



YOUR CLOUD
YOUR WAY



PROSPECTUS

DC TWO LIMITED | ACN 155 473 304



LEAD MANAGER

CORPORATE DIRECTORY

DIRECTORS

Justin Thomas (Managing Director)
Cameron McLean (Non-Executive Chairman)
Blake Burton (Non-Executive Director)

COMPANY SECRETARY

Deborah Ho

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 301, 396 Scarborough Beach Road
Osborne Park WA 6017
Telephone: +61 8 6141 1011
Email: investors@dctwo.com.au
Website: <https://dctwo.com.au>

PROPOSED ASX CODE

DC2

SHARE REGISTRY*

Link Market Services Limited
QV1 Buildings
Level 12, 250 St Georges Terrace
Telephone: +61 1800 882 147

SOLICITORS

Nova Legal
Level 2, 50 Kings Park Road
West Perth WA 6005

INVESTIGATING ACCOUNTANT

Grant Thornton Corporate Finance Pty Ltd
Central Park
Level 43, 152-158 St Georges Terrace
Perth WA 6000

LEAD MANAGER

ACNS Capital Markets Pty Ltd
trading as Alto Capital (AFSL: 279099)
16 Ord Street
West Perth WA 6005
Telephone: +61 8 9223 9888
Email: daniel@altocapital.com

COMPLIANCE MANAGER

Ventnor Capital Pty Ltd
16 Ord Street
West Perth WA 6005

AUDITOR*

Grant Thornton Audit Pty Ltd
Central Park
Level 43, 152-158 St Georges Terrace
Perth WA 6000

* These parties are included for information purposes only. They have not been involved in the preparation of this Prospectus.

PUBLIC OFFER

For an offer of up to 27,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,500,000 (before costs), with a minimum subscription requirement to raise at least \$5,000,000 (before costs) (**Public Offer**).

NOTEHOLDER OFFER

This Prospectus also contains an offer of 7,000,000 Shares to the Noteholders (or their nominees) upon conversion of the Convertible Notes (**Noteholder Offer**).

The Lead Manager to the Public Offer is Alto Capital



IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

Please consult your professional adviser(s) if you have any questions.

The Securities offered by this Prospectus should be considered highly speculative.



Image showing the new Bibra Lake Data Centre facility

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■ IMPORTANT INFORMATION

GENERAL

This Prospectus is dated 28 September 2020 and was lodged with ASIC on that date. Neither ASIC nor ASX, nor any of their officers, take any responsibility for the contents of this Prospectus.

No Securities will be issued pursuant to this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications for Securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

PROSPECTUS AVAILABILITY

A copy of this Prospectus can be downloaded from the website of the Company at <https://dctwo.com.au>. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement Prospectus or any of those documents were incomplete or altered.

“

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds.

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APPLICANTS OUTSIDE AUSTRALIA

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom it would not be lawful to make such an offer or invitation. The distribution of this Prospectus (in electronic or hard copy form) in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares, or the Offers, or otherwise permit a public offering of Shares, in any jurisdiction outside Australia. Refer to Section 5.16 for further information.

Singapore

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with

the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are: (i) an existing holder of the Company's Shares, (ii) an "institutional investor" (as defined in the SFA); or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which are identified by words such as 'could', 'believes', 'may', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and the Company's Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law. These forward looking statements are subject to various risk factors that could cause actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 8 of this Prospectus.

PHOTOGRAPHS AND DIAGRAMS

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

SPECULATIVE INVESTMENT

The Securities offered under this Prospectus are considered speculative. There is no guarantee that the Securities offered will make a return on the capital invested, that dividends will be paid on the Securities, or that there will be an increase in the value of the Securities in the future. Prospective investors should carefully consider whether the Securities offered under this Prospectus are an appropriate investment for them in light of their personal circumstances, including but not limited to their financial and taxation position.

RISK FACTORS

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Securities. There are risks associated with an investment in the Company. The Securities offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Securities. Refer to Section 8 for details of some of the key risks associated with an investment in the Company that should be considered by prospective investors. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

DEFINITIONS

Unless the context otherwise permits, defined terms and abbreviations used in this Prospectus have the meanings set out in the glossary in Section 11.



