DC TWO YOUR CLOUD YOUR WAY

QUARTERLY REPORT & APPENDIX 4C

Highlights:

- *Achieved third consecutive quarter of recurring revenue growth, with Q4 FY21 recurring revenue increasing 9.3% to A$472k over Q3 FY21 results.*

- *Actual cash receipts received from customers during the period totalled A$632k.*

- *Results highlight DC Two's ability to grow its revenue base while simultaneously developing multiple data centres that will add future company value.*

- *Bibra Lake data centre became fully operational in Stage 1 configuration, securing first co-location customers, installing its ISO 27001 Cloud Platform and successfully migrating a number of existing customers from the Osborne Park Data Centre.*

- *Secured a Fixed Term Agreement to provide co-location services for a cryptocurrency miner estimated to be worth a minimum of A$926,376 including GST over the 5-year term. Initial revenues expected to begin in August 2021.*

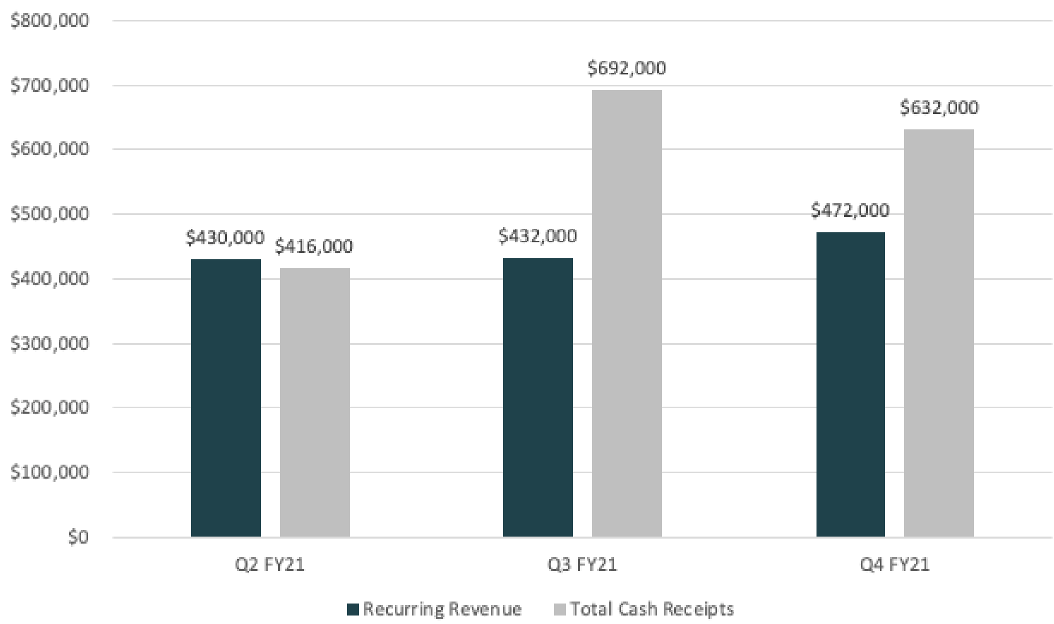
- *Signed a non-binding Memorandum of Understanding ("MOU") with Cannaponics Limited to explore the potential deployment of modular data centres at the Cannaponics cannabis facility under construction in Collie, Western Australia.*

30 July 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 30 June 2021.

Financial Performance

DC Two achieved its third consecutive quarter of recurring revenue growth, with Q4 FY21 recurring revenue increasing 9.3% to A$472k over Q3 FY21 results. This also represents a significant increase over the previous year sales for the corresponding period and highlights the consistent and growing demand for DC Two's data centre and cloud services. In June, DC Two signed a 5-year Fixed Term ESG Agreement for approximately A$926k and anticipates initial revenue from the agreement to begin in August 2021.

The Company ended the quarter with A$1.89m cash on hand. This robust capital position allows DC Two to continue executing its revenue growth strategy and will enable the completion of its Bibra Lake data centre into Tier III accreditation, which will become the cornerstone of DC Two's offerings and underpin its nationwide expansion.



