

DC TWO REPORTS 22% QUARTER ON QUARTER RECURRING REVENUE GROWTH

Highlights;

- A\$760,078 revenue for Q2 FY22 with recurring revenue increasing 22% to a record A\$694,703.
- Growth driven from new Bibra Lake customers and initial revenues being recognised from multiple Fixed Term Agreements for DC Two's regional data centres.
- Tier III design accreditation submitted to the uptime institute, with a final outcome expected during February 2022. If successful, this will provide DC Two with a competitive edge when tendering for mid-market and enterprise customers.
- Mr Bradley Goodsell secured as Chief Financial Officer. Mr Goodsell has experience working for ASX listed companies and has already begun to oversee all financial operations of DC Two.
- DC Two Managing Director, Justin Thomas, increased his shareholding in the Company via an on-market purchase of 252,571 ordinary shares worth \$49,167. DC Two Directors Shane Wee and Blake Burton also increased their shareholding by 333,333 ordinary shares each from participation in the Company's capital raising in September 2021.
- Focus for 2022 will be continued new sales of the Bibra Lake facility which progresses to Tier III certification. DC Two has the potential to become the only provider in Western Australia with their own Tier III accredited data centre and ISO 27001 ISMS accredited cloud platform.
- Strong demand for DC Two's regional data centres is also expected to continue.

31 January 2022: DC Two Limited (ASX: DC2) ("DC Two" or the "Company"), a vertically integrated revenue generating data centre, cloud and software business, is pleased to provide its quarterly report and Appendix 4C cash flow statement for the period ending 31 December 2021.

Recurring revenue grows 22% quarter on quarter

DC Two achieved revenue of A\$760,078 for Q2 FY22, as demand for our cloud and data centre services remained strong. Recurring revenue increased 22% to a record A\$694,703 over Q1 FY22 results and represents a significant increase over the previous year sales for the corresponding period.

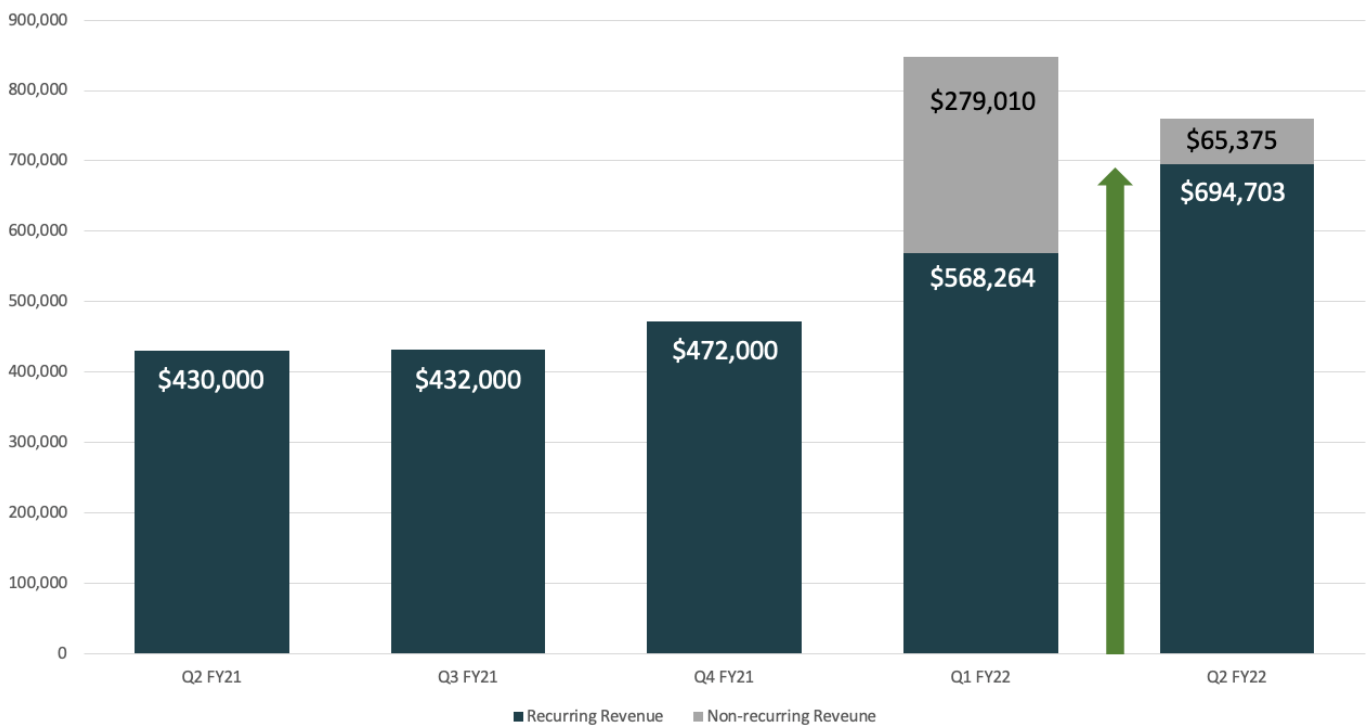
In conjunction with migrating existing cloud customers into Bibra Lake, DC Two continues to secure new cloud and co-location customers into the facility. With the engagement of three new full-time sales executives during the quarter to specifically target medium-to-large enterprises, the Company expects this growth to accelerate over the coming quarters.