1. INVESTMENT OVERVIEW



The information in this Investment Overview is a selective overview only. Prospective investors should read the Prospectus in full, including the full risk factors set out in Section 8 and the Investigating Accountant's Report in Annexure A, before deciding to invest in Shares.

1. INVESTMENT OVERVIEW

1.1 KEY INFORMATION

COMPANY

Topic	Summary	Section Reference
Company		
Who is the issuer of this Prospectus?	DC Two Limited (ACN 155 473 304) (Proposed ASX Code : DC2) (Company or DC Two).	Section 3.1
Who is the Company and what does it do?	<p>The Company is an Australian public company limited by shares that was incorporated on 2 February 2012.</p> <p>DC Two was founded by Justin Thomas and Mark Dignam, with a vision of delivering world class capabilities, through local services to local customers in the emerging Cloud space.</p> <p>DC Two provides managed cloud services, hosting over 300 businesses on our platforms, utilising a channel of over 40 channel partners, across WA and NT, with services delivered from data centres in Perth and Darwin.</p> <p>The Company delivers this via a suite of vertically integrated services covering a large range of the data centre and cloud technology stack. From the physical infrastructure and services of the data centre itself, through to cloud hosted customer servers and virtual desktops. All of this is controlled, connected, accessed and managed via DC Two's in-house developed hardware and software-based self-service and automation focused products, enabling flexible and compliant control and management of the entire stack.</p> <p>The Company has continued to invest in innovative areas of the cloud business and is productising its software management assets and deploying localised data centre capacity in the high growth Modular Data Centre space.</p>	Sections 3.1
What industry does the Company operate in?	<p>The Company operates in the IT, data centres and telecommunications industry.</p> <p>Refer to Section 3.4 for an overview of the Australian data centre services market.</p>	Section 3.4
What types of products and services does the Company provide?	<p>The Company provides data centre and cloud hosted services, data centre hosting and colocation, data centre and cloud automation software and modular data centre and hosting solutions in Perth, Darwin and regional locations.</p> <p>Refer to Section 3.2.3 for further details regarding the products and services the Company provides.</p>	Section 3.2.3
Who are the Company's key customers?	<p>The Company services over 300 end user business clients and has 40+ channel partners promoting and selling the data centre and cloud products and services into both the Western Australian and Northern Territory markets.</p> <p>The Company has a diverse range of customers, including (but not limited to):</p> <ul style="list-style-type: none"> • ASX listed mining, exploration, energy, resources, telecommunications and financial services companies; • local governments in Western Australia; • Perth-based schools and law firms; and • Aboriginal health organisations in the Northern Territory. 	Section 3.2.2

Topic	Summary	Section Reference
Business Model		
<p>What are the Company's core business units?</p>	<p>The Company currently has four core business units that allow it to deliver an integrated solution to its customers:</p> <ul style="list-style-type: none"> • Cloud Services and Management: Delivering an increasingly sophisticated set of vertically integrated cloud services and associated management, to local customers through a local managed service provider (MSP) channel. The offerings in this business unit have historically provided the core revenue streams for the Company and will continue to be a focus. • Data Centres: DC Two's cloud services and management are underpinned by its directly owned and operated local data centre capacity in Perth, and the share capacity in Darwin. The Company recently entered into a lease agreement (subject to and conditional on the Company being admitted to the Official List of the ASX) in respect of a new larger premises in Bibra Lake allowing the Company to further expand this business unit. • DC Soft: DC Two has developed its own software assets which are in daily production use, and supporting the existing business, being: <ul style="list-style-type: none"> • DC Portal: Providing a single interface to automate access delivery and management; and • Software Asset Management (SAM): Automation of the complex task of accurate license reporting in cloud and data centre environments. DC Two has developed a software tool that can provide significant automation and improvement within the global Microsoft Services Providers Licence Agreement (SPLA) and Cloud Service Provider (CSP) markets. • DC Modular: DC Two has worked with industry leading suppliers to design and build a durable, modular data centre capability that is delivered in an ISO standard containerised and non-ruggedised form factors. This will allow DC Two to deploy ultra-high-density colocation and hosting solutions at a greatly reduced OPEX, anywhere that has the required power and data connectivity. The first of these deployments is occurring in Western Australia's Mid-West on an operational wind farm. <p>Refer to Sections 3.2.1 and 3.2.3 for further details regarding the core business units of the Company and the products and services provided within each business unit.</p>	<p>Sections 3.2.1 and 3.2.3</p>
<p>What are the key business objectives of the Company?</p>	<p>The main objectives of the Company on completion of the Offers are to:</p> <ul style="list-style-type: none"> • grow revenue and margin across all business units; • grow the quantity of mid-market and enterprise customers hosted within our platforms and facilities; • expand the Company's footprint within WA & NT and then expand to a national business; • monetise existing investments in software management assets; and • become a leading provider of modular data centre services in regional Australia. 	<p>Section 3.2.4</p>

