

## QUARTERLY REPORT & APPENDIX 4C

### Highlights:

- *67% quarter on quarter cash receipts growth to circa A\$692k*
- *Sales of hardware products anticipated to generate additional recurring revenue*
- *Approximately \$432k of recurring revenue for the quarter*
- *Bibra Lake data centre expected to be fully operational with a Stage 1 deployment and first revenue in the coming weeks*
- *Encouraging progress made towards Bibra Lake achieving Tier III accreditation*
- *Successful deployment of modular, eco-friendly data centre 'behind the meter' at a wind farm located north of Perth in Western Australia and revenue generating*

**29 April 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 March 2021.

### Quarterly Growth (Cash Receipts)

DC Two achieved its second consecutive quarter of revenue growth as a public company, with Q3 FY21 cash receipts increasing 67% to A\$692k over Q2 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.

The largest portion of new receipts consisted of ~A\$226k in hardware sales directly related to DC Modular hosting, which is anticipated to generate additional recurring revenue for the business from June 2021 onwards. Recurring revenue of \$432k was achieved within the existing cloud and data centre business units and first revenues for DC Modular.

The Company continued to solidify its presence in Western Australia with targeted sales and marketing campaigns which grew overall customer numbers. DC Two also hired two additional sales and business development team members to accelerate sales.

In early December 2020, the Company signed a number of new Reseller Partner Service Agreements which added to the existing 40+ channel partners already promoting and selling our extensive range of data centre and cloud products. A number of potential future revenue opportunities with these partners have now been identified.

## Bibra lake

During the quarter, and due to encouraging customer interest, the Company has made significant headway in bringing Stage 1 of the Bibra Lake data centre online significantly ahead of the original schedule. The data centre is anticipated to be fully operational and online in Q4 FY21 with first revenue expected shortly afterwards.

Coinciding with the Stage 1 build, the Company has made encouraging progress towards Bibra Lake achieving Tier III accreditation. All of the architectural, electrical, mechanical and other engineering is well underway with the long lead time items such as Chillers and Uninterruptible Power Supply (UPS) systems ordered and awaiting delivery.

Completing the data centre and achieving Tier 3 accreditation will transform the DC Two business by providing the infrastructure needed to secure mid-market and enterprise customers requiring Tier 3 compliance, security and access accreditations. It will also allow the Company to transition some internal resources from development into commercial activities.

Once the Bibra Lake site achieves its Tier III accreditation, DC Two will move closer towards becoming the only company in Western Australia with an Uptime Institute accredited Tier III data centre and ISO 27001 ISMS certified multi-tenant cloud platform.

## DC Modular achieves first official paying customer for eco-friendly data centre

In an Australian first, DC Two successfully deployed its modular, eco-friendly data centre 'behind the meter' at a wind farm located north of Perth in Western Australia's Mid-West region. This renewable power source now offers the customer a "green powered" data centre and cloud service that lowers their environmental impact.

Locating 'behind the meter' allows DC Two to access globally competitive power prices, which decrease the operational costs of running the data centre. This enables savings to be passed on to the customer, thereby retaining computing workloads that would otherwise have left the country to other global regions where low power costs exist.

This achievement also saw initial first revenues for DC Modular. While the initial revenues were not material, the Company expects repeat revenues across multiple customers in the future as a number of additional modular projects are underway and the Company continues to receive multiple enquiries from potential customers.



## THE MODULAR OPPORTUNITY

ACCESS TO GLOBALLY COMPETITIVE 'GREEN' POWER PRICES

DECREASES OPERATIONAL COSTS OF RUNNING OUR DATA CENTERS

POTENTIAL TO INCREASE MARGINS

OFFERS CUSTOMERS ECO-FRIENDLY DATA CENTRE & CLOUD SERVICES

TURN KEY SOLUTION FOR CORPORATIONS SEEKING ECO-CREDENTIALS

## DC Soft

Development of the Microsoft SPLA automated reporting tool and commercial release is progressing. The Company is currently working with a number of HR and recruitment firms to find suitably skilled staff for the project as well as exploring alternative pathways to accelerate development.

