

DC TWO REPORTS 14.7% QUARTER ON QUARTER RECURRING REVENUE GROWTH

Highlights;

- *Sixth consecutive quarter of recurring revenue growth, increasing 14.7% to a record A\$1,014,110.*
- *A\$1,733,215 total revenue achieved for Q4 FY22, a 95% increase over Q3 FY22.*
- *DC Two's Bibra Lake data centre was officially awarded Tier III Design Certification, marking one of the most significant milestones in the Company's history.*
- *Signed a Fixed Term Agreement to provide co-location services at our Victoria based regional data centre, estimated to generate revenue of A\$1,010,800 per year.*
- *Strategic Alliance (SA) with Attained Group Pty Ltd, that will see Attained and DC Two cross selling each other's products and services.*
- *Mr Blake Burton appointed as DC Two's new Managing Director, to focus on revenue growth and manage the Company's capital market facing responsibilities to ensure sustainable shareholder value.*
- *Additional funding to be provided by the second tranche convertible notes following an upcoming general meeting.*

28 July 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 ended 30 June 2022.

Quarterly recurring revenue grows 14.7%

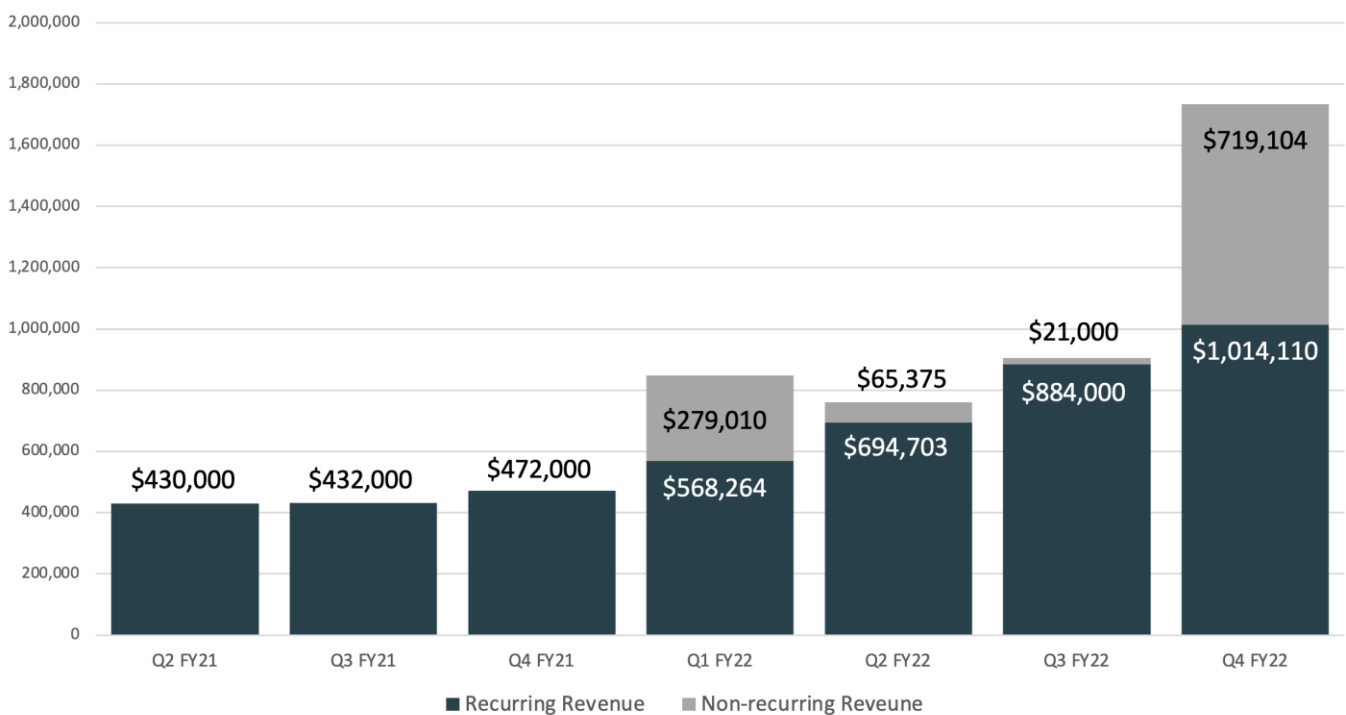
Total Q4 FY22 revenue increased 95% to A\$1,733,215, with recurring revenue increasing 14.7% to a record A\$1,014,110 over Q3 FY22 - representing a 114% increase over the previous year's recurring revenue for the corresponding period. Notably, total revenue for the quarter is almost equal to DC Two's entire FY21 result of A\$1,740,063, further illustrating the company's encouraging growth trajectory.

