

DC TWO REPORTS 27% QUARTER ON QUARTER RECURRING REVENUE GROWTH

Highlights;

- *Fifth consecutive quarter of recurring revenue growth, increasing 27% to a record A\$884,000.*
- *A\$905,000 revenue achieved for Q3 FY22, a 19% increase over Q2 FY22.*
- *Undertaking a capital raise to fund a strategic shift in operations that will focus on improving cost efficiencies, bolstering and incentivising teams, identifying margin rich revenue opportunities, and maximising revenue from current assets.*
- *Awarded VMware Cloud Verified status, placing DC Two at the forefront of the Australian data centre and cloud market with a highly competitive offering that provides customers with optimised performance features.*
- *Commissioned the Mid-west data centre site, and sold the entire 2MW of data centre capacity to customers. DC Two estimates that full revenue generation for the site will translate into approximately ~\$2.4m of recurring revenue per year.*

2 May 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 31 March 2021.

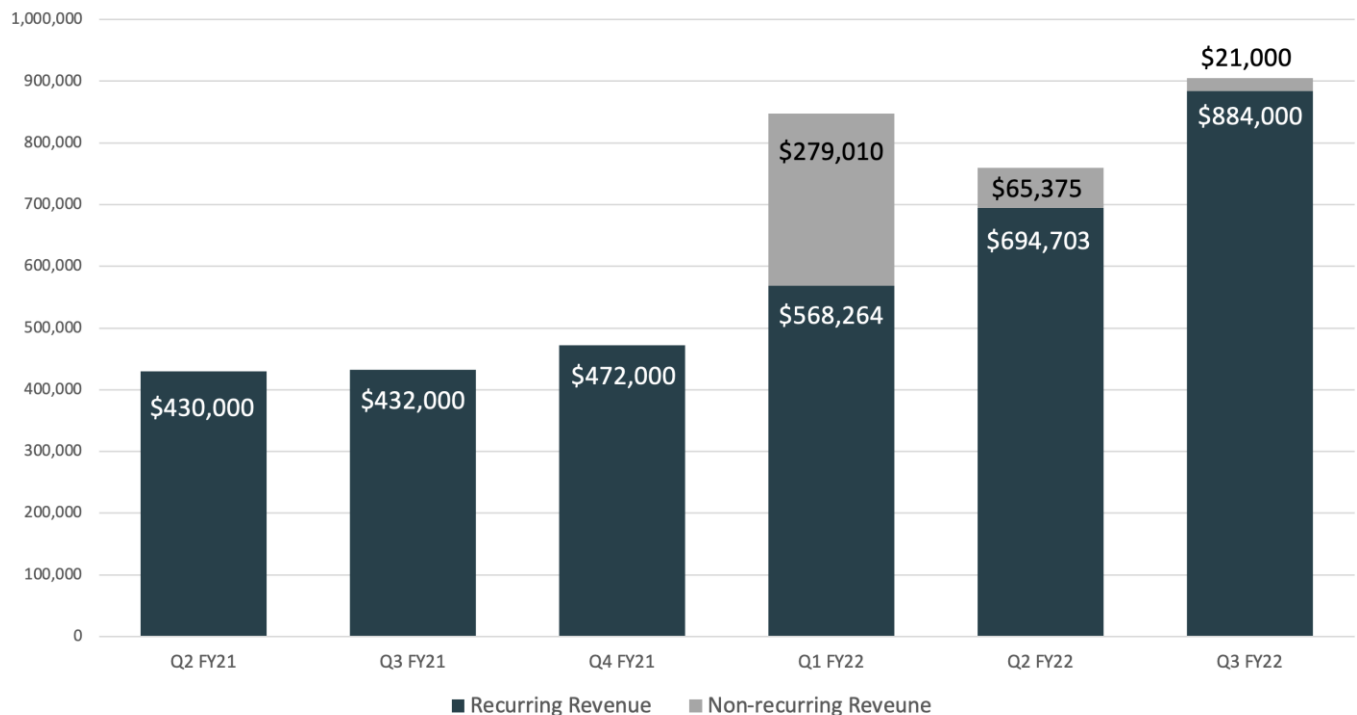
Recurring revenue grows 27%

Total Q3 FY22 revenue increased 19% to A\$905,000, driven by the continued focus to grow sales and increase data centre utilisation. Recurring revenue increased 27% to a record A\$884,000 over Q2 FY22, and represents a 104% increase over the previous year sales for the corresponding period. Non-recurring revenue consisted of A\$21,000 for Q3 FY22 - Much of this relates to hardware sales directly related to DC Two’s regional modular data centres.

This result marks the fifth consecutive quarter of recurring revenue growth, driven by the migration of customers into the Bibra Lake data centre, a fully utilised Mid-West regional data centre, and an expanding sales team who have secured a number of new customers.

DC Two ended the quarter with A\$466,000 cash on hand. As announced today, the Company has received binding commitments for a Convertible note offering which provides robust funding of \$1.75m across two Tranches; A\$502,500 for Tranche 1 and an additional A\$1.25m in Tranche 2 commitments, subject to shareholder approval. The funds will be utilised for a strategic shift in operations to accelerate its growth trajectory, and to formalise its aspirations to become a major data centre, cloud and professional services provider with a national footprint.

QUARTER ON QUARTER RECURRING REVENUE GROWTH



DC Two becomes VMware Cloud Verified