Revenue – Services invoiced to customers in the quarter (excl. GST) and recognised under accounting standards

Cash receipts – Collections from customers in relation to invoiced sales (incl. GST)

DC Two Managing Director, Justin Thomas, said; "Our strategy of increasing recurring revenue is working and it's encouraging to see this model provide stable, predictable income and a high customer lifetime value. We have increased this revenue base in conjunction with bringing two data centres online within 7 months, which is testament to our highly credentialed and passionate team."

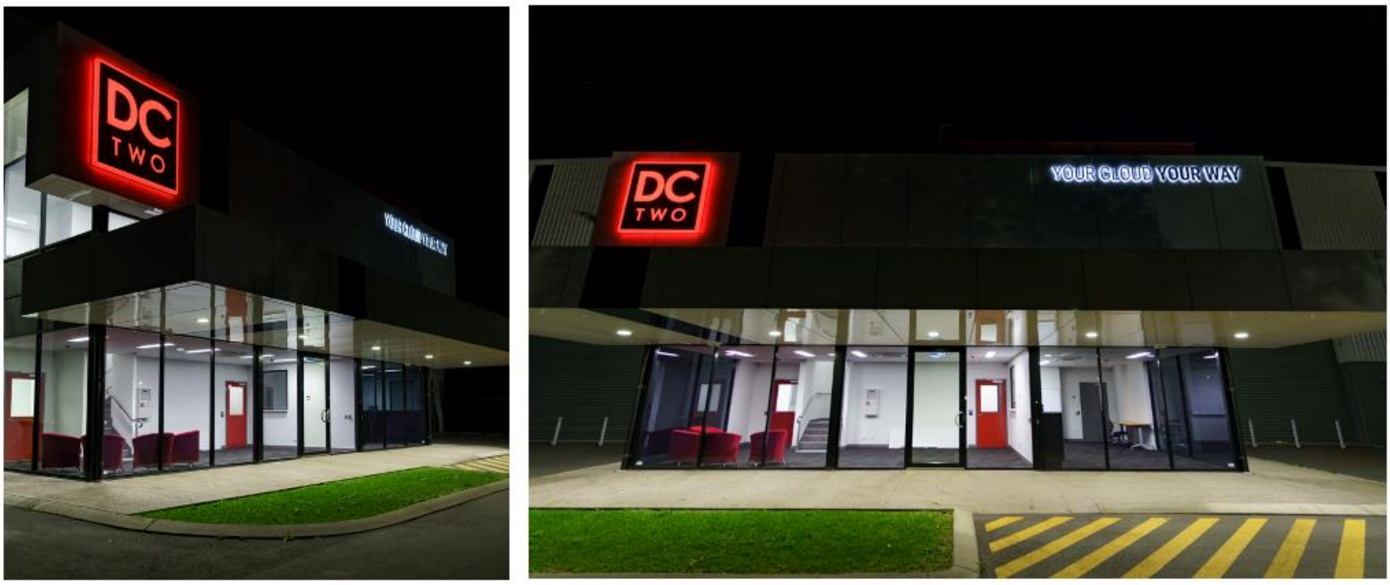
Bibra Lake data centre became operational

In early May, the Bibra Lake data centre became fully operational in Stage 1 configuration, with all major components being installed and successfully tested. Testing also illustrated that the data centre maintained ideal environmental conditions suitable for continuous and reliable operations.

Following Stage 1 completion, demand for DC Two cloud and data centre services within Bibra Lake has been positive. In June, DC Two secured its first co-location customers, installed its ISO 27001 Cloud Platform and successfully began to migrate existing customers from the Osborne Park Data Centre. Encouraging progress towards final Tier III deployment (Stage 2) was also made, with Tier III design and construction accreditation expected in the H2 CY21.

Upon completion of its Tier III accreditation, DC Two will gain a competitive edge when tendering for large enterprise and government customers requiring Tier III compliance, security and access accreditations.

Above: Multiple suppliers working towards Bibra Lake State 1 fit out



Above: Bibra Lake data centre now online in Stage 1 configuration

Mid-West Data Centre: Fixed Term ESG Agreement signed for approximately A$926k

Leveraging our data centre design and management expertise, DC Two developed and launched a unique Modular Datacentre hosting solution for bitcoin and cryptocurrency miners with a focus on lower cost, renewable energy. Shortly after launch, DC Two signed a Fixed Term Agreement to provide co-location services for a cryptocurrency miner estimated to be worth a minimum of A$926,376 including GST over the 5-year term.

