or AUCloud in return;
- engage or deal with any third parties acting for or representing AUCloud in a manner contrary to the anti-bribery and corruption policy (or fail to adhere to the prohibition on offering or giving secret commissions to those acting in an agency or fiduciary capacity, as set out in the anti-bribery and corruption policy);
- engage in any form of corrupt behaviour or activity;
- carry out any dishonest accounting or concealment of complete and accurate financial activity;
- notify the giving or receipt of any payment, gift, form of hospitality, or other benefit or advantage worth \$500 or more and obtain approval for the giving or receipt of any payment, gift, form of hospitality, or other benefit or advantage worth \$1,000 or more, as set out in the anti-bribery and corruption policy;
- make any political contributions or charitable donations on behalf of AUCloud;
- threaten or retaliate against another person who has refused to commit a bribery or corruption offence or who has raised concerns under the anti-bribery and corruption policy; or
- engage in any activity that might lead to a breach of the anti-bribery and corruption policy.

5. Financial Information

5.1 Introduction

The historical financial information of SCH contained in this Section has been prepared by the Directors of SCH.

The historical financial information has been provided by the Directors to potential investors to assist with their understanding of the underlying historical financial performance, cash flows and financial position of SCH for the period from inception to 30 June 2018 (“**FY18**”) and for the years ended 30 June 2019 (“**FY19**”) and 2020 (“**FY20**”) (collectively referred to as “Historical Financial Information”).

SCH operates on a financial year ending 30 June and a half year ending 31 December.

The statutory Historical Financial Information (“**Statutory Historical Financial Information**”) comprises:

- The statutory historical consolidated statements of profit or loss for FY18, FY19 and FY20;
- The statutory historical consolidated statements of cash flows for FY18, FY19 and FY20; and
- The statutory historical consolidated statement of financial position as at 30 June 2020.

The pro forma Historical Financial Information (“**Pro Forma Historical Financial Information**”) comprises:

- The pro forma historical consolidated statements of profit or loss for FY18, FY19 and FY20;
- The pro forma historical consolidated statements of cash flows for FY18, FY19 and FY20; and
- The pro forma historical consolidated statement of financial position as at 30 June 2020.

No forecast financial information has been provided for the Company (see Section 5.13).

Also summarised in this Section 5 is:

- The basis of preparation and presentation of the financial information, including the application of relevant new accounting standards had they applied to the Historical Financial Information (Section 5.2);
- Information regarding certain non-IFRS financial measures (Section 5.2.4);
- The pro forma adjustments to the Statutory Historical Financial Information and reconciliations to the Pro Forma Historical Financial Information (Sections 5.5 and 8);
- Details of SCH’s indebtedness and a summary of funding, including debt facilities, liquidity and capital resources (Sections 5.9.1 F and G);
- Management discussion and analysis of the Pro Forma Historical Financial Information (Section 5.12);
- A summary of SCH’s proposed dividend policy (Section 5.14); and
- A summary of SCH’s significant accounting policies (Section 5.16).

The Historical Financial Information has been reviewed by BDO Audit Pty Ltd, whose Independent Limited Assurance Report is contained in Section 8.

BDO Audit Pty Ltd completed their reviews in accordance with the Australian Standard on Assurance Engagements *ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information*. Potential investors should note the scope and limitations of the Independent Limited Assurance Report.

The information in this Section should be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars, and unless otherwise noted, are rounded to the nearest thousand dollars. Immaterial rounding differences have not been corrected.

5.2 Basis of Preparation and Presentation of the Historical Financial Information

5.2.1 Overview

The Historical Financial Information presented in this Section has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the significant accounting policies set out in Section 5.16.

The Historical Financial Information is presented in an abbreviated form and does not contain all the disclosures and comparative information that are usually provided in an annual report prepared in accordance with the Australian Accounting Standards and the Corporations Act (*Cth*) 2001.

5.2.2 Preparation of Historical Financial Information

The Statutory Historical Financial Information has been extracted from the audited financial statements of SCH for FY18, FY19 and FY20. These financial statements were audited by Bentleys Brisbane (Audit) Pty Ltd, who issued unmodified opinions, dated 16 October 2020, on the financial statements of SCH for FY18, FY19 and FY20, with an emphasis of matter regarding the material uncertainty related to going concern given SCH’s trading losses and the requirement for additional funding for each of the years.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. It has been derived from the Statutory Historical Information to illustrate the revenues, net profit, assets, liabilities and cashflows of SCH adjusted for certain transactions and pro forma adjustments described below.

The pro forma adjustments in respect of the statements of profit or loss and cash flows are described in Section 5.5 (Reconciliation of Statutory to Pro Forma Statements of Profit or Loss) and Section 5.8 (Reconciliation of Statutory to Pro Forma Net Cash Flows) of this Prospectus. In particular, pro forma adjustments have been made to reflect the following:

- The application of AASB 16 *Leases*, with specific reference to the reclassification of rental expense into interest expense on lease liabilities and depreciation of a right of use asset, as if the standard had been applied in FY18 and FY19 and therefore applied throughout the historical periods presented;
- Incremental costs associated with being a publicly listed company including Board and governance costs, incremental audit, tax, legal and compliance related costs, and ASX listing fees; and
- Incremental executive remuneration expenses following the appointment of a full time CFO/Company Secretary (currently outsourced) and to align with fixed, short-term and long-term incentives agreed with key executives going forward.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position of the Company as at 30 June 2020, adjusted on the basis of the Completion of the proposed Capital Raising and the completion of certain other transactions as disclosed in Section 5.9.1A, as if those events and transactions occurred as at 30 June 2020. The Pro Forma Statement of Financial Position is provided for illustrative purposes only.

The Pro Forma Historical Statements of Profit or Loss, the Pro Forma Statements of Cash Flows and the Pro Forma Historical Statement of Financial Position are provided for illustrative purposes only and are not represented as being necessarily indicative of SCH’s future financial performance, cash flow or financial position.

5.2.3 Significant Accounting Policies and Application of New Accounting Standards to the Financial Information

The significant accounting policies applied consistently in the preparation of the Historical Financial Information are set out in Section 5.16.

Major new accounting standards which came into effect during the historical periods presented were as follows:

- AASB 9 *Financial Instruments*, which was adopted in the statutory accounts for FY19;
- AASB 15 *Revenue from Contracts with Customers*, which was adopted in the statutory accounts for FY19; and
- AASB 16 *Leases*, which was adopted in the statutory accounts from 1 July 2019 (i.e. included in the financial statements for FY20).

The Pro Forma Historical Financial Information includes the impact of these standards as if they applied for the periods presented in the Prospectus.

Whilst AASB 9 and AASB 15 resulted in changes to the Company’s accounting policies, the impact of the changes on the results of the Company reported for the historical periods presented was not material. Accordingly, no adjustments have been made to the Pro Forma Historical Statements of Profit or Loss.

AASB 16 Leases

For lessees, AASB 16 Leases removes the distinction between operating and finance leases and requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the statement of profit or loss will show lease expenses as depreciation, relating to the right of use asset, and interest relating to the lease liability rather than rent expense being shown as an operating expense. As a result of the adoption of AASB 16 Leases, operating expenses are expected to decrease and depreciation and interest expense will increase, and the timing of expense recognition will change due to the change from a straight line rental expense to depreciation and interest expenses with an accelerated profile. The adoption of the standard will also increase EBITDA because it reduces operating expenses (i.e. rent expense) which is replaced by depreciation and interest expenses, which are not included in EBITDA.

This Prospectus presents the Pro Forma Historical Financial Information on a consistent basis to illustrate the impact of AASB 16 Leases had the standard been applied from the beginning of FY18. Refer to Section 5.5 for further detail on the quantification of this impact.

5.2.4 Non-IFRS Measures Adopted

SCH utilise certain measures for assessing the financial performance and position of the business, which are not recognised under Australian Accounting Standards. Such measures are referred to as 'non-IFRS measures'.

Non-IFRS measures are not a substitute for measures calculated in accordance with Australian Accounting Standards, but rather are intended to provide further information for potential investors.

As the non-IFRS measures have no defined meaning under recognised accounting standards, the way in which they have been calculated in this Prospectus has been detailed below. As there is no standardised measure of non-IFRS information, potential investors should take care in comparing non-IFRS information between companies, as the method of calculation may not be the same.

The non-IFRS measures included in this Prospectus are:

- **Capital expenditure:** Primarily relates to high performance compute, storage and data centre infrastructure which are capitalised in the Statement of Financial Position;
- **EBIT:** Earnings or losses before interest and tax;
- **EBITDA:** Earnings or losses before interest, tax, depreciation and amortisation;
- **EBITDA margin %:** EBITDA expressed as a percentage of revenue for the relevant period;
- **Working Capital:** current assets less current liabilities; and
- **Net Debt:** Total loans including lease liabilities, less cash and cash equivalents.

Non-IFRS earnings measures, in particular EBIT and EBITDA, may provide useful information for investors as they exclude items related to interest and taxation (in the case of EBIT) and 'non-cash' items of depreciation and amortisation. While these measures may be relevant for market participants to consider for assessing the cash generating potential of SCH, they are not cash flow measures (operating or otherwise) and should not be considered in isolation.

EBIT and EBITDA does not consider capital expenditure, fair value changes, timing differences between receipt of revenues and their recognition in the statement of profit or loss or working capital changes.

5.3 Pro Forma Historical Consolidated Statements of Profit or Loss

Set out in Table 1 below is a summary of SCH's pro forma historical consolidated statements of profit or loss for FY18, FY19 and FY20.

Table 1: Pro Forma Historical Consolidated Statements of Profit or Loss

	Notes	FY18	FY19	FY20
		(\$)	(\$)	(\$)
Revenue		-	66,364	1,311,487
Other income		-	-	50,000
Operating expenses				
Employee benefits		(609,193)	(4,093,615)	(5,239,768)
Contractors		(1,316,395)	(612,903)	(184,578)
IT facilities and related costs		(16,267)	(446,169)	(1,048,383)
Other expenses		(823,455)	(1,882,580)	(1,776,618)
Total operating expenses		(2,765,310)	(7,035,267)	(8,249,347)
EBITDA		(2,765,310)	(6,968,903)	(6,887,860)
Depreciation and amortisation		(150,000)	(992,964)	(1,695,340)
EBIT		(2,915,310)	(7,961,867)	(8,583,200)
Net finance expense		(28,652)	(128,448)	(301,356)
Profit (loss) before tax		(2,943,962)	(8,090,315)	(8,884,556)
Income tax expense		-	-	-
Net (loss) after tax	1, 2	(2,943,962)	(8,090,315)	(8,884,556)

Notes:

1. Refer to Section 5.5 for a detailed explanation on the pro forma adjustments.
2. Refer to Section 5.12 for management discussion and analysis of the Pro Forma Historical Financial Information.

5.4 Statutory Historical Consolidated Statements of Profit or Loss

Set out in Table 2 below is a summary of SCH's statutory historical consolidated statements of profit or loss for FY18, FY19 and FY20.

Table 2: Statutory Historical Consolidated Statements of Profit or Loss

	Notes	FY18 (\$)	FY19 (\$)	FY20 (\$)
Revenue	1	-	66,364	1,311,487
Other income		-	-	50,000
Operating expenses				
Employee benefits	2	(414,193)	(3,953,615)	(4,939,768)
Contractors		(1,316,395)	(612,903)	(184,578)
IT facilities and related costs	3	(116,267)	(976,169)	(1,048,383)
Other	4	(523,455)	(1,382,580)	(1,376,618)
Total operating expenses		(2,370,310)	(6,925,267)	(7,549,347)
EBITDA		(2,370,310)	(6,858,903)	(6,187,860)
Depreciation and amortisation	5	-	(477,964)	(1,735,340)
Impairment of goodwill	6	(5,379,970)	-	-
EBIT		(7,750,280)	(7,336,867)	(7,923,200)
Net finance expense	7	11,348	(13,448)	(301,356)
Loss before tax		(7,738,932)	(7,350,315)	(8,224,556)
Income tax expense		-	-	-
Net loss after tax	8	(7,738,932)	(7,350,315)	(8,224,556)

Notes:

1. Revenue includes revenue for the provision of IaaS services.
2. Employee benefits include salaries and fees paid to employees, superannuation contributions, payroll tax and share based payments.
3. IT facilities and related costs include leased premises, utilities, IT consumables and maintenance. The adoption of AASB 16 Leases in FY20 (from 1 July 2019) had the effect of reducing rental expenses and increasing depreciation and amortisation and net finance expense.
4. The more significant costs included in other expenses comprise general and administrative costs including audit, legal, insurance and travel.
5. Depreciation and amortisation represents depreciation of computer, storage and data room infrastructure, leasehold improvements, right of use assets (from 1 July 2019), computer equipment and amortisation of software intangible assets.
6. Goodwill was initially recognised when SCH acquired SCA. In accordance with AASB 136 Impairment of Assets, the Directors assessed goodwill for impairment as at 30 June 2018 by comparing its carrying amount to recoverable amount which resulted in an impairment \$5.4 million.
7. Net finance expenses includes interest expense attributable to lease liabilities accounted for under AASB 16 Leases from 1 July 2019.
8. SCH has incurred losses since inception as the Company built the cloud-based technology platforms at data centres in Canberra and Sydney. The benefit of the temporary differences and tax losses have not been recognised as deferred tax assets on the basis the expected recovery period is inherently uncertain. At 30 June 2020 deferred tax assets not brought to account as a result of carried forward tax losses and temporary differences totalled approximately \$4.65 million (gross value of tax losses carried forward: \$16.4 million).

5.5 Reconciliation of Statutory to Pro Forma Statements of Profit or Loss

A reconciliation of the statutory historical EBITDA and NPAT to the pro forma historical EBITDA and NPAT for FY18, FY19 and FY20 is set out below.

Table 3: Reconciliation of Statutory to Pro Forma Statements of Profit or Loss

	Notes	FY18 (\$)	FY19 (\$)	FY20 (\$)
Statutory EBITDA		(2,370,310)	(6,858,903)	(6,187,860)
Impact of AASB 16 Leases	1	100,000	530,000	-
Public Company costs	2	(300,000)	(500,000)	(400,000)
Executive remuneration	3	(195,000)	(140,000)	(300,000)
Total pro forma adjustments		(395,000)	(110,000)	(700,000)
Pro forma EBITDA		(2,765,310)	(6,968,903)	(6,887,860)
Statutory loss after tax		(7,738,932)	(7,350,315)	(8,224,556)
Impact of AASB16 Leases	1	(90,000)	(100,000)	40,000
Public company costs	2	(300,000)	(500,000)	(400,000)
Executive remuneration	3	(195,000)	(140,000)	(300,000)
Impairment of goodwill	4	5,379,970	-	-
Total pro forma adjustments		(4,794,970)	(740,000)	(660,000)
Pro forma effective tax rate adjustment applied to adjustments (27.5%)		-	-	-
Pro forma loss after tax		(2,943,962)	(8,090,315)	(8,884,556)

Notes:

- Adjustments to account for the application of AASB 16 Leases, which applied from 1 July 2019, as if that standard had applied to FY18 and FY19. The overall impact on NPAT is not significant, however the impact on EBITDA is significant as the previous rent expense was included in calculating EBITDA, whilst the replacement depreciation and interest expense calculated under AASB 16 Leases is excluded from EBITDA.
- Public company costs represent SCH's estimate of the incremental costs of operating a public company and includes annual ASX listing fees, an additional board member, share registry services, directors and officers insurance and additional costs associated with external audit, legal and investor relations.
- Executive remuneration represents incremental costs expected to be incurred post listing on the ASX associated with the appointment of a CFO/Company Secretary (currently outsourced) and granting of further Options to executives under their short-term and long-term incentive plans.
- Impairment of goodwill was recognised as an expense in the FY18 statutory accounts – see Note 6 in Section 5.4. This adjustment has been reversed in the Pro Forma Profit and Loss.