Today's result marks the sixth consecutive quarter of recurring revenue growth, and can be related to a number of initiatives implemented during the quarter to improve cost efficiencies, bolster and incentivise the sales team, and maximise revenue from current assets.

Non-recurring revenue consisted of A\$719,104 for Q4 FY22. Much of this relates to service fees directly associated to DC Two’s regional modular data centres, with A\$482,396 being recognised from the sale of an individual modular data centre unit to project partner Joule Energy (LMS) in September 2021.

The Company also ended the quarter with A\$603,000 cash on hand, and has received commitments for Second Tranche Convertible Note offering which is expected to provide further growth capital in the near term. Second tranche convertible notes funding is expected to be secured following shareholder approval at DC Two’s upcoming general meeting, expected to be held in the very near term. DC Two also received ~\$150k as an R&D grant in June 2022, in relation to the development of our PDUs and DC Portal software.

QUARTER ON QUARTER RECURRING REVENUE GROWTH



DC Two Managing Director Blake Burton said; “Today’s result marks the sixth quarter of sequential recurring revenue growth, and is testament to the team’s ability to convert our growing pipeline of potential customers into paying clients. Importantly, we continue to evaluate and implement cost reduction measures and operational efficiencies that will ensure the company has the financial capability to support its strategic requirements and execute its growth plans. Encouraging progress was also made towards identifying compelling partnerships and acquisition opportunities, which could potentially supercharge revenue growth and accelerate our path towards cash flow positive.”

Bibra Lake awarded Tier III Design Certification

After a diligent assessment and evaluation by expert teams from global data centre authority The Uptime Institute, DC Two’s Bibra Lake data centre was officially awarded Tier III Design Certification. This marked one of the most important milestones in the Company’s history, and puts DC Two in an elite group of Australian companies to have achieved the prestigious certification.

Importantly, the accreditation is expected to provide a competitive edge when tendering for mid-market and enterprise customers requiring Tier III compliance, security and access accreditations, and DC Two is now the only provider in Western Australia with its own Tier III design accredited data centre and ISO 27001 ISMS accredited cloud platform.



DC Two's Tier III Design Accredited data centre – Bibra Lake

Co-location agreement secured for A\$1,010,800

In late June, DC Two secured a Fixed Term Agreement to provide co-location services at its Victoria based regional data centre, estimated to generate revenue of A\$1,010,800 over a 12-month period. Under the terms of the agreement, the Customer will purchase an estimated 763kw of power over the 12-month period, with revenue expected to commence in Q3 CY22.

The Victoria site is expected to be online by mid-August 2022, and will have an initial capacity of 800kw via DC Two's module, with total site capacity expected to increase to 1.2MW as DC Two seeks an agreement to access and sell space in Joule Energy (LMS) module.

This agreement follows the recent successful 2MW utilisation of DC Two's Mid-West regional data centre, which is fully operational and generating approximately \$2.4m of recurring revenue per year. Combined, both the Victoria and Mid-West regional data centre sites will generate approximately \$3.4m in revenue per year under current agreements.

Strategic Alliance with Attained

DC Two signed a Strategic Alliance (SA) with Attained Group Pty Ltd, one of Perth's leading managed service providers. The SA will see Attained and DC Two cross selling each other's products and services, and allows DC Two to offer additional Professional Services - an area which will fill a gap in the Company's offering.

