

# QUARTERLY REPORT & APPENDIX 4C

## Highlights:

- *Commenced trading on the ASX following a successful \$5.5m capital raising.*
- *Capital being directed towards revenue growth initiatives and positions DC Two to exploit one of the fastest growing technology sectors.*
- *Work commenced to bring Bibra Lake data centre online significantly ahead of schedule, with first revenue expected in April 2021.*
- *Approximately \$430k revenue for the first quarter of being a listed company on the ASX, setting a solid foundation for future commercial growth*
- *Additional Reseller Partner Service Agreements signed and interest increasing from renewable energy projects for our DC modular data centres.*
- *Sales team bolstered and additional software and hardware developer resources being dedicated to DC Two's unique Microsoft opportunity.*

**29 January 2021:** DC Two Limited (ASX: DC2) ("DC Two" or the "Company"), a vertically integrated revenue generating data centre, cloud and software business, is pleased to release its Appendix 4C cash flow statement for the quarter ending 31 December 2020, along with a number of milestones that will accelerate and underpin the Company's nationwide expansion of its data centre and cloud services.

## Commenced trading on the ASX following a successful IPO

DC Two listed on the ASX on 10<sup>th</sup> November 2020 following a well-supported and successful IPO. The Company raised \$5.5 million before costs with strong support from a broad range of institutional, high net worth and sophisticated investors. Under the IPO, a total of 27,500,000 fully paid ordinary shares were issued at \$0.20 per share and the Company listed with a market capitalisation of \$11.7 million.

The capital raised through the IPO is currently being directed towards growth activities, including sales and marketing initiatives to grow the Company's recurring revenue base and expedite development of our Bibra Lake data centre. When Bibra Lake achieves its' Tier III accreditation, DC Two is on track to become the only company in Western Australia with its own Tier accredited data centre and cloud platform.

The funds raised will also allow DC Two to expand into other markets and exploit one of the fastest growing global technology sectors. The Australian data centre market is expected to grow to AUD\$3.76Bn in 2025 <sup>1</sup> and as the population increasingly relies on digital tools for remote working, video conferencing and online shopping, DC Two is now perfectly positioned to benefit from these commercial tailwinds.

The Company is also very pleased with the support it has received from ASX investors and the share price has continued to trade well above the \$0.20 IPO price.

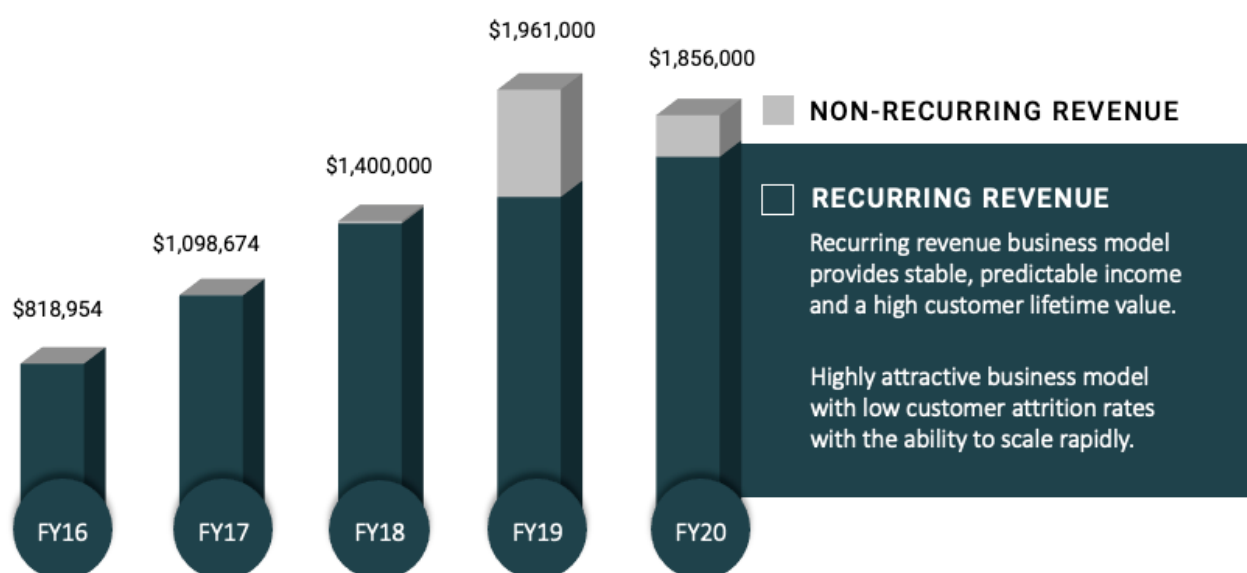
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<sup>1</sup> (1) Frost & Sullivan, Australian Data Centre Services Market, Forecast to 2025 (May 2020).