5.6 Pro Forma Historical Consolidated Statements of Cash Flows

Set out in Table 4 below is a summary of SCH's pro forma historical consolidated statement of cash flows.

Table 4: Pro Forma Historical Consolidated Statements of Cash Flows

	Notes	FY18 (\$)	FY19 (\$)	FY20 (\$)
CASHFLOWS FROM OPERATING ACTIVITIES				
Pro forma loss after tax		(2,943,962)	(8,090,315)	(8,884,556)
Adjustments for:				
Share based payment expense		100,000	200,000	200,000
Depreciation and amortisation		150,000	992,964	1,695,340
Changes in working capital		1,082,135	(380,991)	116,031
Cash outflows from operating activities		(1,611,827)	(7,278,342)	(6,873,185)
Tax paid		-	-	-
Net cash outflows from operating activities		(1,611,827)	(7,278,342)	(6,873,185)
CASHFLOWS FROM INVESTING ACTIVITIES				
Payments for intangible assets		(126,000)	(417,474)	(65,050)
Payments for property, plant and equipment		(4,286,314)	(4,719,991)	(406,087)
Payment for other non current assets		(4,800)	-	-
Payments for business combination, net of cash acquired		(367,927)	-	-
Net cash outflows from investing activities		(4,785,041)	(5,137,465)	(471,137)
CASHFLOWS FROM FINANCING ACTIVITIES				
Net proceeds from share issues		7,500,039	11,882,098	4,900,771
Proceeds from borrowings/lease liabilities		-	4,558,100	40,481
Repayment of borrowings		(60,000)	(1,075,714)	(2,460,211)
Other		-	141,281	204,765
Net cash generated from financing activities		7,440,039	15,505,765	2,685,806
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	1	1,043,171	3,089,958	(4,658,516)

Notes:

1. Refer to Section 5.8 for a reconciliation to the statutory historical net cash flows.

5.7 Statutory Historical Consolidated Statements of Cash Flows

Set out in Table 5 below is a summary of SCH's statutory historical statement of cash flows.

Table 5: Statutory Historical Statement of Cash Flows

Notes	FY18	FY19	FY20
	(\$)	(\$)	(\$)
CASHFLOWS FROM OPERATING ACTIVITIES			
Net profit (loss) after tax	(7,738,932)	(7,350,315)	(8,224,556)
Adjustments for:			
Share based payment expense	-	243,113	77,180
Depreciation and amortisation	-	477,964	1,735,340
Impairment of goodwill	5,379,970	-	-
Changes in working capital	1,082,135	(380,991)	116,031
Net cash outflows from operating activities	(1,276,827)	(7,010,229)	(6,296,005)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets	(126,000)	(417,474)	(65,050)
Payments for property, plant and equipment	(4,286,314)	(4,719,991)	(406,087)
Payment for other non current assets	(4,800)	-	-
Payments for business combination, net of cash acquired	(367,927)	-	-
Net cash outflows from investing activities	(4,785,041)	(5,137,465)	(471,137)
CASHFLOWS FROM FINANCING ACTIVITIES			
Net proceeds from share issues	7,500,039	11,882,098	4,900,771
Proceeds from borrowings	-	4,558,100	40,481
Repayment of borrowings/lease liabilities	-	(660,714)	(2,460,211)
Other	-	141,281	204,765
Net cash generated from financing activities	7,500,039	15,920,765	2,685,806
Net increase/(decrease) in cash and cash equivalents	1,438,171	3,773,071	(4,081,336)
Cash and cash equivalents at the beginning of the period	-	1,438,171	5,211,242
Cash and cash equivalents at the end of the period	1,438,171	5,211,242	1,129,906

5.8 Reconciliation of Statutory to Pro Forma Net Cash Flow

A reconciliation of the statutory historical net cash flow to the pro forma historical net cash flow for FY18, FY19 and FY20 is set out below.

Table 6: Reconciliation of Statutory to Pro Forma Net Cash Flow

	Notes	FY18 (\$)	FY19 (\$)	FY20 (\$)
Statutory net cash flow		1,438,171	3,773,071	(4,081,336)
Public company costs		(300,000)	(500,000)	(400,000)
Executive remuneration		(95,000)	(183,113)	(177,180)
Pro forma net cash flow	1, 2	1,043,171	3,089,958	(4,658,516)

Notes:

1. See notes 1 to 3 under table in Section 5.5 to explain the above adjustments.
2. The impact of AASB 16 Leases has been to move the principal portion of lease payments from cash flows from operating activities to cashflows from financing activities. Overall, there is no net impact on pro forma net cash flow arising from this adjustment.

5.9 Statutory and Pro Forma Historical Consolidated Statement of Financial Position

Set out in Table 7 below is the Pro Forma Historical Consolidated Statement of Financial Position as at 30 June 2020. It shows the pro forma adjustments that have been made to the statutory historical statement of financial position as at 30 June 2020 to calculate the pro forma statement of financial position as at 30 June 2020.

The pro forma statement of financial position is provided for illustrative purposes only. It is not representative of SCH's view of future financial position.

Cash and cash equivalents in the pro forma statement of financial position are calculated to reflect the events in each corresponding note, as though it had occurred on 30 June 2020. Cash and cash equivalents (and other balances) have not been adjusted by actual or expected events to Completion of the Offer, save for those detailed in the notes for the pro forma statement of financial position (set out in Section 5.9.1).

The pro forma balances shown in Table 7 are not reflective of the actual balances (including the cash position) following the Completion of the Offer.

Table 7: Pro Forma Historical Consolidated Statement of Financial Position as at 30 June 2020

	Note (Section 5.9.1)	Historical 30 June 2020 (\$)	Impact of the Offer (A)	Other Equity Transactions (\$)	Pro forma 30 June 2020 (\$)
ASSETS					
Cash and cash equivalents	B	1,129,906	18,270,000	5,425,900	24,825,806
Trade and other receivables		351,955	80,000	-	431,955
Prepayments		354,134	-	-	354,134
Total current assets		1,835,995	18,350,000	5,425,900	25,611,895
Receivables		104,449	-	-	104,449
Property, plant and equipment	C	3,922,573	-	-	3,922,573
Intangible assets	D	101,318	-	-	101,318
Leased assets	E	8,573,360	-	-	8,573,360
Other assets		122,265	-	-	122,265
Total non-current assets		12,823,965	-	-	12,823,965
Total assets		14,659,960	18,350,000	5,425,900	38,435,860
LIABILITIES					
Trade and other payables		540,285	-	-	540,285
Lease liabilities	F	3,008,663	-	-	3,008,663
Provisions		228,414	-	-	228,414
Total current liabilities		3,777,362	-	-	3,777,362
Lease liabilities	F	4,661,200	-	-	4,661,200
Net non-current liabilities		4,661,200	-	-	4,661,200
Total liabilities		8,438,562	-	-	8,438,562
Net Assets		6,221,398	18,350,000	5,425,900	29,997,298
EQUITY					
Share capital	G	29,214,908	18,870,000	5,425,900	53,510,808
Reserves		320,293	-	-	320,293
Accumulated losses		(23,313,803)	(520,000)	-	(23,833,803)
Total equity		6,221,398	18,350,000	5,425,900	29,997,298

5.9.1 Notes to and forming part of the Pro Forma Historical Consolidated Statement of Financial Position

A. PREPARATION OF THE PRO FORMA HISTORICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The 30 June 2020 Statutory Historical Consolidated Statement of Financial Position of SCH has been adjusted to reflect the impact of the Offer and certain events which have taken place subsequent to 30 June 2020:

Impact of the Offer

- The issue pursuant to the Prospectus of 26,666,666 New Shares at \$0.75 per Share to raise capital of \$20,000,000 before costs; and
- The payment of an estimated \$1,730,000 (including GST) in costs incurred by the Company in relation to the costs of the transaction. These costs are to be apportioned between the income statement and equity in accordance with accounting standards.

Other Equity Transactions

- The placement of 4,166,667 fully paid ordinary shares at 60 cents each (\$2,500,000) to WAM Microcap Limited ('WAM') in August 2020.
- The issue of 4,876,499 fully paid ordinary shares at 60 cents each (\$2,925,900) to existing shareholders in August 2020 under the FY20 entitlement offer.
- Redemption of Class A (10,000,000) and Class C (10,000,000) performance shares as the performance milestones had not been achieved at the time of the IPO.

B. CASH AND CASH EQUIVALENTS

	Historical 30 June 2020 (\$)	Pro Forma 30 June 2020 (\$)
CURRENT		
Cash at bank and on hand	1,129,906	24,825,806
Pro forma movements in cash at bank are as follows:		
Actual – 30 June 2020		1,129,906
Other Equity Transactions:		
Placement of shares to WAM		2,500,000
Issue of shares to existing shareholders		2,925,900
Impact of the Offer:		
Issue of Shares pursuant to Prospectus (before costs)		20,000,000
Estimated transaction costs of the Share issue		(1,730,000)
Pro forma – 30 June 2020		24,825,806

Notes:

1. The pro forma cash and cash equivalents is derived from the statutory historical cash balance as at 30 June 2020, adjusted on the basis of certain subsequent events and completion of the proposed Capital Raising. The pro forma cash and cash equivalents is provided for illustrative purposes only and does not take into consideration outflows of cash from 1 July 2020 up to completion of the proposed Capital Raising. These outflows would include payments for operating and administrative costs, as well as interest and principal payments in relation to lease liabilities and capital expenditure.
2. Actual cash at bank at 30 June 2020 was \$1,129,906 and \$4,053,979 at 30 September 2020, being a date close to the Offer. The movement in cash post balance date reflects the subsequent shares issued pre-IPO, repayment of lease liabilities and net cash outflows from operations in the same period.

C. *PROPERTY, PLANT AND EQUIPMENT*

Computer equipment mostly comprises computers, storage and data centre infrastructure:

	Historical 30 June 2020		
	Cost (\$)	Accumulated Depreciation (\$)	Carrying Amounts (\$)
Computer Equipment			
Balance at 1 July 2019	9,006,305	(470,074)	8,536,231
Additions	406,087	-	406,087
Reclassification	(4,097,837)	-	(4,097,837)
Depreciation	-	(921,908)	(921,908)
Balance at 30 June 2020	5,314,555	(1,391,982)	3,922,573

D. *INTANGIBLE ASSETS*

	Historical 30 June 2020		
	Cost (\$)	Accumulated Depreciation (\$)	Carrying Amounts (\$)
Software			
Balance 1 July 2019	543,474	(7,890)	535,584
Additions	65,050	-	65,050
Reclassification	(463,474)	-	(463,474)
Amortisation	-	(35,842)	(35,842)
Balance at 30 June 2020	145,050	(43,732)	101,318

E. *LEASED ASSETS*

	Data Centres (\$)	Software (\$)	Computer Equipment (\$)	Total (\$)
Cost				
Balance at 1 July 2019	-	-	-	-
Additions	1,500,506	404,781		1,905,287
Reclassification	2,884,352	463,474	4,097,837	7,445,663
Balance at 30 June 2020	4,384,858	868,255	4,097,837	9,350,950
Accumulated Depreciation				
Balance at 1 July 2019	-	-	-	-
Depreciation	(649,341)	(128,249)	-	(777,590)
Balance at 30 June 2020	(649,341)	(128,249)	-	(777,590)
Carrying Amounts at 30 June 2020	3,735,517	740,006	4,097,837	8,573,360

F. *LEASED LIABILITIES*

	Data Centres (\$)	Computer Equipment & Software (\$)	Total (\$)
Balance at 1 July 2019	-	5,299,954	5,299,954
Additions	1,500,506	445,259	1,945,765
Implementation of AASB 16	2,884,351	-	2,884,351
Repayments	(535,749)	(1,924,458)	(2,460,207)
Balance at 30 June 2020	3,849,108	3,820,755	7,669,863

G. ISSUED CAPITAL AND PERFORMANCE SHARES

Issued and fully paid Shares	Notes	No of Shares	\$
Ordinary shares fully paid		63,847,231	29,214,882
Performance shares		20,000,000	26
Ordinary Shares:		83,847,231	29,214,908
Movements during the year			
Balance - 1 July 2019		46,929,280	25,064,098
Shares issued on conversion of performance shares	1	10,000,000	13
Shares issued – entitlement offer		6,792,951	4,075,771
Shares issued on exercise of employee Options		125,000	75,000
Balance – 30 June 2020 – Actual		63,847,231	29,214,882
Pro forma adjustments:			
Other Equity Transactions:			
Shares issued – placement in August to WAM		4,166,667	2,500,000
Shares issued in August to existing shareholders		4,876,499	2,925,900
Redemption of Class A & C performance shares	2	-	26
Impact of the Offer :			
New shares issued pursuant to the Prospectus (before costs)		26,666,666	20,000,000
Estimated costs of capital raising		-	(1,130,000)
Balance – 30 June 2020 – pro forma		99,557,063	53,510,808
Performance Shares:			
Movements during the year			
Balance - 1 July 2019		30,000,000	39
Conversion of Class B performance shares to ordinary shares	1	(10,000,000)	(13)
Balance – 30 June 2020 – actual		20,000,000	26
Pro forma adjustments:			
Redemption of performance shares			
Class A	2	(10,000,000)	(13)
Class C	2	(10,000,000)	(13)
Balance – 30 June 2020 – pro forma		-	-

Notes:

- The performance milestone for the Class B performance shares related to the completion of a capital raising or series of capital raisings under which at least \$10 million was raised. This was achieved in October 2019 and the related performance shares were converted into ordinary shares.
- The performance milestones for the Class A performance shares related to the potential acquisition of UKCloud, which was never pursued by the Company. The performance milestones for the Class C performance shares included completion of an exit event (which includes an IPO) where the value of the ordinary shares is at least \$1.50. New shares issued pursuant to the IPO, at an issue price of \$0.75, will result in this milestone not being achieved. As such, the Class A and Class C performance shares will be redeemed at the time of the IPO.

5.10 Subsequent Events

There have been no other material items, transactions, or events subsequent to 30 June 2020 that have not otherwise been disclosed in this Prospectus and incorporated into the pro-forma statement of financial position, where appropriate, except as follows:

- The Company has agreed additional lease finance facilities with a major supplier to fund the purchase of computer equipment and software. These facilities include the purchase of compute and storage computer equipment at a cost of \$1,559,357 and a further \$1,366,155 for equipment and software payable on delivery acceptance.