DC Two achieved VMware Cloud Verified status, joining a select group of cloud providers that have made the investment toward reaching this milestone. VMware (NYSE: VMW) is a US\$53Bn market cap company and a leading provider of multi-cloud services for all apps, enabling digital innovation with enterprise control. VMware's software underpins DC Two's cloud and data centre infrastructure.

The verification places DC Two at the forefront of the Australian data centre and cloud market with a highly competitive offering that provides existing and new customers with a wide range of performance features so they can precisely optimise their ideal cloud service. Collaboration with VMware is a pivotal step in our mission to ensure an industry-leading customer experience. It further strengthens DC Two as a global leader of best-in-class technology solutions.

Mid-West data centre at full utilisation

During the quarter, DC Two commissioned its Mid-west data centre site, and shortly afterwards successfully sold the entire 2MW of data centre capacity to customers. DC Two estimates that full revenue generation for the site will translate into approximately ~\$2.4m of recurring revenue per year, and is expected to provide a stable, predictable revenue stream for the Company.

It is estimated that approximately 1250kw will be utilised from initial fixed term contracts signed in June 2021 for a minimum of \$926,376 including GST over a 5-year term, and an additional contract signed in August 2021 for \$1,775,358 inc GST over a 36-month period. The remaining capacity has been sold to a number of smaller customers under a range of fixed term and month-to-month contracts.

Due to increasingly strong demand for hosting of cryptocurrency mining equipment, DC Two will now focus on developing its 1.4MW regional data centre located at a Bio-gas site in Victoria. Currently under a Non-Binding MoU, the Company aims to install its propriety modular data centre units at the site and offer local customers based in Victoria with a low cost, eco-friendly data centre and cloud service. The site is estimated to be online during H2 CY22.

Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 31 March 2022. As at 31 March 2022 the Company had a cash balance of A\$0.47m. The Company's net cash used in operating activities for the quarter amounted to \$481k and included expenditure on product manufacturing and operating costs (A\$745k), advertising and marketing (A\$33k), staff costs (A\$498k), and administration & corporate costs including leased asset expenditure (A\$162k).