## Financial Performance

DC Two continued to see positive sales momentum during the quarter with the signing of a number of new Reseller Partner Agreements. New customers were onboarded in the December quarter which led to an increase in recurring revenue to approximately \$430k. This sales performance and revenue growth is even more encouraging considering a large proportion of management's focus was on the IPO process and capital raising activities and is testament of the sales team who have proven their ability to proactively drive customer sales and retention.

The business has seen strong and consistent growth over the last 5 years, with recurring revenue of AUD\$1.68m in FY20 achieved with limited capital and minimal customer marketing to date. This recurring revenue provides stable, predictable income and is setting a strong underlying commercial foundation for the business, with the scope and strategy in place to scale.



*Figures represent total net revenue | FY16 and FY17 figures are unaudited*

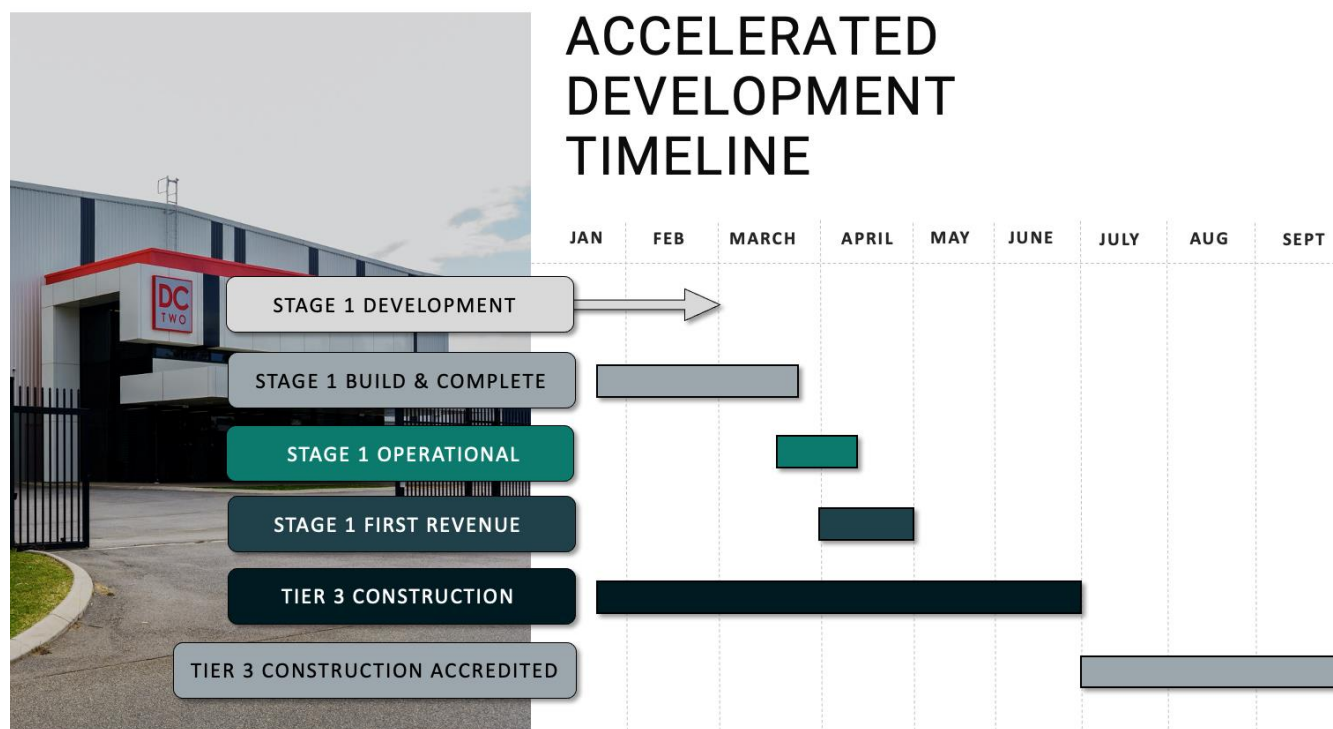
## Bibra Lake to become operational ahead of schedule