5.11 Commitments

Technology Licence Agreement

As part of the acquisition of SCA the Company has a licence agreement with UKCloud, dated 16 January 2017 and amended on 9 October 2020. The agreement provides SCA exclusivity for 5 years to utilise UKCloud's intellectual property (know-how) in Australia (until January 2022). The Company is obliged to pay royalties to UKCloud at varying rates depending on whether the agreement is exclusive or non-exclusive. Royalties are payable based on a percentage of IaaS contract revenues. The Company can terminate the agreement after the first 5 year contract period. UKCloud can terminate the agreement if there is a material breach or if a receiver or administrator is appointed to the Company.

5.12 Management Discussion and Analysis of the Pro Forma Historical Financial Information

Set out below is a discussion of the factors that have affected SCH's historical performance for FY18, FY19 and FY20.

The Directors have provided this information for potential investors to assist with understanding the factors that influenced the historical performance of SCH, which may be relevant to considering the future performance of SCH.

This discussion is a summary only and does not detail all matters relevant to the performance of SCH over the historical period, nor every matter that may influence the performance of SCH in the future.

This Section should be considered along with the other information set out in this Prospectus, including the risks set out in Section 6.

5.12.1 FY18

FY18 represents a six month trading period as SCH was incorporated on 8 November 2017 and completed the acquisition of SCA in December 2017. For a six month period post acquisition, SCA's previous owner continued to pay employee and administrative costs of the UK based team members under a transitional agreement for the supply of services. These costs were classified as contractor costs in the statement of profit and loss.

During FY18 the Company built the initial cloud technology platform and sought independent IRAP accreditation to support Unclassified and Protected data (approved in August 2018). By the end of FY18 the Company had commenced working with selected channel partners for beta testing and onboarding. No revenue was recorded during this period. The major costs incurred were employment and contractor costs. IT facilities and related costs were comparatively lower in FY18 during the first platform build stage as a result of utility concessions. Funding the business came from the initial 'seed' investors who agreed to contribute \$10 million in equity funds.

5.12.2 FY19

In early FY19 it became apparent that the Company would need to fast track the build of a second cloud technology platform, to be located in a different geographical location, to provide simultaneous back-up protection of customer data under its go-to-market strategy. In October 2018, SCH changed from a proprietary to a public company and issued an Information Memorandum ("**October 2018 IM**") to raise equity capital of between \$10.0 million and \$15.0 million to fund the second platform build and to provide sufficient working capital during its start-up phase.

By December 2018 the Company had received share subscriptions for \$10.2 million. Thereafter, the Company secured additional funding through lease finance with a number of major technology suppliers. A total of \$4.6 million was received in March 2019 under lease finance arrangements which provided the additional funding targeted in the October 2018 IM.

During FY19, the Company continued to recruit staff locally in Canberra to build up its infrastructure team as well as service and delivery as it engaged with potential customers. While no significant revenue was recorded in FY19, the Company had developed a significant customer pipeline.

5.12.3 FY20

By the beginning of FY20 the Company was moving from platform development/testing (by qualified channel partners) to onboarding a small number of contracted customers. This was further assisted by the revenue acceleration funding support received from a major IT equipment supplier who supported IaaS services from the Company to enable projects and opportunities with potential customers trialling the platform. Total revenue of \$0.5 million was received in FY20 under this arrangement.

By the second half of FY20, the Company had received a 3 year contract with a global systems integrator to re-platform a core Defence Healthcare application. In addition, during the COVID-19 first lock-down, the Company positioned itself to take advantage of remote working conditions. This led to the deployment of a solution for the ANU which delivered secure, remote access to applications for their students. This short-term contract was subsequently extended to provide a longer-term solution.

As highlighted in the October 2018 IM, the Company had indicated that further funding would still be required post capital raising. In January 2020, SCH issued its second Information Memorandum which accompanied an entitlement offer to all shareholders. The Company initially received \$4.1 million from existing shareholders (in February 2020) and a further \$2.9 million was subsequently received (in August 2020) after shareholders were invited to 'top-up' under the entitlement offer.

5.12.4 Capital Expenditure

As shown in Section 5.9, the Company has developed two sovereignty zone cloud platforms located in geographically distanced data centres at Canberra and Sydney. These costs mostly comprise computer equipment and software which have been allocated within the balance sheet as follows:

\$	Notes	Cost	Carrying Amount
	Section 5.9.1		(30 June 2020)
Property, plant and equipment – computer equipment	C	5,297,012	3,922,573
Intangibles – software	D	145,050	101,318
Leased assets – software	E	868,255	740,006
Leased assets – computer equipment	E	4,097,837	4,097,837
Total at 30 June 2020 – actual		10,408,154	8,861,734

The above capital expenditure has been further allocated between the first cloud platform based in the Canberra Data Centre, the second cloud platform based in the Sydney Data Centre and platform expansions which extend across both locations.

Computer equipment is being depreciated on a straight-line basis over 5 years once the platform is completed and ready for use. Software assets are being amortised over 3 years. The Canberra cloud platform commenced depreciating on 1 January 2019 whereas the Sydney cloud platform was not ready-for-use until 1 July 2020.

Platform expansions are required from time to time as the existing facilities begin to reach their compute and storage capacity and then need to be expanded to meet customer demand. Under the IaaS model, capital expenditure is typically classified as development capex and growth capex. The two cloud platforms in Canberra and Sydney would be regarded as development capex and the platform expansions as growth capex. Post FY20 ongoing capital expenditure will mostly comprise growth capex.

5.13 No Forecasts

The industries that SCH operates in are inherently uncertain. Consequently, there are significant uncertainties associated with forecasting future revenues and expenses associated with SCH's proposed activities.

The Directors have considered the matters detailed in ASIC's Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of SCH are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

The Directors consequently believe that, given these inherent uncertainties, it is not possible to include reliable forecasts in this Prospectus.

5.14 Dividend Policy

The Board has no intention to pay dividends in the foreseeable future. In particular, the Board anticipates that in the short to medium term, any surplus cash flow is more appropriately applied to continue to grow AUCloud's business. In the future, a number of factors, including the level of future earnings, the amount of tax paid, the financial position of the Company, future operating conditions and future cash requirements to fund growth will affect the Company's ability to pay a dividend.

5.15 Reporting

For accounting and reporting purposes, AUCloud will report on a 30 June financial year basis. Formal reporting will be provided to Shareholders as at 30 June (full year) and 31 December (interim) each year.

An annual consolidated financial report of AUCloud will be provided to Shareholders in accordance with the Corporations Act. The annual consolidated financial report will be audited, whilst the interim financial report will be subject to review by AUCloud's auditor.

Financial reports will be made available at AUCloud's website at:

<https://www.australiacloud.com.au>.

5.16 Summary of Significant Accounting Policies

Set out below are a number of significant accounting policies and other material accounting matters that have been used in the preparation of the Historical Financial Information in this Section.

Basis of preparation

The financial accounts on which the Historical Financial Information is based have been prepared under the historical cost convention, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Revenue from contracts with customer

The Company derives revenue by providing customers with access to IT hardware and services in a secure cloud environment. This offering is commonly referred to as Infrastructure-as-a-Service (IaaS). Revenue is typically billed based on a self-service pay-as-you-go model with limited set-up fees and typical contractual usage commitments of no more than one month. Revenue is recognised over time as the customer utilises the infrastructure, based on agreed hourly rates of usage of computing cycles and data storage.

Income Tax

With the Company in a tax loss situation in FY18, FY19 and FY20, no income tax has been brought to account. Once profitable the income tax expense will comprise current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable tax rates enacted, as at the relevant reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the profit or loss except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that no adverse charge will occur in income tax legislation, that the Company will derive sufficient future assessable income to enable the benefit to be realised and that the Company will continue to comply with the condition of deductibility imposed by the Law.

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Goodwill is initially recognised at an amount equal to the excess of a) the aggregate of consideration transferred, the amount of any non-controlling interest and the acquisition date of fair value of the acquirer's previously held equity interest (in the case of step acquisition); over b) the net fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost including any directly attributable costs. Depreciation is calculated on a straight line basis over the useful lives of the assets at annual rates as follows:

Office equipment at cost	20%
Computer equipment at cost	20%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

Leases

AASB 16 replaces AASB 177 Leases and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by SCH, and an estimate of costs to be incurred by SCH in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (ie the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using SCH's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*Financial instruments**Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case costs are immediately recognised as expenses in profit or loss.

Classification

Financial assets recognised by the Company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income ("**FVtOCI**") in accordance with the relevant criteria in AASB 9.

Financial liabilities classified as held for trading, contingent consideration payable by the Company for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the Company are subsequently measured at amortised cost.

Impairment of financial assets

The Company recognises an allowance for Expected Credit Losses ("**ECLs**") impairment model.

The Company applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables. Under the AASB 9 simplified approach, the Company determines the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables on the basis of the lifetime expected credit losses of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit loss.

Share based payments

Share based payments expense under the ESOP are recognised over the expected vesting period of the Options, with a corresponding increase to an equity account.

Management assess the fair value of the Options using an appropriate Option pricing model with the following key criteria: pre-determined exercise price, share price at grant date, risk free rate, volatility of the share price and vesting period from grant date. The number of shares and Options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

6. Key Investment Risks

6.1 Introduction

AUCloud is subject to various risk factors. Some of these are specific to its business activities, while others are of a general nature. Individually, or in combination, these risk factors could have a material adverse impact on AUCloud's assets and liabilities, financial position and performance, profits and losses and prospects, and the value of Shares.

The principal risk factors are described below.

The risks set out in this Section 6 are not an exhaustive list of the risks associated with AUCloud or the industry in which it operates, or an investment in Shares either now or in the future, and this information should be used as guidance only and read in conjunction with all other information presented in this Prospectus.

There can be no guarantee that AUCloud will achieve its stated objectives or that any forward looking statement or forecasts will eventuate.

Before deciding whether to invest in AUCloud, you should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of these potential risks and should consider whether an investment in AUCloud is suitable for you after taking into account your own investment objectives, financial circumstances and tax position. If you are in any doubt as to anything in this Prospectus, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

6.2 Risks specific to an investment in AUCloud

6.2.1 *Competitive landscape and actions of others*

AUCloud operates in a competitive landscape alongside a number of other service providers with competing technologies, product offerings and geographic presence. These include a number of global IaaS providers which offer competing services to AUCloud on a global scale. Although AUCloud is in a niche market, and notwithstanding the barriers to entry in that market, AUCloud may face competition from new entrants and existing competitors who may have significant advantages, including greater name recognition, longer operating history, lower operating costs, pre-existing relationships with current or potential customers or decision makers and greater financial, marketing and other resources. If competitor product offerings are perceived to be superior to AUCloud's, or competitors are able to compete effectively on price, AUCloud may lose existing or potential customers, incur costs to improve its network, or be forced to reduce prices.

6.2.2 *Cyber risk*

Given AUCloud's business model is premised on providing secure cloud services, any unauthorised access to customer data would severely prejudice the Company's reputation as a credible provider of such services to its targeted customers. While instances of "cyber-crime" are particularly damaging, other events, such as accidental loss of confidential data or experiencing significant network issues may also cause financial loss or reputational damage (or both). While AUCloud is particularly focussed on mitigating the likelihood of cyber risk, given its business model, the consequences of the risk including the adverse effect on AUCloud's future financial performance and position, are potentially significant.

6.2.3 *Changes to law or Government policy*

The storage of data, including the migration of systems to the cloud, for Governments and CNIs is a current focus of Government policy, which is evolving rapidly. As Government departments make the decision to transition legacy systems and datasets to third party hosted environments, including to the cloud, there is a growing focus on how Government agencies can ensure the security of that data. Rules and guidelines for Government departments and agencies in relation to outsourcing cloud functions, and the requirements of third party providers of those functions, have been developed, however, there is no guarantee that the implementation of those rules and guidelines will occur in the manner currently anticipated by AUCloud. In addition, those rules and guidelines will likely be supplemented and varied over time. For example, AUCloud anticipates that those rules and guidelines will address the sovereign ownership of the service provider. While AUCloud has some capacity to predict policy developments, it is possible that policies will be implemented in the future that may preclude or hinder AUCloud's competition in the market for Government outsourcing of cloud services.

6.2.4 Authorisations and accreditations

AUCloud relies on authorisations and accreditations to operate its business. In particular, AUCloud is required to be IRAP-accredited to provide its services to the Australian Government, as set out in Section 2.6.4. IRAP is an ASD initiative. ASD endorses suitably qualified ICT professionals as IRAP assessors to provide relevant security services and highlight information security risks which aim to secure broader industry and Australian Government information (and associated) systems. The ACSC has also recently introduced new Cloud Security Guidance and Cloud Assessment and Authorisation Framework, which AUCloud is undertaking an assessment against. There is no guarantee that AUCloud will be able to obtain or retain the authorisations and accreditations it requires to compete in the market. Any failure by AUCloud to obtain additional authorisations or accreditations mandated by the Australian Government would materially adversely affect AUCloud's operational and financial performance.

6.2.5 Concentration of customer base and nature of customer contracts

AUCloud has a relatively concentrated customer base. If AUCloud were to lose one or more of its key customers, AUCloud's business and financial condition could be adversely impacted.

There may also be a long lead-time to customer contracts for AUCloud, and by their nature, such customer contracts are relatively short-term (with a typical contract term of between three months and five years). If AUCloud was to lose one or more of these customer contracts, its operations, earnings and financial condition could be adversely impacted. In addition, if one or more of these contracts is not renewed upon expiry and AUCloud is unable to add new customers, its business, financial condition and financial performance could be adversely impacted in the future.

6.2.6 Ability to attract and retain key employees

AUCloud's business is dependent on attracting and retaining highly skilled and experienced employees. It is essential that appropriately skilled staff be available in sufficient numbers to support the Company's business. AUCloud requires staff to have a variety of skills and expertise, some of which are niche specialities in which there are limited practitioners available for recruitment. Accordingly, the loss of, or the inability to attract, skilled and experienced employees is a key risk for AUCloud. The loss of key staff to a competitor may exacerbate this impact. AUCloud's ability to attract and retain employees in a cost effective manner is subject to external factors such as unemployment rates, prevailing wage legislation and changing demographics in its operating markets. Changes that adversely impact AUCloud's ability to attract and retain quality employees could materially adversely affect AUCloud's future financial performance and position.

6.2.7 Short operating history

AUCloud is recently established and has little operational track record. As a result, the execution of AUCloud's business plan may take longer to achieve than planned and the costs of doing so may be higher than budgeted. AUCloud's operational business plan requires upfront capital investment, and there can be no assurance that subsequent objectives will be achieved. Accordingly, AUCloud may need to raise capital sooner than expected, and with fewer operational objectives achieved, which may have an adverse effect on the Company's share price.

6.2.8 Low customer uptake of service

A lack of customer demand and aggressive competition could limit the Company's ability to achieve desired rates of return on investment, and have a material adverse effect on the growth prospects and/or financial position of the Company, which may cause the Company to require further funding.

AUCloud will seek to mitigate these risks by executing the business plan with efficiency and delivering the strategic vision laid out in Section 3.