Topic	Summary	Section Reference
Business Model (continued)		
<p>How does the Company generate revenue?</p>	<p>DC Two is currently loss-making, however currently generates revenue. During the financial year ended 30 June 2020, DC Two generated revenue of approximately \$1,856,000, which represents an increase of approximately 30% from the revenue generated during the financial year ended 30 June 2018. DC Two’s revenue for the previous three financial years was approximately as follows (based on the Company’s audited accounts for the respective periods):</p> <ul style="list-style-type: none"> • FY2020 – \$1,856,000 • FY2019 – \$1,961,000 • FY2018 – \$1,400,000 <p>Refer to Section 4 for a summary of the historical statement of profit or loss and other comprehensive income for FY2019 and FY2020, and related analysis. See also the Investigating Accountant’s Report in Annexure A.</p> <p>The majority of this revenue (~90%) is generated from the cloud services and management offerings (underpinned by the Osborne Park data centre). The balance being made up of secondary offerings such as telecommunications and network links, hardware resale and technical services.</p> <p>Circa 70% of current revenue is derived via DC Two’s channel partner ecosystem. This facilitates access to customers of diverse size and industry vertical, expands the sales scope and reduces critical customer risk.</p> <p>The Company’s growth plans will diversify the sources of revenue and increase the mid-market and enterprise exposure. Whilst the partner channel will continue to have access to all of DC Two offerings, the differing nature of the offerings from DC Soft and DC Modular mean these will not be a “partner first” model.</p>	<p>Sections 3.2.2, 3.2.3, 3.2.4 and 4</p>
<p>What is the Company’s growth strategy?</p>	<p>Following completion of the Offers, the Company intends to execute the following growth strategy:</p> <p>Cloud Services and Management: Accelerate growth by:</p> <ul style="list-style-type: none"> • building on the Company’s strong existing channel partner and customer base; • taking advantage of the increasing demand for cloud and data centre services (which has been accelerated as a result of the COVID-19 pandemic); • increasing the number of midmarket and enterprise clients (driven by compliance capability and ISO27001 accreditation); and • expanding the Company’s footprint outside of WA. <p>Data Centres: As part of its growth strategy, the Company has entered into a lease agreement in respect of a new larger premises in Bibra Lake (previously certified as a Tier 3 data centre by the former tenant). The Company intends to complete the necessary works required to achieve Tier 3 certifiable standards, and obtain such certification from the Uptime Institute. This will allow the Company to meet the market demand for such facilities and customer requirements for compliance, security and privacy accreditation.</p> <p>DC Soft: Accelerate growth by:</p> <ul style="list-style-type: none"> • building on the existing development investments in control and management software tools; • productising these tools and releasing them to the market; and • increasing the Company’s client and partner base and providing an additional sales channel for the Cloud Services and Management business. <p>DC Modular: Accelerate the growth and deployment of the Company’s regional high-performance processing sites by:</p> <ul style="list-style-type: none"> • building on the existing investments in designing and building the containerised and high-compute, modular data centre; • building on the experience gained from the existing, “behind the meter”, modular data centre deployment at a regional WA, renewable energy facility; and • engage with the already significant and rapidly growing renewal energy market to create a commercial data centre model in this under exploited market. 	<p>Section 3.2.4</p>