In August 2021, DC Two secured a number of Fixed Term Agreements to supply data centre co-location services worth a combined estimated \$1,775,358 inc GST over a 36-month period, with initial revenue from these agreements being recognised during the quarter. Recurring revenue from a 5-year Fixed Term Agreement signed in June for approximately A\$926k, also contributed towards this quarters encouraging growth.

These results continue to validate DC Two’s recurring revenue business model and the advantages of providing stable, predictable income and a high customer lifetime value. The Company now has a growing loyal customer base comprising of long-term contracts, and expects recurring revenue to continue its growth trajectory in line with increased contracted utilisation across our data centre and cloud assets.

Non-recurring revenue consisted of A\$65,375 for Q2 FY22. Much of this relates to hardware sales directly related to DC Two’s regional modular data centres. Hardware sales moderated during the quarter due to regional modular clients supplying their own hardware.

22% QUARTER ON QUARTER RECURRING REVENUE GROWTH



DC Two Managing Director, Justin Thomas, said; “The result represents our fourth consecutive quarter of recurring revenue growth and highlights an encouraging growth trajectory, which we expect will continue throughout 2022. Positive feedback from customers has also been strong, particularly around the company’s highly flexible and integrated offering. DC Two has multiple data centre types which enable hosting solutions that are optimised (pricing + features) to each industry need, we do not have a one size fits all approach and this is beginning to benefit the business greatly.”

Tier III design accreditation submitted to the uptime institute

All documentation for the Bibra Lake data centre to achieve Tier III Design accreditation, was submitted to the Uptime Institute in early December 2021. The Uptime Institute has assigned reviewers to DC Two's application, and the Company expects the final Tier III design accreditation outcome during February 2022.

Achieving Tier III Design certification will show that Bibra Lake has been designed to meet one of the highest standards for infrastructure functionality and capacity. The certification is an important part of running a world-class data centre facility and demonstrates to customers that Bibra Lake is a reliable, effective and secure facility.

If successful, DC Two will become the only provider in Western Australia with their own Tier III accredited data centre and ISO 27001 ISMS accredited cloud platform. This will provide DC Two with a competitive edge when tendering for mid-market and enterprise customers requiring Tier III compliance, security and access accreditations.

Appointment of Chief Financial Officer

In October 2021, DC Two was pleased to announce the appointment of Mr Bradley Goodsell as Chief Financial Officer (CFO). Mr Goodsell is a Chartered Accountant with more than 20 years' experience in financial due diligence, systems operations and financial reporting. Based in Perth, Mr Goodsell has experience working for ASX listed companies and has already begun to oversee all financial operations of DC Two with a focus on facilitating growth and ensuring the company has the financial capability to support its strategic requirements.

DC Two Managing Director and board members increased shareholding

DC Two Managing Director, Justin Thomas, purchased 252,571 ordinary shares in DC Two via on market purchases worth \$49,167 during the quarter. Mr Thomas remains the Company's largest shareholder, with a holding of 14,578,396 shares, representing 21.67% of the Company, and demonstrates a strong alignment with shareholders, along with his belief in the long-term strategy and outlook for DC Two.

Non-executive Chairman, Shane Wee, and Executive Director Blake Burton, also increased their shareholding in DC Two by 333,333 ordinary shares each, during the recent capital raising announced in September 2021. The shares were issued following shareholder approval on 26 November 2021.

Outlook

Frost and Sullivan estimate that the Australian data centre market is expected to grow to AUD\$3.76Bn by 2025¹. DC Two is well positioned to capitalise on this growing domestic market, and achieving Tier III design accreditation for Bibra Lake will unlock our ability to secure large enterprise customers. DC Two is also on track to become the only provider in Western Australia with their own Tier III accredited data centre and ISO 27001 ISMS accredited cloud platform.

Demand for our regional data centres is expected to remain strong. Harnessing wind, solar and other renewable power sources to run the data centres, continues to attract increasing interest from potential

¹ Frost & Sullivan, Australian Data Centre Services Market, Forecast to 2025 (May 2020)

customers looking for lower operational costs and more eco-credentials. DC Two anticipates that an additional regional data centre site in Victoria will come online during Q4 FY22.