6.2.9 Funding and capital

The continued growth of the Company relies on customer acquisition. Capital is required to maintain and grow the existing technology platform. AUCloud requires sufficient access to capital to fund this expenditure. Failure to obtain capital on favourable terms may hinder AUCloud's ability to expand and pursue growth opportunities, which may reduce competitiveness and have an adverse effect on the financial performance, position and growth prospects of the Company. AUCloud's continued ability to implement its business plan effectively over time may depend in part on its ability to raise future funds. There is no assurance that additional funds will be available in the future, and/or be secured on reasonable commercial terms. If adequate funds are not available or not available on reasonable commercial terms in the future, then AUCloud may not be able to take advantage of opportunities, develop new ideas or otherwise respond to competitive pressures.

6.2.10 *Interruptions to operations, including infrastructure and technology failure*

AUCloud could be exposed to short, medium or long-term interruptions to its services, some of which is provided by third parties. AUCloud may be unable to deliver a service as a result of numerous factors, including:

- human error;
- power loss;
- improper maintenance by entities not related to AUCloud;
- physical or electronic security breaches;
- fire, earthquake, hurricane, flood and other natural disasters;
- water damage;
- intentional damage to the networks from vandalism;
- accidental damage to the networks from civil works;
- war, terrorism and any related conflicts or similar events worldwide; and
- sabotage and vandalism.

6.2.11 *Change in technology*

Demand for cloud services can change rapidly because of technological innovation, new product introductions, declining prices and evolving industry standards, among other factors. New solutions and new technology often render existing solutions and services obsolete, excessively costly or otherwise unmarketable. As a result, the success of AUCloud depends on AUCloud being able to keep up with the latest technological progress and to develop or acquire and integrate new technologies into its product offering. Advances in technology also require AUCloud to commit resources to developing or acquiring and then deploying new technologies for use in operations.

6.2.12 *Relationships with key intellectual property licensors and technology*

AUCloud relies on relationships with key intellectual property licensors and technology partners, from whom it licenses the right to use particular intellectual property and technology. AUCloud's ability to offer its cloud services is dependent on its ability to use particular intellectual property and technology, and any change in the ability to use or protect the intellectual property AUCloud relies on may have an effect on AUCloud's future financial performance and position.

6.2.13 *Insurance*

AUCloud seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry. Any increase in the cost of the insurance policies of AUCloud or the industry in which it operates could adversely affect AUCloud's business, financial condition and operational results. AUCloud's insurance coverage may also be inadequate to cover losses it sustains. Uninsured loss or a loss in excess of AUCloud's insured limits could adversely affect AUCloud's business, financial condition and operational results.

6.3 General investment risks

6.3.1 *AUCloud Share price may fluctuate*

On Completion of the Offer, AUCloud will become subject to the general market risk that is inherent in all securities traded on a stock exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of AUCloud. There is no guarantee that the price of the Shares will increase following Official Quotation, even if AUCloud's earnings increase.

The Shares may trade at, above or below the Offer Price due to a number of factors, including:

- general market conditions;
- fluctuations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- inclusion in or removal from particular market indices (including S&P/ASX indices); and
- the nature of the markets in which AUCloud operates.

Other factors that may negatively affect investor sentiment and influence AUCloud specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, civil unrest, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.

6.3.2 *Trading in the Shares may not be liquid*

There can be no guarantee that an active market for the Shares will develop following Completion of the Offer. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This could result in Shareholders receiving a market price for their Shares that is less than the price that they paid.

Following Completion of the Offer, approximately 57% of the Shares will be subject to escrow arrangements, which may also impact on liquidity. In particular, as noted at Section 10.4, approximately 10% of Shares on Completion of the Offer will be subject to voluntary escrow until 15 March 2021 and approximately 47% of the Shares on Completion of the Offer will be subject to mandatory restrictions until the date that is two years after admission of the Company to ASX. The escrow arrangements will reduce the liquidity of trading in Shares for the duration of the escrow period. A significant sale of previously escrowed Shares, or the perception that such sale has occurred or might occur, could adversely affect the price of Shares.

6.3.3 *Shareholders may suffer dilution*

The Company may issue more Shares in the future in order to fund acquisitions or investments or to reduce its debt. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), any such equity raisings may dilute the interests of Shareholders.

6.3.4 *Taxation changes may occur*

The taxation treatment for Shareholders is dependent upon the tax law as currently enacted in Australia. Changes in tax or stamp duty law or changes in the way tax or stamp duty law is expected to be interpreted in Australia may adversely impact AUCloud's returns or the dividends paid by the Company to Shareholders.

An investment in the Shares involves tax considerations that differ for each investor. Investors are encouraged to seek professional tax advice in connection with any investment in AUCloud.

6.3.5 *Expected future events may not occur*

Certain statements in this Prospectus constitute forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of AUCloud to differ materially from any future results, performance or achievements expressed or implied in such forward looking statements.

Given these uncertainties, prospective investors should not place undue reliance on such forward looking statements. In addition, under no circumstances should a forward looking statement be regarded as a representation or warranty by AUCloud or any other person referred to in this Prospectus that a particular outcome or future event is guaranteed.

6.3.6 *Impact of climate change*

Climate change presents a potentially material risk to AUCloud. The increasing severity of acute weather events (such as heatwaves, cyclones and storms) and chronic climate impacts may affect AUCloud's property (and associated communities) through physical damage, operating costs, and ability to trade, for example. These acute weather events may be sudden and acute or more gradual in nature. For example, property may be damaged by storms or flooding which requires extensive repairs. Alternatively, supply chains may be disrupted.

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaption requirements related to climate change. These may require AUCloud to incur costs to address these changes. The transition to a low carbon economy may enable AUCloud to realise opportunities such as reducing its reliance on the electricity grid by generating onsite renewable energy which also protects its business from future energy market and policy uncertainty.

6.3.7 *COVID-19*

The transmission of COVID-19 and efforts to contain its spread have recently resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and demand. Significant uncertainty remains with respect to the future impact of COVID-19 on the Company's business. The overall severity and duration of COVID-19-related adverse impacts on the Company's business will depend on future developments which cannot be predicted, including "state of emergency" declarations and other directives of government and public health authorities. Even after the COVID-19 outbreak has subsided, the Company may continue to experience material adverse impacts to its businesses, for example, as a result of reductions in Government spending on outsourcing (as a result budget pressures), delays in decision making or, more generally, a deterioration of worldwide credit and financial markets that could limit the Company's ability to obtain funding.

6.3.8 Force majeure events may occur

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of AUCloud and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, civil unrest, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events that can have an adverse effect on AUCloud's ability to conduct its business.

6.3.9 Exposure to general economic conditions

The operating and financial performance of AUCloud is influenced by a variety of general domestic and global economic and business conditions that are outside the control of the AUCloud. A prolonged deterioration in general economic conditions may impact the demand for AUCloud's services and may have a material adverse impact on the financial performance, financial position, cash flows, dividends, growth prospects and share price of AUCloud.

6.3.10 Accounting standards may change

The Australian Accounting Standards to which AUCloud adheres are set by the ASB and are consequently outside the control of AUCloud and the Directors. Changes in accounting standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in AUCloud's financial statements.

6.3.11 Litigation and regulatory inquiries

AUCloud may be subject to litigation, complaints and other claims or disputes, regulatory inquiries or investigations and other enforcement action initiated by customers, employees, suppliers, regulators or other third parties in the course of its business. Such matters may have a materially adverse effect on AUCloud's financial performance and position. Even if such matters are successfully defended or settled without financial consequences, they may have a material adverse effect on AUCloud's reputation.

7. Details of the Offer

7.1 Overview of the Offer

This Prospectus relates to an initial public offering of Shares by the Company. The Company will issue approximately 26.67 million Shares, raising gross proceeds of approximately \$20 million at the Offer Price of \$0.75 per Share.

The Shares being offered under this Prospectus will represent approximately 26.8% of the total number of Shares on issue on Completion of the Offer, being 99.56 million. All Shares offered under this Prospectus will rank equally with the existing Shares on issue. Refer to Section 10.5 for details of the rights attaching to Shares.

The Offer is made on the terms, and is subject to the conditions set out, in this Prospectus.

7.2 Structure of the Offer

The Offer comprises:

- the Institutional Offer, which consists of an invitation to Institutional Investors in Australia to bid for Shares;
- the Broker Firm Offer, which is open only to eligible retail clients of select retail brokers who have received an invitation from their Broker to participate; and
- the Priority Offer, which is open to selected investors in Australia, limited to \$3 million in aggregate proceeds.

No general public offer of Shares will be made under the Offer. Members of the public wishing to subscribe for Shares under the Offer must do so through a Broker with a firm allocation.

The allocation of Shares between the Institutional Offer, the Broker Firm Offer and the Priority Offer has been, or will be, determined by the Joint Lead Managers in consultation with AUCloud, having regard to the allocation policy outlined in Sections 7.9.2, 7.10.6 and 7.11.3.

The Offer is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 10.6.1.

7.3 Purpose of the Offer and use of proceeds

The Offer is being conducted to:

- (a) provide AUCloud with working capital and growth capex funding to execute its strategy of delivering IaaS cloud-based services during its early revenue phase;
- (b) provide AUCloud with the benefits of increased transparency and credibility that arise from being a listed entity; and
- (c) fund the costs relating to the Offer.

The Offer will raise gross proceeds of \$20 million.

Sources and use of funds

Sources of funds	\$ million	%
Offer proceeds	20.0	75%
Cash ¹	6.5	25%
Total sources	26.5	100.0%

Uses of funds ²	\$ million	%
Customer growth capex	9.3	35%
Lease liabilities	3.1	12%
Increase in headcount	2.7	10%
Working capital	9.7	37%
Offer costs	1.7	6%
Total uses	26.5	100.0%

Notes

1. Cash represents cash and cash equivalents as at 30 June 2020 of \$1.1 million, in addition to \$2.9 million funds raised from existing shareholders and a strategic placement to WAM Microcap Limited of \$2.5 million, both occurring after the balance date.
2. Cash used post Offer is intended to be used to fund the following:
 - **Customer Growth Capex:** AUCloud's operating model requires ongoing investment in compute and storage capacity to meet customer demand. As revenue grows, platform capacity will need to be expanded. Cash raised from the Offer will be used to fund estimated platform capacity expansion in 2021 and 2022 in accordance with growth in demand.
 - **Lease Liabilities:** AUCloud has been funded to date through both equity raisings and lease finance facilities. The lease finance was used to develop the second cloud platform based in the Sydney Data Centre and each facility has a term of three years. Cash raised from the Offer will be used to fund lease payments in 2021 while the Company grows its revenue base.
 - **Increase in Headcount:** AUCloud currently has 36 employees located in Canberra, Brisbane and Sydney. The Company's activities are forecast to expand as customers are on-boarded, which will require additional service and support as well as an increase in the sales and marketing team to continue to grow the revenue pipeline. The Company also intends to proactively market its services to State Governments, Defence and Research Organisations, through additional sales and marketing personnel.
 - **Working Capital:** As an IaaS provider, and currently positioned at early revenue stage, AUCloud expects to incur losses until monthly revenue meets and exceeds cash outflows from operations. Cash raised from the Offer will be used to fund the Company's working capital requirements during this period.

On Completion of the Offer, the Board believes that the Company will have sufficient working capital to carry out the Company's objectives as set out in this Prospectus.

7.4 No minimum subscription

There is no minimum amount which must be raised under this Prospectus. The Company will not seek to raise more than \$20 million under the Offer.

7.5 Capital structure⁴³

AUCloud currently has 72,890,398 Shares on issue. A total of 26,666,666 Shares are available under the Offer.

The following table sets out AUCloud's indicative capital structure before and on Completion of the Offer:

	Number of securities before Completion of the Offer	Number of securities on Completion of the Offer	Percentage (undiluted)	Percentage (diluted)
Ordinary shares	72,890,398	99,557,064	100%	97%
Performance shares ¹	20,000,000	-	-	-
Options ²	3,311,698	3,311,698	-	3%
Total	96,202,096	101,868,762	100.0%	100.0%

Notes

1. Performance Shares

The performance shares on issue will be redeemed by the Company for nominal consideration on admission of the Company to ASX. Accordingly, the performance shares are ignored for the purpose of calculating the diluted interests.

2. Options over unissued Shares

Options over unissued ordinary shares of the Company at the Prospectus Date are as follows:

Date granted	Number of Options	Exercise price	Expiry date	Vested	Not Vested
01/07/2018	1,927,243	\$3.00	30/06/2022	1,324,401	602,842
13/08/2019	281,748	\$3.00	30/06/2023	93,916	187,832
30/09/2020	1,102,707	\$3.00	30/09/2024	-	1,102,707
	3,311,698			1,418,317	1,893,381

The exercise price of \$3 per Option reduces to \$0.60 per Option if the Option holder remains an employee of the Company at the respective vesting dates. Accordingly, the vested Options shown above are all exercisable at \$0.60 per Option. The remaining Options are exercisable at \$0.60 per Option if the Option holder remains an employee of the Company at the following vesting dates:

Number of Options	Vesting Date
1,064,324	1 July 2021
461,487	1 July 2022
367,570	1 July 2023
1,893,381	

No Option holder has any right under the Options to participate in any other share issue of the Company.

⁴³ The Company has raised \$29.8 million in equity capital (net of transaction costs) since inception, including \$19.8 million (net of transaction costs) being raised since December 2018 at a price of \$0.60 per share.

7.6 Shareholding structure

The details of the ownership of Shares before and on Completion of the Offer are as follows:

Shareholder	Ownership of AUCloud before Completion of the Offer		Ownership of AUCloud on Completion of the Offer	
	Shares	%	Shares	%
Badger 31 Pty Ltd	13,730,569	18.8%	13,730,569	13.8%
Edwards Bay Capital Pty Ltd	6,865,284	9.4%	6,865,284	6.9%
Petromac Holding Pty Ltd	6,865,284	9.4%	6,865,284	6.9%
Assured Digital Group Limited (UK)	6,934,000	9.5%	6,934,000	6.9%
Other Pre-IPO Shareholders	38,495,261	52.9%	38,495,261	38.7%
New Shareholders	—	—	26,666,666	26.8%
Total	72,890,398	100.0%	99,557,064	100.0%

Information on the number of Shares on Completion of the Offer that will be the subject of escrow arrangements, and details of those escrow arrangements, are set out in Sections 6.3.2 and 10.4. The information reflected above excludes any Shares which may be taken up by the Directors or their associates under the Offer.

7.7 Control implications of the Offer

The Board does not expect that any Shareholder will control the Company on Completion of the Offer.

7.8 Summary of the Offer

The following is a summary of the Offer:

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attached to them, is set out in Section 10.5.
What is the consideration payable for each Share?	The Offer Price is \$0.75 per Share.
What is the Offer Period?	<p>The key Offer dates, including details of the Offer Period, are set out in the key Offer dates on page 6 of this Prospectus.</p> <p>These key Offer dates are indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time.</p> <p>The Company and the Joint Lead Managers reserve the right to amend any or all of the times and dates of the Offer without notice subject to the ASX Listing Rules, the Corporations Act and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting Shares at different times to different Applicants, or to cancel or withdraw the Offer without prior notice.</p> <p>If the Offer is cancelled or withdrawn before the allocation and issue of Shares to successful Applicants, then all Application Monies received will be refunded without interest (in accordance with the Corporations Act).</p> <p>No Shares will be issued on the basis of this Prospectus later than the Expiry Date.</p> <p>The Official Quotation and commencement of trading of the Shares is subject to confirmation from ASX.</p>
How much is to be raised under the Offer?	Gross proceeds of \$20.0 million.
Is the Offer underwritten?	The Offer is fully underwritten by the Joint Lead Managers. More detail on the underwriting arrangements is set out in Section 7.14 and Section 10.6.1.