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 2022 quarter to related parties of approximately \$68k 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:

Shane Wee

Non-Executive Chairman

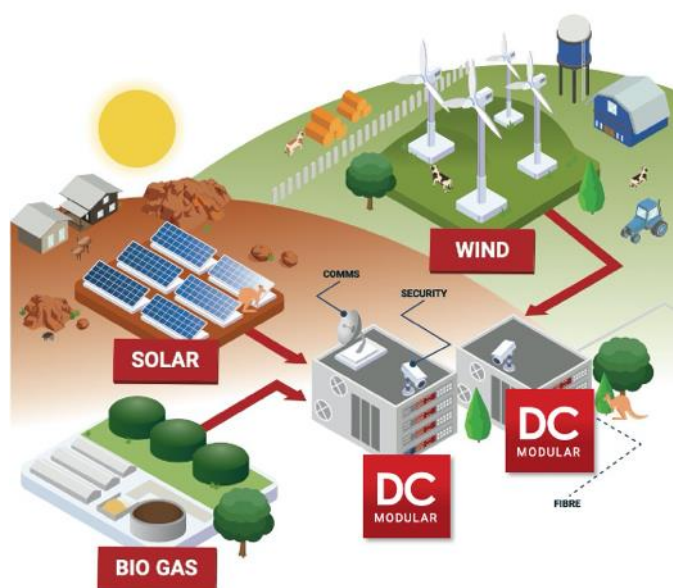
DC Two Limited

1300 331 888

investors@dctwo.com.au

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 March 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 31 March 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 – 31 Mar 2022)
Expenses of offers	\$ 604,666	\$ 563,934
Cloud platform expansion	\$ 584,900	\$ 2,493,453
Data centre expansion	\$ 1,800,000	\$ 3,246,948
Growth of DC soft business	\$ 300,000	\$ 186,557
Growth of DC modular business	\$ 800,000	\$ 2,775,327
Loan repayment	\$ 130,000	\$ 126,009
Administration costs	\$ 300,000	\$ 782,733
Working capital	\$ 1,113,205	\$ 1,036,879
Total Expenditure	\$ 5,632,771	\$ 11,136,693

The Company notes:

1. That since admission, the Company has received total cash receipts of approximately \$4.30m, which include the total cash receipts of approximately \$957k for the March 2022 quarter. Of the total cash received since admission, approximately \$2.5m relate to the cloud platform. Additionally, the Company received \$356k of director loan funds funds during the quarter.

2. In line with the unprecedented demand for digital currency, the Company has continued to focus on expanding its DC modular regional sites which includes approximately \$494k cash expended during this March 2022 quarter. The Company will continue to accelerate and expand the deployment of these sites as these opportunities arise.
3. The Company has also continued with its data centre expansion with approximately \$702k cash expended during this March 2022 quarter, which includes existing data centre costs.
4. The development of the cloud platform expansion resulted in approximately \$186k cash expended during this March 2022 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")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	957	2,565
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(745)	(1,900)
(c) advertising and marketing	(33)	(123)
(d) leased assets	(61)	(225)
(e) staff costs	(498)	(1,426)
(f) administration and corporate costs	(101)	(344)
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	(481)	(1,453)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment ²	¹ (518)	¹ (2,192)
(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	-	-
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	(518)	(2,192)

¹ 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	-	-
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	² 356	² 356
3.6	Repayment of borrowings	(247)	(472)
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	109	2,219

² Borrowings in current quarter relates to director loans.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,356	1,892
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(481)	(1,453)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(518)	(2,192)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	109	2,219
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	466	466

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	466	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)	466	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
68
-

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)	(481)
8.2 Cash and cash equivalents at quarter end (item 4.6)	466
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	466
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1

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?

Yes, based on existing cash, receipt from customers and funds from the recent convertible note offering as announced on 2 May 2022. The Company has received binding commitments for a Convertible note offering which provides robust funding of \$1.75m across two Tranches; A\$502,500 for Tranche 1 and an additional A\$1.25m in Tranche 2 commitments, subject to shareholder approval. Refer to the announcement for further details.

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?

Yes, as announced on 2 May 2022, the Company has received binding commitments for a Convertible note offering which provides robust funding of \$1.75m across two Tranches; A\$502,500 for Tranche 1 and an additional A\$1.25m in Tranche 2 commitments, subject to shareholder approval. Refer to the announcement for further details.

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

Yes, on the basis of the convertible note offering as announced on 2 May 2022. Refer to the announcement for further details.

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: 2 May 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.