Along with the joint sales effort, the SA will explore opportunities around efficiencies and new service synergies to create cost savings and maximise returns. The agreement forms part of DC Two's strategy to identify potential revenue opportunities within complementary IT sectors, that provide bigger reach to more and diversified clients currently not targeted. DC Two's Managing Director, Mr Blake Burton, is a shareholder and director of Attained Group Pty Ltd.

New Managing Director & Chief Technology Officer appointed

Previous Executive Director, Mr Blake Burton was appointed as DC Two's new Managing Director, effective 1 July 2022. Mr Burton has been a Director of the Company since its IPO, has been an instrumental member of the board, and brings extensive experience within the IT industry to DC Two.

As Managing Director, Mr Burton will use his in-depth understanding of the DC Two business to focus on revenue growth and manage the Company's capital market facing responsibilities to ensure sustainable shareholder value is achieved. Mr Burton has had tremendous success with his own company and his skill set will be of value as we look to grow the business and increase shareholder value.

As part of this transition, DC Two's previous Managing Director, Mr Justin Thomas will take on the role of Chief Technology Officer. As a co-founder of DC Two, Mr Thomas has a deep understanding of the company's technology and engineering requirements. He will lead the development of critical policies and procedures, and enhance DC Two's products and services to serve external customers.

Growth capital update

DC Two provided an update to its capital raising announcement dated 2 May 2022, whereby it announced a capital raising of \$1,751,000 via the issue of 1,751,000 convertible notes with a face value of \$1.00 per note ("Convertible Notes"). The Convertible Notes convert at a 20% discount to the 20-day volume weighted average price of the Company's shares ("Conversion Price"). The Conversion Price is subject to price and ceiling floors.

Given the recent deterioration in market conditions and the associated fall in the Company's share price (to a price below the proposed price floor), the Company has amended the floor and ceiling price of the Convertible Notes as follows:

- the floor price be amended from \$0.05 to \$0.025; and
- the ceiling price be amended from \$0.15 to \$0.08.

The Company expects that the reduction in price and ceiling floors to better reflect recent market conditions and facilitate the equitable treatment of holders of the Tranche 1 and Tranche 2 Convertible Notes.

As the Tranche 1 Convertible Notes have already been issued, the amendments to the floor and ceiling prices of the Tranche 1 Convertible Notes will be subject to shareholder approval pursuant to Listing Rule 6.23.4, which the Company will seek at the upcoming general meeting of shareholders.

Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 30 June 2022. As at 30 June 2022 the Company had a cash balance of A\$603,000 which does not include the second tranche convertible note funding. The Company's net cash used in operating activities for the quarter amounted to \$375k and included expenditure on product manufacturing and operating costs (A\$1,259,000), advertising and marketing (A\$37k), staff costs (A\$504k), and administration & corporate costs including leased asset expenditure (A\$76k).

As announced on the 2 May 2022, the Company will enter into the cryptocurrency sector. No expenditure has been incurred to date and the Company have not yet purchased their own miners. It is still the company's intention to investigate the commercial viability of mining crypto currency once the crypto market stabilises.

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 2022 quarter to related parties of approximately \$66k 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 Limited.

For more information please contact:

Blake Burton

Managing Director

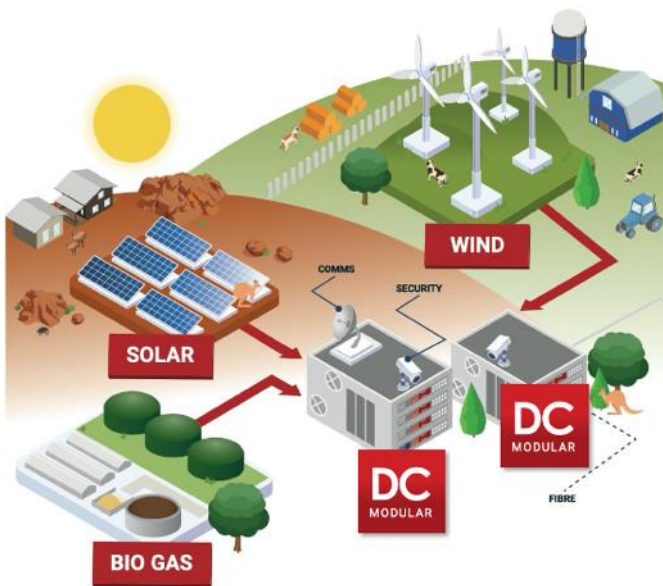
DC Two Limited

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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.