Topic	Summary
Who are the Joint Lead Managers to the Offer?	The Joint Lead Managers are Morgans Corporate Limited and Canaccord Genuity (Australia) Limited.
What is the minimum and maximum Application size under the Offer?	<p>Broker Firm Offer</p> <p>The minimum Application size under the Broker Firm Offer is \$2,000 worth of Shares in aggregate and in increments of at least \$500 thereafter. Please ensure that your Application Amount is for a multiple of the Offer Price. There is no maximum value of Shares that may be applied for under the Broker Firm Offer.</p> <p>Priority Offer</p> <p>The minimum Application size for Applicants who have received an invitation to apply for Shares under the Priority Offer is \$2,000 worth of Shares in aggregate and in increments of at least \$500 thereafter. Please ensure that your Application Amount is for a multiple of the Offer Price. An Applicant's personalised invitation will indicate the maximum amount of Shares that they may apply for.</p>
What is the allocation policy?	<p>The allocation of Shares between the Institutional Offer, the Broker Firm Offer and the Priority Offer has been, or will be, determined by the Joint Lead Managers in consultation with AUCloud, having regard to the allocation policy outlined in Sections 7.9.2, 7.10.6 and 7.11.3.</p> <p>Institutional Offer</p> <p>The allocation of Shares amongst Applications under the Institutional Offer has been, or will be, determined by the Joint Lead Managers in consultation with the Company.</p> <p>Broker Firm Offer</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers to determine how they allocate Shares among their eligible retail clients, and they (and not AUCloud or the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares. The Company and the Joint Lead Managers reserve the right to reject or scale back any Applications in the Broker Firm Offer.</p> <p>Priority Offer</p> <p>Allocations under the Priority Offer will be at the absolute discretion of the Company. The Priority Offer is capped at \$3 million.</p> <p>For further information on the:</p> <ul style="list-style-type: none"> • Institutional Offer, see Section 7.9; • Broker Firm Offer, see Section 7.10; and • Priority Offer, see Section 7.11.
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be dispatched to successful Applicants by standard post on Wednesday, 9 December 2020.</p> <p>Refunds (greater than \$2.00) (without interest) to Applicants who make an Application and receive an allocation of Shares the value of which is smaller than the amount of the Application Monies will be made as soon as practicable after Completion of the Offer.</p>
Will the Shares be quoted on ASX?	<p>The Company will apply to ASX for Official Quotation of the Shares under the ticker code 'SOV' within seven days of the Prospectus Date.</p> <p>Completion of the Offer is conditional on ASX approving the application. If approval is not granted for the Official Quotation of the Shares within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest (in accordance with the Corporations Act).</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.</p>

Topic	Summary
When are the Shares expected to commence trading?	<p>Trading on ASX is expected to commence on a normal settlement basis on Monday, 14 December 2020. Following the issue of Shares, successful Applicants will receive a holding statement setting out the number of Shares issued to them under the Offer. It is expected that holding statements will be dispatched by standard post on Wednesday, 9 December 2020.</p> <p>It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. Successful Applicants who sell Shares before receipt of an initial holding statement do so at their own risk.</p> <p>AUCloud and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the AUCloud Offer Information Line, by a Broker or otherwise.</p>
Are there any escrow arrangements?	Yes. Details are provided in Sections 6.3.2 and 10.4.
Are there any tax considerations?	Yes. Details are provided in Section 9.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 10.6.1 for details of various fees payable by AUCloud to the Joint Lead Managers.
What should you do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the AUCloud Offer Information Line on 1800 262 299 (within Australia) or +61 1800 262 299 from 8.30am until 5.30pm (Sydney time), Monday to Friday (excluding public holidays) during the Offer Period.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are in any doubt as to anything in this Prospectus, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.</p>

7.9 Institutional Offer

7.9.1 *Invitations to bid*

Selected Institutional Investors have committed to the Joint Lead Managers to acquire Shares under this Prospectus at the Offer Price. These Institutional Investors may be allocated additional Shares at the discretion of the Joint Lead Managers in consultation with AUCloud. The Joint Lead Managers will also invite certain Institutional Investors to bid for Shares in the Institutional Offer.

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia to apply for Shares. The Joint Lead Managers have separately advised Institutional Investors of the Application procedures for the Institutional Offer. Shares issued to Institutional Investors as part of the Institutional Offer will be issued under this Prospectus.

7.9.2 *Allocation policy under the Institutional Offer*

The allocation of Shares under the Institutional Offer has been, or will be, determined by the Joint Lead Managers in consultation with AUCloud. The Joint Lead Managers, in consultation with AUCloud, have absolute discretion regarding the basis of allocation of Shares among Institutional Investors and an application may be scaled back or rejected at the discretion of the Joint Lead Managers.

Participants in the Institutional Offer will be advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy will be influenced by a range of factors, including:

- the number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Listing;
- the Company's desire to establish a wide spread of institutional Shareholders;
- the overall anticipated level of demand under the Institutional offer, the Broker Firm Offer, and the Priority Offer; and
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that the Company and the Joint Lead Managers considered appropriate.

7.10 Broker Firm Offer

7.10.1 Who can apply?

The Broker Firm Offer is open to eligible retail clients who have received an invitation from their Broker to participate and who have a registered address in Australia. Investors who receive a firm allocation through a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

Investors should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer.

7.10.2 How to apply

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus. An investor applying under the Broker Firm Offer should follow the instructions of the Broker from whom they received an invitation to participate.

By making an Application, an Applicant declares that they were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus.

Applications under the Broker Firm Offer must be for a minimum amount of \$2,000 worth of Shares in aggregate and in increments of at least \$500 thereafter. Please ensure that your Application Amount is for a multiple of the Offer Price. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Joint Lead Managers reserve the right to reject or scale back any Applications in the Broker Firm Offer. The Company and the Joint Lead Managers also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with their Broker in accordance with the Broker's instructions in order to receive their invitation to participate. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens at 9.00am (Sydney time) on Monday, 9 November 2020 and is expected to close at 5.00pm (Sydney time) on Friday, 20 November 2020. The Company and the Joint Lead Managers may, subject to the Corporations Act, elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. A Broker may impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible after the Opening Date. Applicants should contact their Broker for instructions.

7.10.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions from their Broker.

7.10.4 Application Monies

Application Monies will be held on trust for Applicants until the issue of Shares to successful Applicants. Application Monies will be fully or partially refunded where an Application is rejected or accepted in part only, the Offer is withdrawn and/or cancelled, or ASX does not grant approval for the Official Quotation of the Shares within three months after the Prospectus Date. No interest will be paid on refunded amounts.

7.10.5 Acceptance of Applications

An Application under the Broker Firm Offer is an offer by the Applicant to the Company to subscribe for Shares for all or any of the Application Amount specified in and accompanying the Application Form, at the Offer Price. An Application is made by an Applicant on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form. To the extent permitted by law, an Application by an applicant under the Offer is irrevocable.

7.10.6 Allocation policy under the Broker Firm Offer

The allocation of firm stock to Brokers has been, or will be, determined by the Joint Lead Managers, in consultation with AUCloud.

Shares which will be allocated to Brokers for allocation to their Australian resident eligible retail clients will be issued to the Applicants who have received a valid allocation of Shares from those Brokers (subject to the right of the Company and the Joint Lead Managers to reject, aggregate or scale back Applications). It will be a matter for the Brokers how they allocate firm stock among their eligible retail clients (subject to the right of the Company and the Joint Lead Managers to reject, aggregate or scale back Applications). The Brokers (and not the Company or the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares.

7.11 Priority Offer

7.11.1 Who can apply?

The Priority Offer is open to selected investors in Australia nominated by AUCloud in its sole discretion. If you are a Priority Offer Applicant, you should have received a personalised invitation to apply for Shares in the Priority Offer. Investors who receive a personalised invitation from AUCloud will be treated as an Applicant under the Priority Offer in respect of that allocation.

7.11.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised invitation. This will include instructions on how to access the Application Form.

Applications under the Priority Offer must be for a minimum of \$2,000 worth of Shares in aggregate and in increments of at least \$500 thereafter. Please ensure that your Application Amount is for a multiple of the Offer Price.

There is no maximum value of Shares that may be applied for under the Priority Offer. However, the maximum size of the Priority Offer is \$3 million. This may not be fully allocated. The Company reserves the right to scale back applicants under the Priority Offer in its absolute discretion. Any amount (greater than \$2.00) applied for in excess of the amount allocated to you will be refunded in full (without interest).

If the amount of your BPAY® payment for Application Monies (or the amount for which those BPAY® payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

If you are a Priority Offer Applicant, you must pay for Shares applied for online by BPAY® by following the instructions on the online Application Form. It is the responsibility of the Applicant to ensure payments are received by the Closing Date, being 5.00pm (Sydney time) on Friday, 20 November 2020. If you make a BPAY® payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY® and policies with respect to timing for processing BPAY® transactions may vary between bank, credit union or building society.

7.11.3 Allocation policy under the Priority Offer

Allocations under the Priority Offer will be at the absolute discretion of the Company, provided that those allocations (in aggregate) do not exceed \$3 million.

7.12 Acknowledgements of Applicants

By submitting an Application, each Applicant under the Offer acknowledges and agrees as follows:

- that the Applicant personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and read each document in full;
- that the Applicant has received and completed their Application Form in accordance with this Prospectus and the instructions on the Application Form;
- that all details provided and statements in their Application Form are complete and accurate and not misleading (including by omission);
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- that it has applied for the number of Shares (or equivalent dollar amount) shown on the front of the Application Form;
- to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- that the Company, the Joint Lead Managers and their respective officers or agents are authorised to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;

- that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer, the Broker Firm Offer and the Priority Offer), or otherwise satisfies the requirements in Section 7.2;
- that the Offer may be withdrawn by the Company and/or may otherwise not proceed in the circumstances described in this Prospectus; and
- that if Listing does not occur for any reason, the Offer will not proceed.

By submitting an Application, each Applicant in the Offer will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States or to US Persons, except in accordance with the US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States or a US Person;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S of the US Securities Act; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.13 Underwriting arrangements

The Offer is fully underwritten by the Joint Lead Managers. The Joint Lead Managers and the Company have entered into an Underwriting Agreement under which the Joint Lead Managers have been appointed as managers and underwriters of the Offer. The Joint Lead Managers have agreed, subject to certain conditions and termination events, to underwrite applications for all Shares under the Offer. The Underwriting Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Joint Lead Managers may terminate the Underwriting Agreement and their underwriting obligations.

A summary of certain terms of the Underwriting Agreement and underwriting arrangements, including the termination provisions, is provided in Section 10.6.1.

7.14 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside of Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States.

The Shares have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered, sold, re-sold, pledged or transferred in the United States or to US Persons except in accordance with US Securities Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable state securities law.

7.15 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.16 ASX Listing, registers and holding statements, and normal settlement trading

7.16.1 Application to ASX for admission of the Company to the Official List and Official Quotation of the Shares

The Company will apply to ASX for admission of the Company to the Official List and Official Quotation of the Shares under the ticker code 'SOV' within seven days of the Prospectus Date.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the Official Quotation of the Shares within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest (in accordance with the Corporations Act).

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

7.16.2 CHESS and issuer sponsored holdings

The Company has applied (or will apply) to participate in ASX's Clearing House Electronic Sub-register System ("CHESS") and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number ('HIN') for CHESS holders or Securityholder Reference Number ('SRN') for issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements shortly after the end of the month in which there has been a change to their holding and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.16.3 Settlement of the Offer and selling Shares on market

It is expected that trading of the Shares on ASX will commence on a normal settlement basis on Monday, 14 December 2020.

Following the issue of Shares, successful Applicants will receive a holding statement setting out the number of Shares issued to them under the Offer. It is expected that holding statements will be dispatched by standard post on Wednesday, 9 December 2020.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. Investors will be able to confirm their holdings by telephoning the AUCloud Offer information Line on 1800 262 299 (within Australia) or +61 1800 262 299 from 8.30am to 5.30pm (Sydney time), Monday to Friday (excluding public holidays). Successful Applicants who sell Shares before receipt of a holding statement do so at their own risk. The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving a holding statement, even if they obtained details of their holding from the AUCloud Offer Information Line or confirmed their firm allocation through a Broker.

7.17 Enquiries

This Prospectus provides information for potential investors in AUCloud, and should be read in its entirety. If you are in any doubt as to anything in this Prospectus you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser. Enquiries from Australian resident investors relating to this Prospectus, or requests for additional copies of this Prospectus, should be directed to the AUCloud Offer information Line on 1800 262 299 (within Australia) or +61 1800 262 299 from 8.30am until 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

8. Independent Limited Assurance Report



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The Directors
Sovereign Cloud Holdings Limited
c/- Ross Walker
Pitcher Partners
Level 38, 345 Queen St
BRISBANE QLD 4000

23 October 2020

Dear Directors,

INDEPENDENT LIMITED ASSURANCE REPORT ON STATUTORY HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

Introduction

BDO Audit Pty Ltd ('BDO Audit') has been engaged by Sovereign Cloud Holdings Limited ('SCH' or 'the Company') to report on the statutory historical financial information and pro forma historical financial information ('the Historical Financial Information') for inclusion in a prospectus proposed to be issued on or about 23 October 2020 and relating to the issue of approximately 26.7 million shares in SCH ('the Prospectus').

Expressions and terms defined in the Prospectus have the same meaning in this report ('this Report').

Scope

Statutory Historical Financial Information

You have requested BDO Audit to review the following Statutory Historical Financial Information of SCH (being the party responsible for the Historical Financial information) included in Section 5 of the Prospectus:

- ▶ The statutory historical consolidated statements of profit or loss for the financial years ended 30 June 2018 ('FY18'), 30 June 2019 ('FY19'), and 30 June 2020 ('FY20');
- ▶ The statutory historical consolidated statements of cash flows for FY18, FY19, and FY20; and
- ▶ The statutory historical consolidated statement of financial position as at 30 June 2020.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and SCH's adopted accounting policies.