## Outlook for Q4 FY21

Along with growing the Company's revenue, the below milestones will become a core focus for the business this quarter.



## 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 March quarter to related parties of circa \$45k included at Item 6 in the attached Appendix 4C comprised salaries and fees paid to executive and non-executive directors and their associated entities.

- **Ends** -

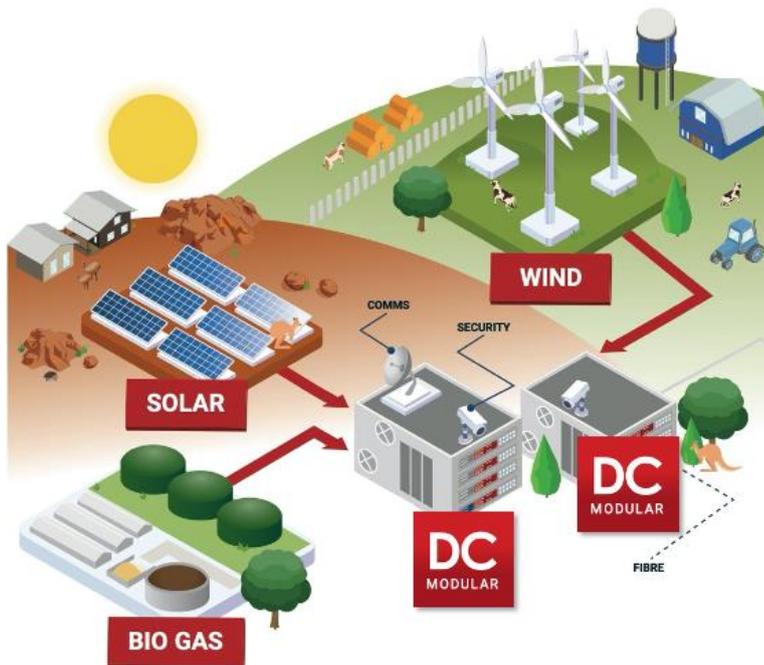
*This announcement has been approved for release by the Board of DC Two.*

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 March 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 March 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 Mar 2021)
Expenses of offers	\$ 604,666	\$ 556,069
Cloud platform expansion	\$ 584,900	\$ 710,646
Data centre expansion	\$ 1,800,000	\$ 669,230
Growth of DC soft business	\$ 300,000	\$ 30,685
Growth of DC modular business	\$ 800,000	\$ 117,148
Loan repayment	\$ 130,000	\$ 126,009
Administration costs	\$ 300,000	\$ 145,343
Working capital	\$ 1,113,205	\$ 337,720
<b>Total Expenditure</b>	<b>\$ 5,632,771</b>	<b>\$ 2,692,851</b>

The Company notes:

1. That since admission, the Company has received total cash receipts of approximately \$1,108k, which include the total cash receipts of approximately \$692k for the March 2021 quarter. Of the total cash received since admission, approximately \$713k relate to the cloud platform.
2. The Company has focussed on its data centre expansion this March 2021 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")**

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	692	1,710
1.2 Payments for		
(a) research and development	(8)	(8)
(b) product manufacturing and operating costs	(435)	(1,150)
(c) advertising and marketing	(14)	(82)
(d) leased assets	(141)	(236)
(e) staff costs	(294)	(739)
(f) administration and corporate costs	(75)	(151)
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	(18)	(320)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(293)</b>	<b>(850)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment <sup>1</sup>	(287)	(348)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(287)</b>	<b>(454)</b>

<sup>1</sup> Cash outflow in current quarter mainly relates to data centre and cloud platform expansion.

<b>3. Cash flows from financing activities</b>		
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/vehicle lease	(14)	(200)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(14)</b>	<b>4,882</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	4,409	237
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(293)	(850)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(287)	(454)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(14)	4,882
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,815</b>	<b>3,815</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	3,815	4,409
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,815</b>	<b>4,409</b>

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

- |   | <b>Current quarter<br/>\$A'000</b> |
|---|------------------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 45                                 |
| 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

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>	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(293)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,815
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,815
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>13</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 April 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.