Under the terms of the agreement, the customer will purchase 176kw of power over a 5-year period from DC Two's eco-friendly, transportable and modular data centre located 'behind the meter' at the Company's West Australian based Mid-West data centre which is located on an operational wind farm.

The Fixed Term Agreement will see DC Two provide the data centres floor space, empty racks, power, cooling, internet connectivity and day to day equipment, hardware and remote hands support. The customer will provide and manage their own servers and mining equipment.

DC Two sees a potential commercial opportunity to secure further cryptocurrency miners as customers. Having data centres located 'behind the meter' at renewable power sites provides future clients with access to globally competitive power prices, which could decrease the operational costs of mining. It also provides a turn key solution for miners seeking to lower their environmental impact.

Collie Data Centre: Enters Next Phase of Development

During the quarter, DC Two made a number of positive developments which advanced its Collie Data Centre closer towards potential future commercialisation. The Company signed a non-binding Memorandum of Understanding ("MOU") with Cannaponics Limited to explore the potential deployment its modular data centres at the Cannaponics cannabis facility under construction in Collie, Western Australia.

Cannaponics are building a world class cannabis research, cultivation, extraction and manufacturing facility and planning to install significant solar and/or other renewable infrastructure to provide power to the site.

DC Two plans to harness this renewable power source and install its eco-friendly, transportable and modular data centres 'behind the meter' to access reduced power prices to decrease operational costs of running the data centres. The execution of the MOU with Cannaponics reiterates DC Two's ESG focus and commitment to sustainable and renewable power generation.

The collaboration will also explore the possibility to re-use the low-grade waste heat produced by the data centre modules to heat the greenhouses as needed, effectively using the electrical power energy twice, firstly to power the data centre and secondly to heat the greenhouses.

Concept render of the Cannaponics Limited facility in Collie

DC Soft

Development of the Microsoft SPLA automated reporting tool and commercial release has been paused. The Company decided to allocate further resources towards scaling its eco-friendly, transportable and modular data centres as demand from customers increased over the quarter. DC Two sees this as a positive step, as resources are now fully directed towards revenue generation actives. The Company still aims to develop SPLA and believes there is large potential commercial opportunity for the reporting tool in the future.

Outlook for Q1 FY22

Along with growing recurring revenue, the Company will continue to finalise the engineering and designs for Bibra Lake Tier III to achieve Uptime Institute (UTI) TCDD (Tier Certification of Design Documents) status. Focus will also be directed towards building and deploying additional DC Modular data centre modules to significantly upgrade the Mid-west site. Sourcing and securing supplier agreements for additional 'behind the meter' power sites is also a key corporate priority and the Company expects to finalise the formal and binding agreements for Collie (Cannaponics) and Werribee (LMS).

Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 30 June 2021. As at 30 June 2021 the Company had a cash balance of A$1.89m. The Company's net cash used in operating activities for the quarter amounted to $848k and included expenditure on research and development (A$202k), product manufacturing and operating costs (A$727k), advertising and marketing (A$53k), staff costs (A$369k), administration and corporate costs including leased asset expenditure (A$118k) and expenditure incurred in relation to the Company's IPO (A$11k).

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 June quarter to related parties of approximately $214k included at Item 6 in the attached Appendix 4C comprised salaries and fees paid to executive and non-executive directors and their associated entities.

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

For more information please contact:

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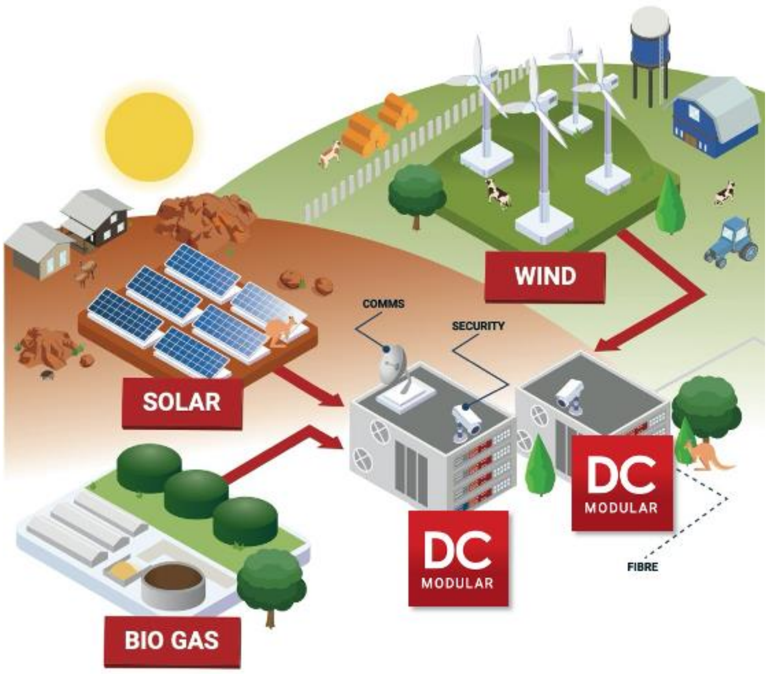
ABOUT DC TWO

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.



ABOUT DC MODULAR

DC Two have developed a high density and transportable data centre that enables quick and easy deployment in any location. Based on durable ISO standard sea containers and non-ruggedized insulated variants, the transportable data centre only requires power and data connectivity and is suitable for high performance or supercomputing specific workloads.

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 June 2021 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 30 June 2021 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 – 30 June 2021)
Expenses of offers	$ 604,666	$ 563,934
Cloud platform expansion	$ 584,900	$ 1,202,850
Data centre expansion	$ 1,800,000	$ 1,715,726
Growth of DC soft business	$ 300,000	$ 84,058
Growth of DC modular business	$ 800,000	$ 432,474
Loan repayment	$ 130,000	$ 126,009
Administration costs	$ 300,000	$ 307,121
Working capital	$ 1,113,205	$ 816,120
Total Expenditure	**$ 5,632,771**	**$ 5,248,293**

The Company notes:

1. That since admission, the Company has received total cash receipts of approximately $1.74m, which include the total cash receipts of approximately $632k for the June 2021 quarter. Of the total cash received since admission, approximately $1.2m relate to the cloud platform.
2. The Company has focussed on its data centre expansion with approximately $1m cash expended during this June 2021 quarter, which includes existing data centre costs.
3. The Company has also focussed on its cloud platform expansion with approximately $0.94m cash expended during this June 2021 quarter, which includes existing cloud platform costs.

\- **Ends** -

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

DC Two Limited

ABN	**Quarter ended ("current quarter")**
30 155 473 304	30 June 2021

Consolidated statement of cash flows			**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		632	2,342
1.2	Payments for			
	(a)	research and development	(202)	[1] (422)
	(b)	product manufacturing and operating costs	(727)	(1,793)
	(c)	advertising and marketing	(53)	(135)
	(d)	leased assets	3)	(41)
	(e)	staff costs	(369)	(979)
	(f)	administration and corporate costs	(115)	(264)
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
1.8	Other – IPO expenses		(11)	(331)
1.9	**Net cash from / (used in) operating activities**		**(848)**	**(1,497)**

[1] YTD figure includes reclassification of staff R&D time and costs associated with PDU development in Q1 to Q3 from "staff costs" and "product manufacturing and operating costs".

2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	entities	-	-
	(b)	businesses	-	-
	(c)	property, plant and equipment[1]	(918)	(1,257)
	(d)	investments	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
	(e) intellectual property	-	-
	(f) other non-current assets	-	(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	**Net cash from / (used in) investing activities**	**(918)**	**(1,363)**

[2] Cash outflow in current quarter mainly relates to data centre and cloud platform expansion.

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(157)	[3] (567)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(157)**	**4,515**

[3] YTD figure includes reclassification of lease payments in Q1 to Q3 from operating costs to repayment of borrowings in line with accounting standards.

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,815	237
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(848)	(1,497)

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (12 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(918)	(1,363)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(157)	4,515
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,892**	**1,892**

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	1,892	3,815
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,892**	**3,815**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	214
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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, and one-off bulk inventory purchase through a director-related entity.

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

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.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(848)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,892
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,892
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**2**

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: 30 July 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.