The Statutory Historical Financial Information has been extracted from the consolidated financial reports of SCH for FY18, FY19 and FY20 which were audited by Bentleys Brisbane (Audit) Pty Ltd in accordance with Australian Auditing Standards. Bentleys Brisbane (Audit) Pty Ltd issued unmodified audit opinions, dated 16 October 2020, with an emphasis of matter regarding the material uncertainty related to going concern on each of the financial reports.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



Pro Forma Historical Financial Information

You have requested BDO Audit to review the following Pro Forma Historical Financial Information of SCH (being the party responsible for the Historical Financial information) included in Section 5 of the Prospectus:

- ▶ The pro forma historical consolidated statements of profit or loss for FY18, FY19, and FY20;
- ▶ The pro forma historical consolidated statements of cash flows for FY18, FY19, and FY20; and
- ▶ The pro forma historical consolidated statement of financial position as at 30 June 2020.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of SCH, after adjusting for the effects of pro forma adjustments described in Section 5.2.2 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and SCH's adopted accounting policies, applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 5.2.2 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

Directors' Responsibility

The directors of SCH are responsible for the preparation and presentation of the Statutory Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of the pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information to be free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit on any financial information used as a source of the Historical Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in Section 5 of the Prospectus, and comprising:

- ▶ The statutory historical consolidated statements of profit or loss for FY18, FY19, and FY20;
- ▶ The statutory historical consolidated statements of cash flows for FY18, FY19, and FY20; and
- ▶ The statutory historical consolidated statement of financial position as at 30 June 2020,



are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5.2 of the Prospectus.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in Section 5 of the Prospectus, and comprising:

- ▶ The pro forma historical consolidated statements of profit or loss for FY18, FY19, and FY20;
- ▶ The pro forma historical consolidated statements of cash flow for FY18, FY19, and FY20; and
- ▶ The pro forma historical consolidated statement of financial position as at 30 June 2020,

are not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 5.2 of the Prospectus.

Restriction on Use

Without modifying our conclusions, we draw attention to Section 5.1 of the Prospectus, which describes the purpose of the Historical Financial Information, being for inclusion in the Prospectus. As a result, the Historical Financial Information may not be suitable for use for another purpose. We disclaim any liability for use of this Report, or reliance on the Historical Financial Information by any other persons or for any other purpose than that set out in Section 5 of the Prospectus.

Consent

We have consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report, our consent has not been withdrawn. However, BDO Audit has not authorised the issue of the Prospectus. BDO Audit makes no representation regarding, or responsibility for, any other statements, material in (or omissions from) the Prospectus.

Liability

The liability of BDO Audit is limited to the inclusion of this Report in the Prospectus. BDO Audit makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

General Advice Warning

This Report has been prepared, and included in the Prospectus to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on information contained in this Report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Declaration of Interest

BDO Audit does not have any interest in the outcome of the proposed listing, or any other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. BDO Audit will receive normal professional fees for the preparation of this Report.

BDO Audit Pty Ltd

T R Mann
Director

9. Taxation

The information contained in this summary is of a general nature only. It does not constitute tax advice and should not be relied upon as such. This summary outlines the general Australian income tax and stamp duty implications for Australian resident individuals, complying superannuation entities, trusts, partnerships and corporate investors that acquire Shares under this Prospectus and hold their Shares on capital account.

This summary is based on the provisions of the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and related acts, regulations and Australian Taxation Office (“ATO”) rulings and determinations applicable as at the Prospectus Date.

This summary does not consider the Australian tax consequences that arise for:

- Shareholders that hold their Shares as trading stock or revenue assets, such as financial institutions, insurance companies, and dealers in securities;
- Shareholders who are exempt from Australian income tax;
- Australian resident Shareholders who hold their Shares as part of an enterprise carried on at or through a permanent establishment in a foreign country;
- Shareholders who are temporary residents or who change their tax residence while holding Shares; or
- Shareholders whose Shares are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth).

Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each Shareholder. During the period of ownership of Shares by Shareholders, the taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each Shareholder’s specific circumstances. All investors should seek their own professional advice on the consequences of their participation in the Offer and the taxation implications of holding or disposing of Shares, taking into account their specific circumstances. Investors who are not resident in Australia should also obtain advice on the taxation implications arising in their local jurisdiction of participating in the Offer.

Taxation issues, such as (but not limited to) those covered by this Section, are only one of the matters that should be considered when making a decision about a financial product. All investors should consider taking advice from someone who holds an AFSL before making such a decision.

9.1 Disposal of Shares

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the Australian capital gains tax (“CGT”) provisions in respect of the disposal of their Shares.

Where the capital proceeds received on disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, amongst other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident Shareholder for an income year are added together. To the extent that a net gain exists, such Shareholders should be able to reduce the gain by any amount of unapplied net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied). Any remaining net gain (after the application of any carried forward capital losses) will then be required to be included in the Australian tax resident Shareholder’s assessable income (subject to the comments below in relation to the availability of the CGT discount concession) and will be taxable at the Shareholder’s applicable rate of tax. Where a net capital loss is recognised, the loss will only be deductible against future capital gains. Capital losses are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for at least 12 months prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an Australian tax resident individual Shareholder or an Australian tax resident trust Shareholder, and a one third reduction in the assessable amount of a capital gain for an Australian tax resident complying superannuation entity Shareholder. The concession applies to any net capital gain (i.e. it applies after capital losses have been deducted against any gains). The concession is not available to Australian tax resident corporate Shareholders.

In relation to trusts, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied. Shareholders which are trusts should seek specific advice as to the circumstances in which a beneficiary may be entitled to a CGT discount.

9.2 Dividends paid on Shares

Dividends may be paid to Shareholders by the Company. The Company may attach 'franking credits' to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of things such as off-market share buy-backs.

9.2.1 *Australian tax resident individuals and complying superannuation entities*

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income (noting that some superannuation funds may be exempt in relation to Shares to the extent that they are held to support current pension liabilities) in the year the dividend is paid, together with any franking credit attached to that dividend. Such Australian tax resident Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the Australian tax resident Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Australian tax resident Shareholders' taxable income, such Shareholders should be entitled to a tax refund.

To the extent that the dividend is unfranked, the Australian tax resident Shareholder should include the dividend in their assessable income with no tax offset.

9.2.2 *Australian tax resident corporate entities*

Australian tax resident Shareholders who are corporate investors are also required to include both the dividend and associated franking credit in their assessable income. They are then allowed a tax offset up to the amount of the franking credit on the dividend. Where the tax offset exceeds the tax payable, the excess cannot give rise to a refund for a company but can be converted into carry forward tax losses.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the Australian tax resident corporate Shareholder to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

9.2.3 *Australian tax resident trusts and partnerships*

Australian tax resident Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

9.2.4 *Australian tax resident shares held 'at risk'*

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person', in which case the Shareholder will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, a Shareholder is required to hold Shares 'at risk' for more than 45 days continuously over a specified period in order to qualify for franking benefits, including franking credits. This period is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the Shareholder to have held the Shares at risk for the continuous 45 day period outlined above, but within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

9.3 GST

No GST should be payable in respect of acquisitions of Shares pursuant to the Offer.

There may be an indirect GST cost for GST registered Shareholders on any costs they incur in respect of the acquisition of Shares, as input tax credits will generally not be available for GST incurred in respect of supplies relating to the dealings with these Shares (e.g. brokerage, legal and other adviser fees). Shareholders who are registered for GST may obtain certain limited input tax credits. This will depend on the circumstances of the particular Shareholder.

9.4 Stamp duty

No stamp duty should be payable by Shareholders on the acquisition of Shares under the Offer. Under current stamp duty legislation, no stamp duty should ordinarily be payable by Shareholders on a subsequent transfer of Shares in the usual course of trading whilst the Shares remain listed on ASX.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.5 Tax File Number (“TFN”) and Australian Business Number (“ABN”)

A Shareholder is not obliged to quote a TFN, or where relevant, ABN, to the Company. However, if an Australian resident Shareholder does not provide their TFN, ABN, or exemption from having to do so, tax will be withheld (currently at a rate of 47%) on the unfranked component of dividends paid to Shareholders. However, such Shareholders will be entitled to claim an income tax credit/refund (as applicable) in respect of the tax withheld in their income tax return.

10. Additional Information

10.1 Registration

The Company was registered on 8 November 2017 as a proprietary company limited by shares and converted to a public company limited by shares on 16 November 2018.

10.2 Child entities

Child entity	Place of registration	Nature of child entity's business	Ownership interest
Sovereign Cloud Australia Pty Ltd (ACN 611 181 830)	Queensland, Australia	Sovereign Cloud Australia Pty Ltd (ACN 611 181 830) is the operating entity of the AUCloud group which enters into customer and supplier contracts.	Sovereign Cloud Holdings Limited (ACN 622 728 189) has an ownership interest in Sovereign Cloud Australia Pty Ltd (ACN 611 181 830) of 100%.

AUCloud's corporate group structure is as follows:



10.3 Tax status and financial year

AUCloud is and will be subject to tax at the Australian corporate tax rate on its taxable income. The financial year for AUCloud ends on 30 June annually.

10.4 Escrow arrangements

Certain existing Shareholders will be restricted from dealing in their Shares following Listing. Restrictions are either imposed by ASX or have been agreed to by Shareholders voluntarily.

With respect to mandatory ASX-imposed restrictions, the ASX Listing Rules require that certain persons or entities that are 'significant holders', such as seed capitalists, promoters and related parties, enter into written restriction deeds under which they are restricted from dealing in a specified number of their Shares for up to 24 months from the date of quotation of those Shares. The ASX restriction deeds will be in the form required by the ASX Listing Rules over such number of Shares and for such period of time as determined by ASX, and will restrict the Shareholder's ability to dispose of, create any security interest in, or transfer effective ownership or control of, the Shares.

Shareholders who have entered into voluntary restriction agreements have done so voluntarily on similar terms to the ASX restriction deeds.

The table below sets out the proportion of Shares and Options which will be subject to either mandatory ASX-imposed restrictions or voluntary restrictions immediately following Completion of the Offer and the duration in respect of which those restrictions will apply:

	Number of Shares	Number of Options	Duration	Percentage of Shares (undiluted)	Percentage of Options
Mandatory ASX-imposed restrictions	47,072,715 ¹	1,055,961 ¹	24 months from quotation	47.28% ¹	32% ¹
Voluntary restrictions	10,165,123	Nil	Until 15 March 2021	10.21%	N/A
Total	57,237,838	1,055,961		57.49%	32%

¹ Company estimate only, subject to confirmation from ASX as part of its assessment of the Company's listing application.

Shareholders that have agreed to voluntary restriction agreements may be released early from those restrictions to enable:

- the Shareholder to accept or participate in a bona fide third-party takeover bid, merger by way of scheme of arrangement, or capital reduction or buy-back extended to all Shareholders, provided that the Shareholder remains subject to the voluntary escrow arrangements if the relevant takeover offer or merger by way of scheme of arrangement is not completed;
- the Shareholder to transfer those restricted securities in an off-market transaction to an entity the escrowed Shareholder controls, or following the escrowed Shareholder's death to a person to whom the restricted securities have been bequeathed or to the escrowed Shareholder's spouse, provided in each circumstance that the transferee enters into a deed under which it undertakes to be bound by the same escrow restrictions as the escrowed Shareholder; and
- the Shareholder to comply with an order of a court of competent jurisdiction compelling any restricted securities to be disposed of or a security interest granted over them, or to take an action with the prior written consent of AUCloud where the action is necessary to alleviate financial hardship.

Shareholders who have entered into ASX restriction deeds may be released early in certain circumstances permitted by the ASX Listing Rules, including if a takeover bid is made for all of the issued Shares in the Company and the bid is successful or if a scheme of arrangement proposed by the Company under the Corporations Act is approved by the Court.

10.5 Summary of rights and liabilities attached to Shares and other material provisions of the Company's Constitution

General

The rights and liabilities attached to ownership of the Shares are:

- detailed in the Constitution of the Company which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights and liabilities attached to the Shares and a description of other material provisions of the Constitution are set out below. This summary does not constitute a definitive and exhaustive statement of the rights and liabilities of Shareholders and is qualified by the full terms of the Constitution. This summary assumes the Company is admitted to the Official List.

The Company has sought Shareholder approval to include a provision in the Company's constitution, subject to final confirmation by the Directors, the purpose of which is to safeguard the Company against any concentration of foreign ownership that may be adverse to the Company's business interests. In particular, if approved, the new rule would require members who are foreign entities or controlled by foreign entities (foreign member) to notify the Company if the foreign member obtains voting power of 10% or more. In the event that a notice is given or the Company becomes aware, or believes (acting reasonably), that a foreign member has achieved such a level of ownership, the Company may seek further details of the member, and may ultimately apply to the Court for an order to dispose of the Shares held by a foreign member, to the extent the Company considers it necessary to avoid an "adverse foreign ownership situation". An "adverse foreign ownership situation" would occur where the foreign member would likely cause the Company to: (a) lose, forfeit or have some adverse restriction or fetter placed on any licence or certification that the Company is required (or is desirable) to hold or obtain to conduct its business; (b) breach the terms of an existing customer contract or give the customer a right to terminate or enforce some penalty or other rights (adverse to the Company) under the contract; or (c) not meet criteria for tenders for new business. The Company may only commence the divestiture by order of the court.

Voting

At a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each Share held. On a poll, partly paid ordinary shares in the Company confer a fraction of a vote in proportion to the amount paid up on the share.

Dividends

Subject to the terms of issue of any shares or class of shares, amounts which the Directors from time to time determine to distribute by way of dividend are divisible among the members in proportion to the amounts paid up on the shares held by them.

Issue of shares

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Directors have the power to issue shares or grant Options over unissued shares to any person and they may do so at the times, on the conditions and at the issue price they think fit. Such shares may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital or otherwise, as the Directors think fit.

Variation of class rights

Subject to the Corporations Act and the ASX Listing Rules, the rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

The rights conferred on the holders of any class of shares are to be taken as not having been varied by the creation or issue of further shares ranking equally with them.

Transfer of shares

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and any restrictions attached to a member's shares, holders of shares may transfer them by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by a written transfer in any usual form or in any other form approved by the Directors, or by any other method permitted by the Corporations Act, the ASX Listing Rules, and the ASX Settlement Operating Rules and approved by the Directors.

The Directors may decline to register a transfer of shares for reasons including where the transfer is not in registrable form or where the refusal to register the transfer is permitted or required under the ASX Listing Rules or, except for a proper transfer effected in accordance with the ASX Settlement Operating Rules, under the terms of issue of the shares. If the Directors decline to register a transfer, the Company must give notice of the refusal as required by the Corporations Act and the ASX Listing Rules.

Small holdings

The Company may sell a share that is part of an unmarketable parcel, provided that the procedures set out in the Constitution are followed. An unmarketable parcel is defined in the ASX Listing Rules and is generally a holding of shares with a market value of less than \$500.

General meetings and notices

Subject to the Constitution and to the rights or restrictions attached to any shares or class of shares, each member is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to members under the Constitution or the Corporations Act.

Winding up

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and the terms of issue of any shares or class of shares, members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them, less any amounts which remain unpaid on those shares at the time of distribution.

Directors – appointment and removal

The minimum number of Directors is three. Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the maximum number of Directors is to be fixed by the Directors but may not be more than 12 unless the Company passes a resolution in general meeting varying that number. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) will hold office (without re-election) past the third annual general meeting following their appointment or last re-election. The Directors may also appoint a Director to fill a casual vacancy on the Board in addition to the Directors, who will then hold office until the conclusion of the next annual general meeting of the Company.

Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chair has a casting vote, unless there are only two Directors present or entitled to vote, in which case the Chair does not have a casting vote and the proposed resolution is taken as having been lost.

Directors' remuneration

Each Director is entitled to be paid such fees for their services as the Directors decide, provided that the total fees do not exceed, in aggregate in any financial year, the amount fixed by the Company in general meeting. The Constitution also makes provision for the Company to pay all expenses of Directors in attending meetings and carrying out their duties, and for the payment of additional fees for extra services or special exertions.