During the quarter, DC Two made encouraging progress towards completing the Bibra Lake facility and re-applying for Tier III accreditation, which will help secure mid-market and enterprise customers requiring Tier III compliance, security and accreditations.

In December 2020, DC Two formally engaged the electrical and mechanical engineers, along with the architect, who were part of the team that worked on the original site design which was developed circa 2013. The data centre's old cooling system chillers were also removed in readiness for the new and modern replacements.

More importantly, work recently begun to bring the Bibra Lake data centre online early (Stage 1) and become fully operational by April 2021. This will allow customers to gain access to the data centre and cloud services sooner, while accelerating commercialisation and expansion plans.

The decision to bring Bibra Lake online early was a direct result of increasing demand from current and future customers, along with Reseller Partners, who have indicated interest to be hosted within the facility as soon as possible. The Company now estimates that first revenue for Bibra Lake could now potentially be achieved in April 2021.



### Additional Reseller Agreements signed

In early December 2020, the Company announced it signed a number of new Reseller Partner Service Agreements, which add to the existing 40+ channel partners already promoting and selling our extensive range of data centre and cloud products.

The new partners service a large enterprise customer base and unlock the potential to grow the quantity of mid-market and enterprise customers hosted within our platforms and facilities. DC Two is now working with these new partners to identify opportunities for their customers to utilise our technologies, with early-stage discussions already underway with a number of universities, utilities, mid-market and enterprise customers.

The Company also bolstered its sales team with the appointment of a new sales manager to grow our presence in additional domestic markets and continue to expand channel partners.

### Interest in DC Modular is growing

Excellent progress had been made towards the roll out of DC Two's innovative modular, high density and transportable data centres. These data centres enable quick and easy deployment in any location and will become an Australian first opportunity to locate 'behind the meter' at sustainable power generation sites for reduced energy costs and "green powered" service to both Australian and international customers.

Feedback received during the quarter from a number of potential future customers has been highly encouraging, clearly illustrating the commercial opportunity to install transportable data centres in close proximity to power generation sites for reduced power prices for lower operating costs.

In addition to customers, DC Two received interest from a variety of operators with renewable energy projects who are keen to explore how they can participate in the data centre space and potentially gain further revenues or benefits from their projects.

### **Increased resources allocated towards the Microsoft opportunity**

DC Two has built an Australian-first automated software reporting tool to accurately report customers monthly usage of Microsoft products - reducing compliance risk and optimising license utilisation to reduce ongoing costs. Q2 FY21 saw the Company add additional software and hardware developer resources allocated to work across the DC Soft business unit, which will accelerate the final phases of development of our unique tools before they are brought to market.

### **Corporate and commercial focus for Q3 FY2021**

Due to the progress made over the last few months, the Company now has more clarity around the key development steps and timing required to bring Bibra Lake online as a Tier III facility and will hopefully be in a position to update the market on this progress in the near term. The Bibra Lake data centre Stage 1 fit out is expected to be completed by the end of this quarter.

DC Two also aims to successfully enter the high growth localised and edge compute market by activating its mid-west modular data centre project, with the possibility of achieving first revenue from the site this quarter. The Company is also in early-stage discussions with several parties for the potential sale of stand-alone modular data centre units, along with ongoing management agreements.