Topic	Summary	Section Reference
Business Model (continued)		
What are the key dependencies of the business model?	<p>The key factors that the Company will depend on to meet its objectives are:</p> <ul style="list-style-type: none"> • access to growth capital; • access to and retention of quality and experienced staff; and • access to electricity, power and communications at the right rates. 	Section 3.2.5
How does the Company differentiate itself from its competitors?	<p>The Directors believe that DC Two’s business model offers a number of competitive strengths, including</p> <ul style="list-style-type: none"> • a profitable core Cloud Services and Management business, focused on high value managed services offerings; • a focus on local services, for local businesses, through a local partner channel; • opportunity to accelerate growth through existing investment in innovative offerings in the Cloud services space (DC Soft, DC Modular), leading to a diversified, but consistent set of revenue streams; and • opportunity to create a market leading, innovative business model, in the “behind the meter” deployment of modular data centre capacity. <p>Refer to Section 3.3 for further details regarding the key competitive strengths of the Company.</p>	Section 3.3

Topic	Summary	Section Reference
The Offers		
What is the Public Offer and why is it being conducted?	<p>The Public Offer is an offer of up to 27,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,500,000, with a minimum subscription of \$5,000,000.</p> <p>The principal purposes of the Public Offer are to:</p> <ul style="list-style-type: none"> • implement the business model and objectives of the Company (as set out in Section 3.2); • provide funding for the purposes set out in Section 1.6; • meet the costs of the Offers; • provide for general administration and working capital needs; • enhance the public and financial profile of the Company to facilitate its growth; • continue to provide the Company with access to equity capital markets for future funding needs; and • meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules. <p>The Board believes that on completion of the Public Offer, the Company will have sufficient working capital to achieve its objectives.</p>	Sections 3.2, 5.1 and 5.5
What is the Minimum Subscription?	The minimum subscription requirement for the Public Offer is \$5,000,000, representing the subscription of 25,000,000 Shares at an issue price of \$0.20 each (Minimum Subscription).	Section 5.4
What is the Maximum Subscription?	The maximum subscription requirement for the Public Offer is \$5,500,000, representing the subscription of 27,500,000 Shares at an issue price of \$0.20 each (Maximum Subscription).	Section 5.1
How does the Company intend to use the funds raised from the Public Offer?	It is intended that the funds raised from the Public Offer will be applied in accordance with the table set out in Section 1.6.	Section 1.6
Is the Public Offer underwritten?	The Public Offer is not underwritten.	Section 5.7
Who is the lead manager to the Public Offer?	<p>The Company has appointed Alto Capital (Lead Manager) as lead manager to the Public Offer. The terms and conditions of the Lead Manager Mandate are set out in Sections 1.5.1 and 7.2.</p> <p>No capital raising fees will be paid with respect to the Noteholder Offer.</p>	Sections 1.5.1 and 7.2
What is the Noteholder Offer and why is it being conducted?	<p>This Prospectus also contains an offer of 7,000,000 Shares to the Noteholders (or their nominees) upon conversion of the Convertible Notes (Noteholder Offer). No funds will be raised under the Noteholder Offer.</p> <p>The Company entered into a number of convertible note agreements with seed investors (Noteholders) pursuant to which the Company issued convertible notes (Convertible Notes) to raise a total of \$424,000 (before costs). The Convertible Notes are convertible into a total of 7,000,000 Shares (subject to satisfaction of certain conditions precedent), being the Shares the subject of the Noteholder Offer.</p> <p>The Noteholder Offer is being made to the Noteholders to facilitate secondary trading of the Shares to which they relate.</p> <p>Refer to Section 7.1 for a summary of the key terms and conditions of the Convertible Note Agreements.</p>	Sections 5.2 and 7.1