Alteration of share capital

Subject to the Constitution, the Corporations Act and the ASX Listing Rules, the Company may alter its share capital.

Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or converted to ordinary shares. The rights attached to preference shares are set out in the Constitution.

Variation of the Constitution

The Constitution can only be amended by a special resolution, being a resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution. The Company must give at least 28 days' written notice of its intention to propose a special resolution.

Share buy-backs

The Company may buy back shares in accordance with the provisions of the Corporations Act.

Dividend reinvestment plan

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan, subject to the ASX Listing Rules.

10.6 Material contracts

10.6.1 Underwriting Agreement

The Company and the Joint Lead Managers have entered into an underwriting agreement dated 23 October 2020 ("**Underwriting Agreement**") pursuant to which the Joint Lead Managers agree to underwrite subscriptions for the number of Shares offered under the:

- (a) Institutional Offer;
- (b) Broker Firm Offer; and
- (c) Priority Offer,

for which valid applications are not received, at the Offer Price.

Pursuant to the Underwriting Agreement, the Company has also appointed the Joint Lead Managers on an exclusive basis to arrange and manage the Offer and act as bookrunners for the Offer, including to allocate the Shares offered under the Institutional Offer and Broker Firm Offer as the Joint Lead Managers determine, in consultation with the Company.

Fees, costs and expenses

Under the Underwriting Agreement, the Company must pay the Joint Lead Managers a management fee equal to 1.5% of the Offer proceeds and an underwriting fee equal to 3.5% of the Offer proceeds. The Company is also required to pay, or reimburse the Joint Lead Managers for, the reasonable costs of and incidental to the Offer, including all out-of-pocket expenses of the Joint Lead Managers incurred providing services to the Company or otherwise in connection with the Offer (provided that any individual expense over \$2,500 excluding GST must be approved by the Company prior to the incurring of the expense), and the Joint Lead Managers' reasonable legal fees (capped at \$25,000, subject to certain assumptions).

Conditions

Management of the Offer by the Joint Lead Managers is conditional on a number of items, including the entry by the Company and various existing Shareholders into a number of ASX restriction deeds and voluntary restriction agreements, the due diligence committee report in respect of the Offer being duly signed and

provided to the Joint Lead Managers together with all opinions, reports and sign-offs contemplated by that due diligence committee report (each in a form and substance acceptable to the Joint Lead Managers) on or before the Prospectus date, this Prospectus being lodged with ASIC (and a copy provided to the Joint Lead Managers), and the Company obtaining all ASX waivers, ASIC modifications and other regulatory approvals, relief and modifications which are necessary to enable the Offer to proceed.

Underwriting of the Offer by the Joint Lead Managers is also conditional on a number of items, including the satisfaction or waiver by the Joint Lead Managers of all conditions precedent to management of the Offer, the Company being entitled to accept applications for the Offer in accordance with section 727(3) of the Corporations Act, the Joint Lead Managers receiving duly executed certificates from the Company in the forms and at the times required by the Underwriting Agreement, there having been no withdrawal or modifications of any ASX waivers, ASIC modifications and other regulatory approvals, relief and modifications which are necessary to enable the Offer to proceed, and ASX indicating in writing that it will grant permission for the admission of the Company to the Official List and for Official Quotation, subject only to customary pre-quotation listing conditions.

Representations, warranties and undertakings

The Underwriting Agreement contains customary representations, warranties and undertakings provided by the Company to the Joint Lead Managers. The representations, warranties and undertakings relate to matters such as the conduct of the parties, the conduct and outcome of the due diligence process, financial information, material contracts, licences and authorisations, compliance with the ASX Listing Rules and other applicable laws and requirements, information contained in this Prospectus and other Offer documents, and the conduct of the Offer. The undertakings provided by the Company include that the Company:

- (a) will not, without prior consultation with, and the written consent of, the Joint Lead Managers, during the period from the date of the Underwriting Agreement until 12 months after Completion of the Offer, allot, or agree to allot, or indicate in any way that it may or will allot, or agree to allot, any Shares or other securities (whether equity or debt) or any warrants or other rights to acquire Shares or other securities, of AUCloud, other than pursuant to the Offer, the Underwriting Agreement, an employee share plan, or to any issue of Shares or other securities pursuant to the exercise of rights granted before the date of engagement of the Joint Lead Managers in connection with the Offer and which have been disclosed to the Joint Lead Managers;
- (b) will carry on its business in the ordinary course and will not undertake certain actions, such as disposing of the whole or any part of its business or its property (except in the ordinary course of business), varying material contracts, or entering into new material agreements or commitments, without the prior written consent of the Joint Lead Managers; and
- (c) will not, until the date that is 180 days following Completion of the Offer, undertake certain actions, such as altering its capital structure (subject to customary exceptions) or amending its constitution other than in the manner disclosed in this Prospectus (but excluding any supplementary prospectus in relation to this Prospectus), except with the prior written consent of the Joint Lead Managers.

Indemnity

Subject to certain customary exceptions, the Company indemnifies the Joint Lead Managers and certain persons associated with the Joint Lead Managers against certain losses incurred as a result of the Offer, the Offer documents (including this Prospectus), or a breach by the Company of its obligations under the Underwriting Agreement or any other binding obligations in respect of the Offer or any Offer document.

Termination events not limited to materiality

A Joint Lead Manager may terminate, without cost or liability, by notice to the Company, its obligations under the Underwriting Agreement if particular events occur at any time before Completion of the Offer, including if:

- (a) a statement in this Prospectus is misleading or deceptive or likely to mislead or deceive, or there is an omission from this Prospectus of material required to be included in it;
- (b) the Company issues or is required to issue a supplementary prospectus, or lodges a supplementary prospectus with ASIC in circumstances not permitted by the Underwriting Agreement without the approval of a Joint Lead Manager;
- (c) the S&P/ASX 300 Index published by ASX is at any time more than 10% below its level as at close of business on the business day immediately preceding the date of the Underwriting Agreement ("**Index Trigger**") and is at or below the Index Trigger at the close of trading for two consecutive business days or on the business day immediately prior to the date of settlement of the Offer;
- (d) any ASX restriction deeds and voluntary restriction agreements required by the Underwriting Agreement to be entered into are withdrawn, varied, terminated, rescinded, altered, amended, breached or fail to be complied with;

- (e) the Company or any of its directors or officers engage, or have been alleged by a government agency to have engaged, in any fraudulent conduct or activity whether or not in connection with the Offer;
- (f) there is particular regulatory intervention in respect of the Offer;
- (g) the Company does not provide duly executed certificates to the Joint Lead Managers in the forms and at the times required by the Underwriting Agreement;
- (h) the Company withdraws this Prospectus or the Offer;
- (i) there are delays to the timetable for the Offer which are not permitted by the Underwriting Agreement;
- (j) the Company is prevented from issuing Shares under the Offer within the time required by the timetable for the Offer, the Offer documents, the ASX Listing Rules and the Corporations Act;
- (k) there is a force majeure event or occurrence which makes it illegal for the relevant Joint Lead Manager to satisfy a material obligation of the Underwriting Agreement, or to market, promote or settle the Offer;
- (l) the Company or a group member alters its issued capital other than in the manner disclosed in this Prospectus (but excluding any supplementary prospectus in relation to this Prospectus), disposes or attempts to dispose of a substantial part of its business or property, or alters its constitution other than in the manner disclosed in this Prospectus (but excluding any supplementary prospectus in relation to this Prospectus) without the prior written approval of the relevant Joint Lead Manager;
- (m) an insolvency event occurs in respect of the Company or a group member;
- (n) a government agency withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement such that the Company is rendered unable to perform its obligations under the Underwriting Agreement;
- (o) there are certain changes to the Board or the Company's management team without the prior written consent of the relevant Joint Lead Manager; or
- (p) certain members of the Board or the Company's management team are charged with a criminal offence or, in the case of a member of the Board, disqualified from managing a corporation.

Termination events limited to materiality

A Joint Lead Manager may terminate, without cost or liability, by notice to the Company, its obligations under the Underwriting Agreement if particular events occur at any time before Completion of the Offer (and a Joint Lead Manager has reasonable grounds to believe, and does believe, that the event (i) has had or is likely to have a materially adverse effect on the success, settlement or marketing of the Offer, on the ability of the Joint Lead Managers to market, promote or settle the Offer at the Offer Price, or the willingness of investors to subscribe for the Shares; or (ii) will or is likely to give rise to a liability of the Joint Lead Managers or their respective affiliates under, or a contravention by the Joint Lead Managers or their respective affiliates of, any applicable law), including if:

- (a) any of the Offer documents or any aspect of the Offer does not comply with the Corporations Act, the ASX Listing Rules, or any other applicable law or regulation;
- (b) there occurs a new circumstance that arises after this Prospectus is lodged that would have been required to be included in this Prospectus if it had arisen before lodgement;
- (c) a statement in any of the Offer documents (other than this Prospectus) is or becomes misleading or deceptive or is likely to mislead or deceive;
- (d) the due diligence committee report in respect of the Offer is or becomes, false, misleading or deceptive, including by way of omission;
- (e) any information supplied by or on behalf of the Company or a group member to a Joint Lead Manager in connection with the Offer is, or is found to be, misleading or deceptive or likely to mislead or deceive (including by omission);
- (f) certain legal proceedings are commenced against the Company or any Director or any inquiries or investigations are commenced by a government agency against the Company or any group member;
- (g) any contract which is material to the making of an informed investment decision in relation to the Offer is altered, amended, varied, breached or otherwise ceases or becomes void, voidable, illegal, invalid or unenforceable, or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and effect, or its performance is or becomes illegal, other than as permitted by the Underwriting Agreement;

- (h) an event occurs which is, or is likely to give rise to, an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company group from those disclosed in this Prospectus;
- (i) there are not, or there ceases to be, reasonable grounds for any statement or estimate in the Offer documents which relate to a future matter, or any statement or estimate in the Offer documents which relate to a future matter is unlikely to be met in the projected timeframe (including, in each case, financial forecasts);
- (j) there is a contravention by the Company group of the Corporations Act, the ASX Listing Rules, or other applicable laws;
- (k) a representation or warranty contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- (l) a closing certificate provided under the Underwriting Agreement is false, misleading or deceptive (including by way of omission);
- (m) the Company defaults on one or more of its obligations or undertakings under the Underwriting Agreement;
- (n) there are particular changes of, or proposals to change, certain laws, regulations or policies;
- (o) there is an emergence or escalation of hostilities in particular jurisdictions;
- (p) a pandemic, epidemic or large-scale outbreak of a disease not existing at the date of the Underwriting Agreement occurs, or for any existing epidemic or large-scale outbreak of a disease, there is major escalation in the severity of the outbreak and the restrictions imposed from the date of the Underwriting Agreement, in each case involving particular jurisdictions;
- (q) particular events occur causing disruption in, or adverse effects to, financial markets, including the imposition of general moratoriums on commercial banking activities in particular jurisdictions and the suspension of trading on particular stock exchanges; or
- (r) there are certain changes to the Company's management team without the prior written consent of the relevant Joint Lead Manager.

10.6.2 *Technology licence agreement with UKCloud*

AUCloud is party to a technology licence agreement with UKCloud, which allows AUCloud to utilise certain intellectual property of UKCloud (namely, UKCloud's software and associated knowhow and collateral) worldwide, for the purposes of servicing the following business sectors in Australia:

- (a) government and public service bodies; and
- (b) assured industries, being the healthcare sector (including pharmaceutical and biotech), the energy and resources sector, the financial services sector, the maritime sector, and the aerospace and defence sectors,

("Technology Licence Agreement").

The Technology Licence Agreement is exclusive until such time as UKCloud terminates exclusivity, which it can do on one month's written notice to AUCloud (in which case the Technology Licence Agreement continues on a non-exclusive basis).

AUCloud pays licence fees to UKCloud based on a particular percentage of AUCloud's IaaS contract revenue. Up until 16 January 2022, a royalty is payable on all IaaS contract revenue at a rate of 8% (for such period as the Technology Licence Agreement remains exclusive) or 4% (for such period after exclusivity has expired). After 16 January 2022 until the Technology Licence Agreement is terminated, a royalty is payable on all IaaS contract revenue at a rate of 2%.

AUCloud has the right to terminate the Technology Licence Agreement on one month's notice, such notice not to take effect before 16 January 2022, and UKCloud has the right to terminate the Technology Licence Agreement on the occurrence of an insolvency-like event in respect of AUCloud or if AUCloud commits a material breach of the Technology Licence Agreement and (in the case of a breach capable of being remedied) the breach remains unremedied for a particular period following the giving of written notice to AUCloud.

The Technology Licence Agreement includes a range of other provisions which are customary for an agreement of its nature, including restrictions on AUCloud copying, reproducing, incorporating, distributing, sublicensing etc. UKCloud's intellectual property materials.

10.6.3 *Executive services contract with Phil Dawson*

Refer to Section 4.4.1 for a summary of the terms of the executive services contract between AUCloud and Phil Dawson.

10.6.4 Customer contracts

Given the nature of AUCloud's customers, the contractual arrangements with those customers are typically 'bespoke' agreements (as opposed to standard form documents). While each agreement differs, AUCloud's existing customer contracts include (by way of example): (a) termination for convenience clauses (for the benefit of the customer); (b) provision for rebates and credits in favour of customers if agreed service levels are not met; (c) indemnities in favour of the customer; (d) detailed reporting, audit and breach notification obligations; and (d) change of control provisions (in respect of AUCloud) which, on the occurrence of a change of control of AUCloud (or its operating subsidiary, or both) give its customers a right of termination either on an unfettered basis, or in circumstances where the control event adversely affects AUCloud's ability to provide the relevant services. AUCloud anticipates that new customers will likely seek similar contractual protections. Completion of the Offer will not trigger a change of control in any of AUCloud's existing customer contracts. Nonetheless, changes in AUCloud's capital structure over time may give rise to 'change of control' events under customer contracts.

10.6.5 Key supplier contracts

AUCloud has a master services agreement with CDC in respect of which AUCloud licences data centre racks and receives ancillary services from CDC. The agreement with CDC expires on 31 January 2021, but may be extended by agreement between the parties. Other than the data centre licence arrangements with CDC and the technology licence agreement with UKCloud summarised in Section 10.6.2, AUCloud relies on various suppliers to provide IaaS to its customers. Those key suppliers include cloud software and service providers (such as VMware) and networking hardware providers (such as Cisco). The Company has contractual arrangements with its key suppliers. The Company relies on the continuity of those contractual and commercial arrangements to provide services to customers.

10.6.6 Finance leases

The Company has historically funded over half of the computer hardware and related the assets it requires to run its business under finance lease arrangements, pursuant to which the Company chooses the equipment required, which equipment is then purchased by a third party (often a related body corporate of the assets being financed). During the finance lease period, the Company makes fixed lease payments (typically monthly) covering all expenses, including the cost of the asset, interest, various taxes and insurance premiums. Typical examples of assets which the Company may finance in this manner include processing capacity (such as servers and storage), networking capacity (such as routers and ports) and services (such as software licences and equipment support). As at 30 June 2020, the carrying value of computer equipment and software was \$4,837,843. If the Company sought to cancel the lease, there are typically obligations to pre-pay all rents due under the lease. The Directors anticipate that the Company will continue to rely on finance lease arrangements to fund the growth of the business in the future.