Melbourne (Victoria) has been earmarked as the first potential regional expansion opportunity for DC Two. The Company aims to hire additional sales staff located in the State to assist in the preparations to penetrate this market and expand DC Two's primary cloud computing activities in the territory.

Focus will also remain on developing and launching critical control and management software tools which are currently missing in the cloud and data centre space. DC Two is in the final stages of launching a highly innovative software solution to manage licensing for complex multi-tenant cloud environments, specifically targeting Microsoft Service Provider License Agreement (SPLA) partners.

The Company will continue to focus on executing its long-term growth strategy to increase revenue across all areas of the business while generating sustained shareholder value in 2020 and beyond.

### **Use of Funds and Related Party Transactions**

In accordance with ASX Listing Rule 4.7C.2, The Company's use of funds statement is at Annexure A.

In accordance with ASX Listing Rule 4.7C.3, payments in the December quarter to related parties of \$30k included at Item 6 in the attached Appendix 4C comprised salaries and fees paid to executive and non-executive directors and their associated entities.

- End -

*This announcement has been approved for release by the Board of DC Two.*





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**ABOUT DC TWO**

Established in 2012, DC Two offers a suite of vertically integrated services covering every part of the data centre and cloud technology stack. The Company offers a number of managed and integrated cloud services delivered from datacentres in Perth and Darwin and is currently rolling out DC Modular - a containerised "data centre in a box" innovation. DC Two also develops software assets to support our internal operations and provide enhanced control and flexibility, through automation and self-service, to our customers and technology partners, wherever they are.

## ANNEXURE A – USE OF FUNDS STATEMENT

DC Two was admitted to the official list of the ASX on 6 November 2020 following completion of an IPO raising of \$5.5m. The December 2020 quarter is included in a period covered by a use of funds statement in the IPO prospectus lodged with ASX under Listing Rule 1.1 condition 3.

A comparison of the Company's actual admission to 31 December 2020 against the estimated expenditure in the use of funds statement is set out below as required by ASX Listing Rule 4.7C.2.

Use of Funds	Prospectus	Actual to Date (6 Nov 2020 – 31 Dec 2020)
Expenses of offers	\$ 604,666	\$ 556,069
Cloud platform expansion	\$ 584,900	\$ 79,592
Data centre expansion	\$ 1,800,000	\$ 183,530
Growth of DC soft business	\$ 300,000	\$ 12,500
Growth of DC modular business	\$ 800,000	\$ 32,420
Loan repayment	\$ 130,000	\$ 126,009
Administration costs	\$ 300,000	\$ 38,558
Working capital	\$ 1,113,205	\$ 377,884
<b>Total Expenditure</b>	<b>\$ 5,632,771</b>	<b>\$ 1,406,562</b>

The Company notes:

1. That since admission, the Company has received total cash receipt of approximately \$252k, which is included in the total cash receipts of approximately \$416k for the December 2020 quarter.

- End -

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

**Name of entity**

DC Two Limited

**ABN**

30 155 473 304

**Quarter ended ("current quarter")**

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	416	1,018
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(228)	(715)
(c) advertising and marketing	(52)	(68)
(d) leased assets	(81)	(95)
(e) staff costs	(318)	(445)
(f) administration and corporate costs	(64)	(76)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	126	126
1.8 Other – IPO expenses	(235)	(302)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(436)</b>	<b>(557)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(11)	(61)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	(106)	(106)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(117)</b>	<b>(167)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,500	5,500
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(418)	(418)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(161)	(186)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>4,921</b>	<b>4,896</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	41	237
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(436)	(557)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(117)	(167)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,921	4,896
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>4,409</b>	<b>4,409</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,409	41
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,409</b>	<b>41</b>

**6. Payments to related parties of the entity and their  
associates**

- 6.1 Aggregate amount of payments to related parties and their  
associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their  
associates included in item 2

Current quarter  
\$A'000

30

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*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

Relates to Director fees, salary and wages of related parties

7. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	-	-

7.5 Unused financing facilities available at quarter end -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(436)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,409
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,409
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>10</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: The Board

(Name of body or officer authorising release – see note 4)

## **Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.