Topic	Summary	Section Reference
The Offers (continued)		
<p>What are the conditions of the Offers?</p>	<p>The Offers are conditional upon the following events occurring:</p> <ul style="list-style-type: none"> the Company receiving sufficient applications to meet the Minimum Subscription under the Public Offer; and the Company receiving written approval from ASX for the admission of the Company's Securities to the Official List of ASX on conditions reasonably acceptable to the Company, <p>(together, the Conditions of the Offers).</p> <p>There is a risk that the Conditions of the Offers will not be achieved. In the event the Conditions of the Offers are not achieved, the Company will not proceed with the Offers and will repay all Application Monies received.</p>	<p>Section 5.3</p>
<p>What will the Company's capital structure look like after completion of the Offers?</p>	<p>Refer to Section 1.7 for a pro forma capital structure following completion of the Offers.</p>	<p>Section 1.7</p>
<p>Will any Securities be subject to escrow?</p>	<p>Subject to the Company complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offers, certain Shares (including Shares issued under the Noteholder Offer) and Options on issue may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.</p> <p>The Company confirms its 'free float' (the percentage of the Shares that are not restricted and are held by shareholders who are not related parties (or their associates) of the Company) at the time of reinstatement will be not less than 20% in compliance with ASX Listing Rule 1.1 Condition 7.</p> <p>Refer to Section 1.9 for the anticipated free float of the Company upon commencement of trading on ASX (based on both Minimum Subscription and Maximum Subscription).</p> <p>During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</p>	<p>Section 1.9</p>
<p>What are the key dates of the Offers?</p>	<p>They key dates of the Offers are set out in the indicative timetable in Section 1.4</p>	<p>Section 1.4</p>
<p>What rights and liabilities attach to the Securities being offered?</p>	<p>Certain key rights and liabilities attaching to:</p> <ul style="list-style-type: none"> the Shares are described in Section 9.8; the Options issued to Directors (Director Options) in accordance with the Letters of Appointment are described in Section 9.9; the Options issued to certain employees and consultants of the Company (Staff Options) are described in Section 9.9; and the Options issued to Stonegold Enterprises Pty Ltd (or its nominee) (Lessor) in accordance with the Bibra Lake Lease Agreement (Lessor Options) are described in Section 9.10. 	<p>Sections 9.8 and 9.9</p>

Topic	Summary	Section Reference
Directors, Key Management Personnel, Related Party Interests and Substantial Holders		
Who are the Directors?	<p>The Board consists of:</p> <ul style="list-style-type: none"> • Justin Thomas (Managing Director); • Cameron McLean (Non-Executive Chairman); and • Blake Burton (Non-Executive Director). <p>Refer to Section 6.1 for details of the experience and qualifications of the Directors.</p>	Section 6.1
Who are the Key Management Personnel?	<p>The key management personnel of the Company comprises:</p> <ul style="list-style-type: none"> • Michael Travis (General Manager of Cloud Services); and • Mark Dignam (Senior Technician). <p>Refer to Sections 6.2 and 6.3 for details of the experience and qualifications of the key management personnel.</p>	Sections 6.2 and 6.3
What benefits are being paid to the Directors?	<p>The Company has entered into an executive services agreement with Justin Thomas pursuant to which Mr Thomas will serve as Managing Director of the Company (Executive Services Agreement). The remuneration payable to Mr Thomas pursuant to the Executive Services Agreement is \$160,000 per annum (plus superannuation) and statutory motor vehicle allowance for his private motor vehicle. Refer to Section 7.4 for a summary of the key terms and conditions of the Executive Services Agreement.</p> <p>The Company has entered into a letter of appointment with Cameron McLean for his appointment as Non-Executive Chairman and Blake Burton for his appointment as Non-Executive Director (Letters of Appointment). The remuneration payable to each of Mr McLean and Mr Burton pursuant to the Letters of Appointment is \$36,000 per annum. In addition, the Company has issued 1,200,000 Director Options to Mr McLean and 1,000,000 Director Options to Mr Burton. Refer to Section 7.5 for a summary of the key terms and conditions of the Letters of Appointment.</p> <p>Further information on the security holdings, interests and remuneration of the Directors is set out in Section 1.14.</p>	Sections 1.14, 7.4 and 7.5
What interests do the Directors have in the securities of the Company?	The anticipated relevant interests of the Directors in the Securities of the Company upon completion of the Offers is set out in Section 1.14.2.	Section 1.14.2
What important contracts with related parties is the Company a party to?	Refer to Section 1.15 for details of the related party contracts the Company has entered into.	Section 1.15
Who will be the substantial holders of the Company?	Refer to Section 1.8 for details regarding the Shareholders who are expected to hold 5% or more of the total number of Shares on issue at listing (based on the information known as at the date of this Prospectus).	Section 1.8

