

DC TWO IMPLEMENTS NEW STRATEGY TO ACCELERATE ITS GROWTH TRAJECTORY

Highlights;

- *DC Two announces 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.*
- *DC Two will enter the cryptocurrency sector by purchasing, installing and running equipment to mine bitcoin and other cryptocurrency at its Bibra Lake data centre.*
- *Signed a Strategic Alliance (SA) with Attained Group Pty Ltd to cross sell each other's products and services. This will allow DC Two to offer professional IT and technology services - an area which will fill a gap in the Company's offering.*
- *Convertible note offering provides robust funding of \$1.75m across two Tranches. Binding commitments for A\$502,500 for Tranche 1 and seeking shareholder approval for an additional A\$1.25m in Tranche 2 commitments.*
- *Capital raising strongly supported by existing shareholders and Directors of DC2.*
- *The funding will ensure DC Two has a strong commercial foundation, and will provide a robust balance sheet to support its growth ambitions for a significant period of time.*
- *Included in Tranche 2 and subject to shareholder approval, directors of DC Two have agreed to convert their existing loans to convertible notes on the same terms, illustrating confidence in the business and enabling more funds to be directed towards growth initiatives.*
- *Current Executive Director, Mr Blake Burton has been appointed as DC Two's new Managing Director. As part of this transition, DC Two's current Managing Director, Mr Justin Thomas will take on the role of Chief Technology Officer.*
- *Chief Technology Officer, Justin Thomas and Operations Manager, Rebecca Thomas have agreed to voluntarily cancel 5,000,000 performance rights to improve future dilutionary impacts for all shareholders.*

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 announce a strategic shift in operations

that will enable DC Two to accelerate its growth trajectory, and formalise its aspirations to become a major data centre, cloud and professional services provider with a national footprint.

To achieve this, DC Two will implement a number of initiatives that focus on four pillars across all areas of the business, not just the data centre and cloud assets. The Company has secured growth capital and will improve cost efficiencies, bolster and incentivise teams, identify margin rich revenue opportunities within complementary verticals, and maximise revenue from current assets. This approach is realistic, actionable and aligned with our capabilities.

DC Two's Non-Executive Chairman, Shane Wee, said; "Changing strategy will have a number of positive effects. Our new strategic direction will help DC Two adapt to changes in the IT marketplace, help the company perform more effectively, and allow us to enter new, more profitable industry or market segments."



Commercial viability of mining crypto currency

DC Two is pleased to announce it will enter the cryptocurrency sector as part of a low-capital intensity project, which aims to investigate the commercial viability of mining bitcoin and other cryptocurrencies at its Bibra Lake data centre.

While DC Two's corporate and commercial focus remains on securing large scale enterprise customers for Bibra Lake, this cryptocurrency initiative forms part of a comprehensive growth strategy to evaluate complimentary sectors with the potential to grow revenue and open up new markets for the Company.

Bibra Lake remains DC Two's flagship facility and is progressing towards Tier III Design accreditation, which will help secure government contracts, mid-market and enterprise customers.

Bitcoin and other proof-of-concept cryptocurrencies are designed to work as a medium of exchange through a global computer network, that is not reliant on any central authority. Mining cryptocurrencies requires large amounts of energy to solve complex mathematical problems, and is accomplished by running specialised computer software and hardware (miners).

DC Two will purchase miners that will be installed at its Bibra Lake data centre. The approximate cost to purchase the miners is AUD\$250,000 and will be funded via an approved finance facility which is already in place. Due to the low interest rate environment, utilising finance options allows the Company to preserve its current capital base.

As Bitcoin and the digital currency sector grows and becomes more mainstream, DC Two aims to successfully commission the miners by H2 CY 2022, with the goal of understanding revenue metrics, capital

expenditure, and the potential to scale mining operations in the future, subject to any necessary shareholder approvals.

The project will only require limited additional technical resourcing, and the Bibra Lake data centre facility is already commissioned and operational. The team leading the project are already in place and have experience in installing and running mining equipment, as they currently support DC Two's cryptocurrency customers who are hosted within its Mid-West regional data centre and Bibra Lake data centre.

Very minimal resources will be required for the financial team to facilitate the selling of the bitcoin and funds earned through mining activities. Once the mining equipment is operational and producing consistent data, DC Two will make an informed decision on whether to proceed with a larger scale mining operation.¹

During the initial period, DC2 is planning to convert (or sell) any cryptocurrency earned on a monthly basis back to AUD to minimise any additional negative risks associated with the volatility of Bitcoin. DC2 does not intend to have any long term holdings of any cryptocurrencies

Strategic Alliance with Attained

DC Two is pleased to announce that it has signed a Strategic Alliance (SA) with Attained Group Pty Ltd, one of Perth's leading managed service providers. Attained partner with clients to deploy and manage technology solutions across a variety of enterprises to improve performance and efficiency for day-to-day business.

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.