DISCLAIMER

The information in this announcement is general in nature and does not purport to be complete or to contain all the information which a prospective investor may require in evaluation of a possible investment in the Company or that would be required in a prospectus prepared in accordance with the Corporations Act 2001 (Cth). Financial information, where not otherwise noted, in this announcement is unaudited. The information in this announcement should be read in conjunction with the Company's most recent financial report and all of DC Two's (ASX: DC2) periodic and continuous disclosure information lodged with the Australian Securities Exchange (ASX) and available at www.asx.com.au. Certain market and industry data used in this announcement may have been obtained from third parties, including industry or general publications. The Company has not independently verified any such market or industry publications.

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 2022 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 2022 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 2022) |
|-------------------------------|---------------------|---|
| Expenses of offers | \$ 604,666 | \$ 563,934 |
| Cloud platform expansion | \$ 584,900 | \$ 2,945,640 |
| Data centre expansion | \$ 1,800,000 | \$ 3,561,174 |
| Growth of DC soft business | \$ 300,000 | \$ 210,302 |
| Growth of DC modular business | \$ 800,000 | \$ 3,292,743 |
| Loan repayment | \$ 130,000 | \$ 126,009 |
| Administration costs | \$ 300,000 | \$ 1,057,058 |
| Working capital | \$ 1,113,205 | \$ 1,124,463 |
| Total Expenditure | \$ 5,632,771 | \$ 12,881,324 |

The Company notes:

1. That since admission, the Company has received total cash receipts of approximately \$5.68m, which include the total cash receipts of approximately \$1.38m for the June 2022 quarter. Of the total cash received since admission, approximately \$2.95m relate to the cloud platform.
2. Construction of DC modular regional sites continued during the June 2022 quarter with \$517k cash spent on the Victoria and Mid-West sites.
3. Data centre expansion including Tier III certification expenses continued in the quarter with approximately \$314k cash expended in getting our data centres up to world-class standards.
4. Expenditure on the development and improvement to the user functionality features on our Cloud platform resulted in approximately \$452k cash being expended during this June 2022 quarter.

[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 June 2022

| 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 | 1,379 | 3,944 |
| 1.2 Payments for | | |
| (a) research and development | 151 | 151 |
| (b) product manufacturing and operating costs | (1,259) | (3,159) |
| (c) advertising and marketing | (37) | (160) |
| (d) leased assets | (28) | (253) |
| (e) staff costs | (504) | (1,930) |
| (f) administration and corporate costs | (76) | (421) |
| (g) crypto mining expenditure | ¹ - | - |
| 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 | (375) | (1,828) |

¹ No receipts or expenditure incurred on crypto mining activities in this quarter

| | | |
|--|-------------------|----------------------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment ² | ² (53) | ¹ (2,245) |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| (d) investments | - | - |
| (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 | (53) | (2,245) |

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) | - | 2,500 |
| 3.2 Proceeds from issue of convertible debt securities | 503 | 503 |
| 3.3 Proceeds from exercise of options | - | - |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | - | (165) |
| 3.5 Proceeds from borrowings | ² 250 | 606 |
| 3.6 Repayment of borrowings | (238) | (710) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other – Convertible Note Tranche II subscription funds received in advance | 50 | 50 |
| 3.10 Net cash from / (used in) financing activities | 565 | 2,784 |

² Borrowings in current quarter relates to crypto mining facility funds

| | | |
|---|-------|---------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 466 | 1,892 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (375) | (1,828) |

| 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) | (53) | (2,245) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 565 | 2,784 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 603 | 603 |

| 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 | 603 | 466 |
| 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) | 603 | 466 |

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 |
|------------------------------------|
| 66 |
| - |

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) | (375) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 603 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 603 |
| 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

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

Date: 28th July 2022

Authorised by: The Board

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

Notes

- 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.
- 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.
- 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.
- 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".
- 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.