Management will continue to focus on growing recurring revenue and with the recent increase in the sales team during the quarter expects this growth to accelerate. The Company has a highly competitive and integrated product capability, and are one of the only providers that offer its own cloud platform alongside its own data centre services. Traditionally, providers either have their own cloud service and re-sell someone else's data centre services, or vice versa.

Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 31 December 2021. As at 31 December 2021 the Company had a cash balance of A\$1.356m. The Company's net cash used in operating activities for the quarter amounted to \$653k and included expenditure on product manufacturing and operating costs (A\$662k), advertising and marketing (A\$54k), staff costs (A\$560k), and administration & corporate costs including leased asset expenditure (A\$143k). In accordance with ASX Listing Rule 4.7C.1, there has been no material changes in the Company's activities.

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 approximately \$67k 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:

Justin Thomas

Managing Director

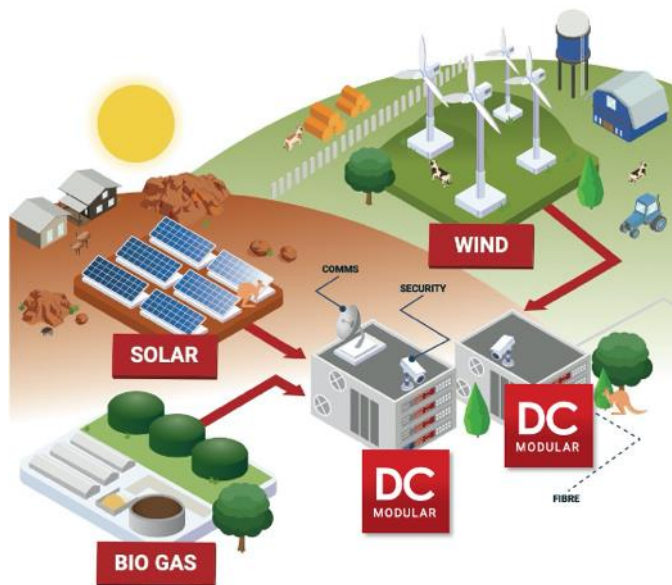
DC Two Limited

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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.

FORWARD-LOOKING STATEMENTS

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices, or potential growth of DC

Two Limited, are, or may be, forward-looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward-looking statements depending on various factors.

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 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 31 December 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 – 31 Dec 2021)
Expenses of offers	\$ 604,666	\$ 563,934
Cloud platform expansion	\$ 584,900	\$ 1,999,168
Data centre expansion	\$ 1,800,000	\$ 2,545,371
Growth of DC soft business	\$ 300,000	\$ 137,856
Growth of DC modular business	\$ 800,000	\$ 2,133,733
Loan repayment	\$ 130,000	\$ 126,009
Administration costs	\$ 300,000	\$ 782,733
Working capital	\$ 1,113,205	\$ 1,000,782
Total Expenditure	\$ 5,632,771	\$ 9,289,587

The Company notes:

1. That since admission, the Company has received total cash receipts of approximately \$3.35m, which include the total cash receipts of approximately \$836k for the December 2021 quarter. Of the total cash received since admission, approximately \$2.0m relate to the cloud platform. Additionally, the

Company raised \$2.5m as part of its secondary capital raising and provided the use of these funds to the market on 27 September 2021.

2. The unprecedented demand for digital currency mining facilities has continued during the quarter and the Company will continue to explore opportunities to expand its DC Modular sites to capitalise on these opportunities.
3. The Company continues with its data centre expansion with approximately \$550k cash expended during this quarter, which includes existing data centre costs.
4. The Company also continues with its cloud platform expansion with approximately \$594k cash expended during this quarter, which includes existing cloud platform costs.

[ENDS]

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")

30 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	836	1,608
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(662)	(1,155)
(c) advertising and marketing	(54)	(90)
(d) leased assets	(70)	(164)
(e) staff costs	¹ (560)	¹ (928)
(f) administration and corporate costs	(143)	(243)
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	-	-
1.8 Other – IPO expenses	-	-
1.9 Net cash from / (used in) operating activities	(653)	(972)

¹ Staff costs for the quarter include \$160 that have been capitalised in accordance with AASB 138 – Intangible Assets.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment ²	² (694)	² (1,674)
(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	-	-
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	(694)	(1,674)

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)	2,053	2,500
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	(165)	(165)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(135)	(225)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other – share placement subscription funds received in advance	-	-
3.10 Net cash from / (used in) financing activities	1,753	2,110

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	950	1,892
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(653)	(972)

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)	(694)	(1,674)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,753	2,110
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,356	1,356

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	1,356	1,356
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)	1,356	1,356

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
67
-

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. Financing facilities available <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)	-	-
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)	(653)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,356
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,356
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: 31 January 2022

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.