Currently DC Two is limited to offering customers a range of infrastructure and security solutions such as co-location, cloud infrastructure, data backup and associated security solutions. The SA enables DC Two to become a full service offering to clients by selling managed support, internet and voice solutions, cyber security, Microsoft 365 services, and additional project consultancy services that are required by SMB, enterprise and government.

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 SA is for an initial 6 month period and can be extended by mutual agreement of the parties. There are no requirements on either parties to provide up-front capital or share revenues. At present, this SA is not material to the Company.

¹ ASX has confirmed Listing Rules 11.1.2 and 11.1.3 do not apply to the proposed mining operation, subject to certain conditions. However, DC Two must seek confirmation from ASX that Listing Rules 11.1.2 and 11.1.3 do not apply prior to making any further investments in its bitcoin mining operation, entering into further cryptocurrency related activities, or in the event that DC Two's revenue from its mining operations exceeds the revenue generated from its current activities. DC Two will also report expenditure and revenue from its bitcoin mining operations separately to its current activities in its future quarterly cash flow statements.

New Managing Director and Chief Technology Officer appointed

DC Two is pleased to announce that current Executive Director, Mr Blake Burton has been 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. Mr Burton will transition into the role of Managing Director over the new few months and expects to be full time by 1 July 2022.

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 current 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.

The Company will also continue to recruit and build further depth in the board and team to meet growth objectives. The key terms of Mr Burton's appointment are summarised in Annexure A.

Raising of Growth Capital

DC Two is pleased to announce that it has received binding commitments from institutional and sophisticated investors to successfully raise A\$1,751,000 (before costs). The capital raising was undertaken by way of a convertible note offering, and will see the Company issue 1,751,000 convertible notes with a face value of \$1 each over two tranches (Tranche 2 subject to shareholder approval).

The convertible notes will convert into fully paid ordinary shares in DC Two at the higher of \$0.05 or a 20% discount to the 20-day VWAP over the 20 consecutive trading days immediately prior to conversion, and are also subject to a maximum conversion price of \$0.15. Interest will accrue on the Notes at the rate of 12% per annum and may be settled at the election of DC Two by the payment of cash on a quarterly basis or, subject to shareholder approval, through the issue of Shares at maturity at the conversion price. On conversion of the Notes, and subject to shareholder approval, the Noteholders will receive 1 unquoted option for every 2 Shares issued on conversion, with an exercise price of \$0.11 expiring two years after the date of issue.

The first A\$502,500 (before costs) will be raised under a Tranche 1 note, and it is intended that the Tranche 1 Notes will be issued using DC2's available placement capacity under Listing Rule 7.1 which is expected to occur on or around 6 May 2022. An additional A\$1,248,500 (before costs) will be raised and / or debts converted by a second tranche (Tranche 2) of Notes, which will be subject to shareholder approval but otherwise on the same terms as Tranche 1.

Included in Tranche 2 and to align with the interest of shareholders, the Directors of DC Two have also agreed subject to shareholder approval to convert their existing loans (monies they have lent to DC Two)

to convertible notes on the same terms as above. This illustrates confidence in the business, and means no funds from the capital raise will go towards paying off the loans, which total an estimated \$361,000.

The funding will ensure DC Two has a strong commercial foundation, and will provide a robust balance sheet to support its growth ambitions for a significant period of time. The use of funds are below:



EXPAND BIBRA LAKE FACILITY

- Increase capacity for Colo sales
- Expand capability to host Tier I and Tier III customers



SALES AND MARKETING

- Marketing campaigns in WA to secure customers
- Grow sales and marketing team to increase conversion



WORKING CAPITAL

- Ensure a strong commercial foundation for the business and a robust balance sheet to execute growth plans

Performance shares cancelled to improve dilutionary impacts

Chief Technology Officer, Justin Thomas and Operations Manager, Rebecca Thomas have agreed to voluntarily cancel 5,000,000 performance rights to improve future dilutionary impacts for all shareholders. DC2 will separately lodge an Appendix 3H in respect of the cancellation of the Performance Rights.