10.6.7 Discretionary royalty payment to Jeffrey Thomas

Pursuant to a royalty payment letter from the Company to Jeffrey Thomas dated 20 December 2017 executed in connection with the Company's acquisition of SCA ("**Royalty Payment Letter**"), the Company has agreed to make:

- (a) royalty payments to Mr Thomas of up to a maximum aggregate amount of £250,000 (less any previous royalty payments) in the five year period from 10 February 2016; and
- (b) a royalty payment of £250,000 (less any previous royalty payments) to Mr Thomas on the occurrence of particular events, including the listing of the Company's shares on a stock exchange,

(together, "**Royalty Payments**").

To date, no Royalty Payments have been made by the Company to Mr Thomas. Pursuant to the Royalty Payment Letter, the decision to make any Royalty Payment will be subject to the approval of the board of directors of the Company, who will, amongst other things, consider the Company's profits and cash flow position. At the Prospectus Date, the Directors have made no decision about the whether or not the Royalty Payments (or any part of them) would be paid.

10.7 Foreign selling restrictions

This Prospectus does not constitute an offer of securities in any jurisdiction in which it would be unlawful. This Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia.

No action has been taken to register or qualify the Shares or the Offer, or to permit otherwise a public offering of the Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law, and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

10.8 Interests of experts and advisers

Other than as set out below, or as otherwise disclosed in this Prospectus, no person named in this Prospectus as providing professional or advisory services in connection with the Offer or the preparation of this Prospectus or any firm in which any such person is a partner:

- has or had at any time during the two years preceding the Prospectus Date, any interest in the formation or promotion of the Company, in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer, or in the Offer; or
- has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

The Company has engaged the following professional advisers in relation to the Offer:

- Morgans Corporate Limited and Canaccord Genuity (Australia) Pty Ltd have acted as Joint Lead Managers to the Offer. The Company has agreed to pay the Joint Lead Managers the fees described in Section 10.6.1 for these services (an estimate of which is set out in Section 10.10 below);
- Baker & McKenzie has acted as Australian legal adviser (other than in relation to taxation matters) to the Company in relation to the Offer. The Company has paid, or agreed to pay, fees of approximately \$140,000 (excluding GST and disbursements) for these services up until the Prospectus Date. Further amounts may be paid to Baker & McKenzie for other work in accordance with its normal time-based charges;
- BDO Audit Pty Ltd has acted as the Investigating Accountant in relation to the Offer and prepared the Independent Limited Assurance Report on Financial Information in Section 8. The Company has paid, or agreed to pay, fees of approximately \$60,000 (excluding GST and disbursements) for these services up until the Prospectus Date. Further amounts may be paid to BDO Audit Pty Ltd in accordance with its normal time-based charges; and
- Pitcher Partners has acted as Australian tax adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, fees of approximately \$13,400 (excluding GST and disbursements) for these services up until the Prospectus Date. Further amounts may be paid to Pitcher Partners in accordance with its normal time-based charges.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer. Further information on the use of proceeds and payment of expenses of the Offer is set out in Sections 7.3 and 11.10.

The Joint Lead Managers, the Brokers and their respective related bodies corporate and affiliates, and any of their respective officers, directors, employees, partners, advisers or agents (together, the “**Lead Manager Parties**”) are involved in, or in the provision of, a wide range of financial services and businesses including (without limitation) securities trading and brokerage activities and providing retail, private banking, commercial and investment banking, investment management, corporate finance, securities issuing, credit and derivative, trading and research products and services, including (without limitation) to, or in connection with, persons directly or indirectly involved with the Offer (such as members of the Board) or interests associated with such persons, out of which conflicting interests or duties may arise. In the ordinary course of these activities, each of the Lead Manager Parties may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, including (without limitation) in debt or equity securities, loans, financing arrangements, or other financial accommodation, financial products or services, in connection with, or which rely on the performance of obligations by, interests associated with members of the Board or other persons that may be involved in the Offer.

10.9 Consents to be named and disclaimers of responsibility

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding, and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Morgans Corporate Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer in the form and context in which it is named;
- Canaccord Genuity (Australia) Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer in the form and context in which it is named;

- Baker & McKenzie has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context in which it is named;
- BDO Audit Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Independent Limited Assurance Report on Financial Information in Section 8 in the form and context in which it appears in this Prospectus;
- Bentleys Brisbane (Audit) Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Auditor to the Company;
- Pitcher Partners has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Australian tax adviser to the Company in the form and context in which it is named; and
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry of the Company in the form and context in which it is named.

No entity or person referred to in this Section 10.9 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the entities and persons referred to in this Section 10.9 has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

10.10 Costs of the Offer

The total expenses of the Offer (exclusive of GST) are estimated to be approximately \$1.7 million, and are expected to be applied towards the items set out below.

Item of expenditure	Amount
Underwriting and Management Fees	\$1,000,000
Legal Fees	\$165,000
Investigating Accountant Fees	\$60,000
ASX Listing and Lodgement Fees	\$143,000
Other	\$332,000
Total	\$1,700,000

These amounts will be paid by the Company.

10.11 Regulatory relief

AUCloud:

- has not sought any exemptions from, or modifications to, the Corporations Act from ASIC in order to facilitate the Offer; and
- has or will seek 'in-principle' advice from ASX in relation to the proposed constitutional amendment set out in Section 10.5 and the exercise price structure of some of AUCloud's existing Options.

10.12 Legal proceedings

As at the Prospectus Date, AUCloud is not involved in any legal proceedings, and the Directors are not aware of any legal proceedings pending or threatened against AUCloud. However, AUCloud may, from time to time, be subject to various disputes and legal proceedings incidental to the conduct of its business.

10.13 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Queensland and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Queensland.

10.14 Statement of Directors

This Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus with ASIC and issue of this Prospectus, and has not withdrawn that consent.

11 Glossary

\$	Australian dollars
AASB	Australian Accounting Standards Board
ABN	Australian business number
ACSC	Australian Cyber Security Centre
ADF	Australian Defence Force
AFSL	Australian financial services licence, a licence granted by ASIC that authorises the licensee to provide specified financial services
ANU	The Australian National University
API	Application Programming Interface
Applicant	a person who submits an Application
Application	an application to subscribe for Shares offered under this Prospectus
Application Amount	the Offer Price multiplied by the number of Shares applied for
Application Form	the application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies	the amount accompanying an Application Form submitted by an Applicant
ASD	Australian Signals Directorate
ASIC	Australian Securities and Investments Commission
Assured Sovereign	Safeguards against the risk of change of ownership or control through financial penalties or incentives
ASX	ASX Limited (ACN 008 624 691) or the securities exchange that it operates, as the context requires
ASX Listing Rules	the listing rules of ASX from time to time, which govern the admission, Official Quotation and removal of securities from the Official List
ASX Recommendations	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition)
ASX Settlement Operating Rules	the settlement operating rules of ASX from time to time
ATO	Australian Taxation Office
AUCloud	Sovereign Cloud Holdings Limited or Sovereign Cloud Australia Pty Ltd (as the context requires)
AUCloud Offer Information Line	within Australia: 1800 262 299 ; or outside Australia: +61 1800 262 299, and in each case open from 8.30am to 5.30pm (Sydney time), Monday to Friday (excluding public holidays) during the Offer Period
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB
BaaS	Backup-as-a-Service
Board or Board of Directors	the board of Directors of the Company
Broker	any ASX participating organisation selected by the Joint Lead Managers and AUCloud to act as a Broker to the Offer
Broker Firm Offer	the offer of Shares under this Prospectus to Australian resident eligible retail clients of Brokers who have received an invitation from their Broker to participate in the Offer, provided that such clients are not in the United States and are not US Persons, as described in Section 7.10

CDC	Canberra Data Centre(s)
Certified Sovereign	The highest level of assurance and is only available to providers that allow the government to specify ownership and control conditions
CGT	capital gains tax
Channel Partners	Company that partners with a manufacturer/producer to market and sell the manufacturer's products, services, or technologies. This is usually done through a co-branding relationship
CHESS	ASX's Clearing House Electronic Sub-register System, as described in Section 7.16.2
Closing Date	the date on which the Offer is expected to close, being Friday, 20 November 2020
CNI	Critical National Industries
Company	Sovereign Cloud Holdings Limited or Sovereign Cloud Australia Pty Ltd (as the context requires)
Completion of the Offer	completion in respect of the issue of Shares pursuant to the Offer
Constitution	the constitution of the Company
Corporations Act	Corporations Act 2001 (Cth)
Director	a member of the Board
DRaaS	Disaster Recovery-as-a-Service
DTA	Digital Transformation Agency, Australian Government
EBIT	for a relevant period, operating profit before interest expense, tax, abnormal and extraordinary items in that period
EBITDA	for a relevant period, operating profit before interest expense, tax, depreciation and amortisation abnormal and extraordinary items in that period
Employee Share Option Plan	the employee share option plan adopted by the Company as described in Section 4.6
ESOP	Employee Share Option Plan
Executive Director	a member of the Board of Directors who forms part of AUCloud's management, being Phil Dawson
Expiry Date	the date that is 13 months after the Prospectus Date, being 22 November 2021
Exposure Period	the seven day period commencing after lodgement of this Prospectus with ASIC during which no Applications may be accepted
FY	the financial year ended/ending 30 June
GST	goods and services tax
Historical Financial Information	the financial information described as Historical Financial Information in Section 5
IaaS	Infrastructure-as-a-Service
IM	Information Memorandum
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
Independent Director	a Director who is free from any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of the Director's judgement and who is able to fulfil the role of an independent director for the purposes of the ASX Recommendations

Independent Limited Assurance Report	the report prepared by the Investigating Accountant set out in Section 8
Institutional Investors	investors who are persons who are wholesale clients under section 761G of the Corporations Act and either 'professional investors' or 'sophisticated investors' under sections 708(11) and 708(8) of the Corporations Act, provided that such investors are not in the United States
Institutional Offer	the invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.9
Investigating Accountant	BDO Audit Pty Ltd (ACN 134 022 870)
IPO	the initial public offering of Shares in the Company under this Prospectus and Listing
IRAP	Information Security Registered Assessors Program
ISM	Information Security Manual
Joint Lead Managers	Morgans Corporate Limited (ACN 010 539 607) and Canaccord Genuity (Australia) Limited (ACN 075 071 466)
Key Management Personnel	has the meaning given in the Corporations Act
Lead Manager Parties	has the meaning given in Section 10.8
Listing	admission of the Company to the Official List and the Official Quotation of its Shares
LTI	Long-Term Incentive
Non-Executive Director	a member of the Board of Directors who does not form part of AUCloud's management
NPAT	net profit after tax
Offer	the offer of Shares under this Prospectus
Offer Period	the period commencing on Opening Date and ending on the Closing Date
Offer Price	\$0.75 per Share
Official List	the official list of entities that ASX has admitted and not removed
Official Quotation	means the quotation of the Shares on ASX for trading purposes
Opening Date	the date the Offer opens, being Monday, 9 November 2020 or such other date determined by the Board
Option	an option to be issued a Share upon payment of the exercise price and upon satisfaction of applicable vesting conditions, granted pursuant to the Employee Share Option Plan
Priority Offer	the offer of Shares under this Prospectus which is open to selected investors in Australia who have been invited by AUCloud to participate in the Offer on a firm basis up to \$3 million in aggregate, as described in Section 7.11
Prospectus	this document (including the electronic form of this document) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	the date on which a copy of this Prospectus was lodged with ASIC, being 23 October 2020
PSPF	Protective Security Policy Framework
SCA	Sovereign Cloud Australia Pty Ltd
SCH	Sovereign Cloud Holdings Limited
Share	a fully paid ordinary share in the capital of the Company
Share Registry	Link Market Services Limited (ACN 083 214 537)
Shareholder	a holder of Shares from time to time
SOCaaS	Security Operations Centre-as-a-Service

STaaS	Storage-as-a-Service
STI	Short-Term Incentive
TFN	tax file number
UKCloud	UKCloud Ltd (Companies House company number 07619797)
Underwriting Agreement	the underwriting agreement described in Section 10.6.1
US Person	a 'US Person' as defined in Rule 902(k) of Regulation S of the US Securities Act
US Securities Act	US Securities Act of 1933
VDaaS	Virtual Desktop-as-a-Service
VDI	Virtual Desktop Infrastructure

12. Application Form

Broker Firm Offer Application Form

This is an Application Form for Shares in Sovereign Cloud Holdings Limited under the Broker Firm Offer on the terms set out in the Prospectus dated 23 October 2020. You may apply for a minimum of \$2,000 worth of Shares and multiples in increments of \$500 thereafter. This Application Form and your Application Monies must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Shares applied for

Price per Share

Application Monies

A
 , ,

at

A\$0.75
B A\$
 , ,

(minimum of \$2,000 worth of Shares and in increments of \$500 thereafter)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1

Surname/Company Name

C

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

D

TFN/ABN type – if NOT an individual, please mark the appropriate box

☐ Company

☐ Partnership

☐ Trust

☐ Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

E

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN

F
X

If you have a Broker Sponsored account and would like your securities to be allocated to this account, it is important that you enter your HIN at this step. Failure to do so will result in your securities being allocated to a new Issuer Sponsored account. You will not be able to change this until after the stock exchange listing takes place and you will need to request your broker to do this for you.

Telephone Number where you can be contacted during Business Hours

Contact Name (PRINT)

G

LODGEMENT INSTRUCTIONS

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Sovereign Cloud Holdings Limited Shares. Further details about the Shares are contained in the Prospectus dated 23 October 2020 issued by Sovereign Cloud Holdings Limited. The Prospectus will expire 13 months from the date of issue. While the Prospectus is current, Sovereign Cloud Holdings Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of \$2,000 worth of Shares and in increments of \$500 thereafter. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Sovereign Cloud Holdings Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Sovereign Cloud Holdings Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Sovereign Cloud Holdings Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

13. Corporate Directory

Directors

Mrs Cathie Reid
Non-executive Chair

Mr Phil Dawson
Managing Director

Mr Allan Brackin
Non-executive Director

Mr Ross Walker
Non-executive Director

Company Secretary

Michelle Crouch

Head Office

Unit 7, 15-21 Beaconsfield Street
Fyshwick, ACT 2609

Registered Office

Level 38, Central Plaza One
345 Queen Street
Brisbane, QLD 4000

Joint Lead Managers

Morgans Corporate Limited

Level 29, 123 Eagle Street
Brisbane QLD 4000

Canaccord Genuity (Australia) Limited

Level 15, 333 Collins Street
Melbourne VIC 3000

Auditor

Bentleys Brisbane (Audit) Pty Ltd

Level 9, 123 Albert Street
Brisbane QLD 4000

Investigating Accountant

BDO Audit Pty Ltd

Level 10, 12 Creek Street
Brisbane QLD 4000

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

Solicitors to the Offer

Baker & McKenzie

Level 8, 175 Eagle Street
Brisbane QLD 4000