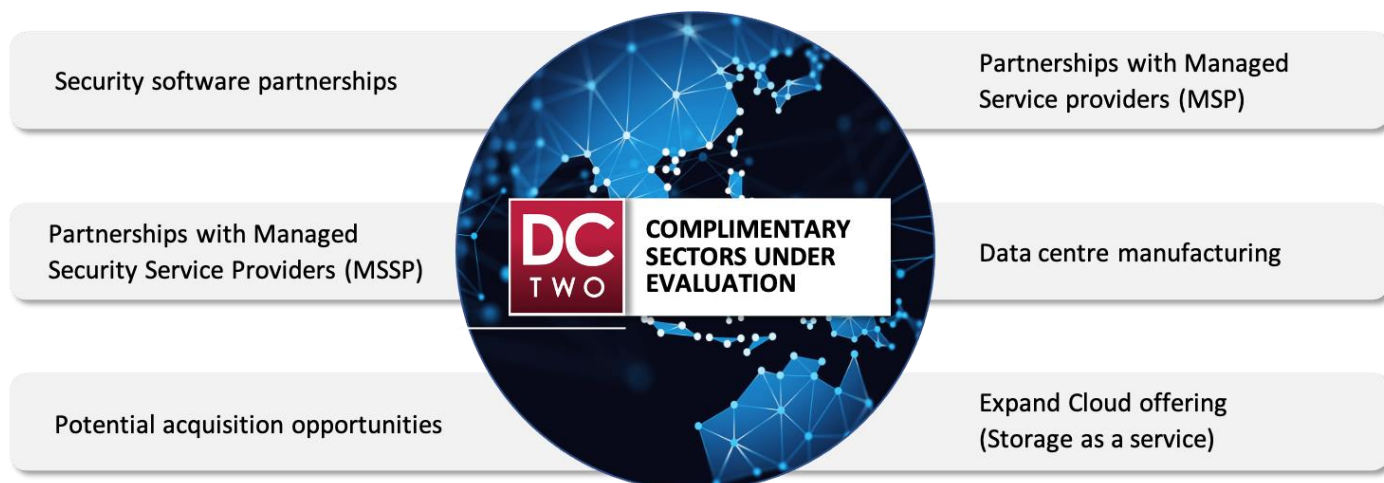
Employee share / options plan to incentivise performance

DC Two recognises that its employees are fundamental to the Company's future success. As a way of attracting, rewarding and retaining high calibre staff, it is implementing an incentive plan. The purpose of this initiative is to provide employees with an opportunity to own shares in DC Two, share in the future growth of the Company, and to encourage them to increase sales. DC Two will seek shareholder approval of the terms of the plan at its next general meeting, which it intends to convene later this quarter.

Exploring complementary sectors to supercharge revenue growth

The requirements of today's modern IT environment indicate the need for high levels of agility. Providers who offer additional IT services beyond co-location (rental of data centre floor space) and cloud services, will be better positioned to support organisations in their digital transformation requirements.

DC Two has identified a number of potential revenue opportunities within complementary IT sectors that have a specific low barrier to entry for the Company. These have the potential to complement its current business, and give a bigger reach to more and diversified clients currently not targeted.



DC Two has also been actively working to join approved business and government panels and organisations to further accelerate sales growth. The Company is currently working to become a supplier on the Federal Government Digital Transformation Agency (DTA) panel in order to sell services directly to the Federal Government, and has recently joined the following panels:

- WA Local Government Association (WALGA) Preferred Supplier
- Henderson Alliance
- The British Chamber of Commerce

Progress Bibra Lake towards Tier III Design accreditation

Bibra Lake remains DC Two's flagship facility and is progressing towards Tier III Design accreditation, which will help secure government contracts, mid-market and enterprise customers. If successful, it will also mark one of the most significant milestones in the Company's history and put DC Two in an elite group of Australian companies to have achieved the prestigious certification.

Upon completion of its Tier III accreditation which is currently under review with the Uptime Institute, it is expected that DC Two will become the only data centre provider in Western Australia with its own Tier III accredited data centre and multi-tenant cloud platforms.



DC Two's Bibra Lake data centre



Commissioning our next Regional Data Centre

Demand for our regional data centres continues to grow, with DC Two recently selling the entire 2MW of capacity at its Mid-West site, with full 2MW utilisation expected to translate into ongoing recurring revenue. The Mid-West site is now expected to provide a stable, predictable revenue stream for the Company and has transitioned into a fully proven, first of its kind concept in Australia.

Due to increasingly strong demand for hosting of cryptocurrency mining equipment, DC Two will now focus on completing its 1.4MW regional data centre located at a Bio-gas site in Victoria. This site is planned to come online in H2 CY22.

Osborne Park facility to begin phased shut down

Osborne Park has historically underpinned DC Two's physical infrastructure, power, networking and related services. The data centre provided our (predominantly) SMB and initial mid-market customer base with a high-quality local offering, however with most data centre and cloud customers and services now delivered out of Bibra Lake, the Osborne Park facility will begin a phased shut down which is expected to be completed by October 2023.

DC Two does not physically own the Osborne Park data centre, and expects the shutdown to reduce costs. The decision forms part of an ongoing strategy where all financial operations of DC Two are being evaluated to focus on facilitating growth, and ensuring the company has the financial capability to support its strategic requirements and execute its growth plans.

Lead Manager Fees

Subject to shareholder approval, Alto Capital and Xcel Capital acted as Joint Lead Managers to the Placement and will receive 6% capital raising fee and 4m options exercisable at \$0.11 expiring 2 years after the date of issue.

Annexure A

With effect from 1 July 2022, Mr Burton's salary will increase to \$160,000 (excluding superannuation) and Mr Burton, subject to shareholder approval, will be entitled to the following unquoted options, each expiring 3 years after the date of issue:

- 1,000,000 options exercisable \$0.15;
- 1,000,000 options exercisable at \$0.20; and
- 2,000,000 options exercisable at \$0.30.

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.

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.