Topic	Summary	Section Reference
Advisor Interests		
What benefits are being paid to advisors and other third parties in connection with the Offers?	<p>The Company has entered into a mandate (Lead Manager Mandate) with Alto Capital pursuant to which Alto Capital is engaged as lead manager to the Public Offer and corporate advisor to the Company for a period of six (6) months from the date the Company is admitted to the Official List of the ASX.</p> <p>Refer to Section 1.5.1 and 7.2 for a summary of the key terms and conditions of the Lead Manager Mandate and details regarding the fees to be paid to Alto Capital in connection with the Offers.</p> <p>The Company has entered into a mandate with Ventnor Capital (Ventnor Compliance Mandate) pursuant to which Ventnor Capital is engaged to provide prospectus management services in respect of the preparation of this Prospectus and ongoing company secretarial services to the Company. In accordance with the Ventnor Compliance Mandate, 1,200,000 Shares were issued to nominees of Ventnor Capital at an issue price of \$0.001 per Share.</p> <p>Refer to Sections 1.5.2 and 7.3 for a summary of the key terms and conditions of the Ventnor Compliance Mandate and details regarding the fees to be paid to Ventnor Capital in connection with the Offers.</p> <p>In addition to the above, the Company has issued 2,000,000 Lessor Options to Stonegold Enterprises Pty Ltd (or its nominee) in accordance with the Bibra Lake Lease Agreement.</p>	Sections 1.5.1, 7.2 and 7.3
What interests will the advisors have in the Securities of the Company?	Refer to Section 1.5 for details regarding the interests Alto Capital and Ventnor Capital (Key Advisors) have in the securities of the Company.	Section 1.5
Financial Information		
What is the financial position of the Company?	<p>Investors should be aware that the Company is currently making a loss. A summary of the financial position of the Company is set out in Sections 1.10, 4 and in the Investigating Accountant’s Report in Annexure A.</p> <p>Applicants should note that past performance is not a reliable indicator of future performance.</p>	Sections 1.10, 4 and Annexure A

Topic	Summary	Section Reference
Additional Information		
How do I apply for Securities?	<p>Applications for Shares under the Public Offer can be made by completing the Public Offer Application Form in accordance with the instructions or by completing a BPAY payment online.</p> <p>Applications for Shares under the Noteholder Offer can be made by completing the Noteholder Offer Application Form in accordance with the instructions. Please note that the Noteholder Offer Application Form will only be distributed to the Noteholders (and/or their respective nominees).</p>	Section 5.10
What is the allocation policy?	<p>The Directors, in conjunction with the Lead Manager, will allocate Shares under the Public Offer at their sole discretion with a view to ensuring an appropriate Shareholder base for the Company going forward.</p> <p>There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which it has applied.</p>	Section 5.12
What is the minimum investment size under the Public Offer?	<p>Applications under the Public Offer must be for a minimum of \$2,000 worth of Shares (10,000 Shares) and thereafter, in multiples of \$500 worth of Shares (2,500 Shares).</p>	Section 5.10
What are the total expenses of the Offers?	<p>The total expenses of the Offers (excluding GST) are estimated to be approximately \$574,117 for the Minimum Subscription or \$604,666 for the Maximum Subscription and are expected to be applied towards the items set out in the table in Section 9.6.</p>	Section 9.6
What are the corporate governance principles and policies of the Company?	<p>To the extent applicable, in light of the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (4th Edition) as published by the ASX Corporate Governance Council (Recommendations).</p> <p>The Company's main corporate governance policies and practices and the Company's compliance and departures from the Recommendations as at the date of this Prospectus are outlined in Sections 6.4 and 6.5.</p> <p>In addition, the Company's full Corporate Governance Plan is available from the Company's website at https://dctwo.com.au.</p>	Sections 6.4 and 6.5
Who can I contact for more information?	<p>All enquiries in relation to this Prospectus should be directed to the Share Registry, Link Market Services Limited on 1800 882 147 (if calling within Australia) or +61 1800 882 147 (if calling from outside Australia) from 8:30am (AWST) Monday to Friday.</p>	Section 5.19

1.2 KEY STRENGTHS

A summary of the Company's key strengths are set out below

Key Strength	Summary
Profitable core Cloud Services and Management Business	Profitable core business well positioned to take advantage of the growth in demand for cloud services. Has provided funding for innovation research and development and will remain as cash generator for business.
High value managed services offerings	Cloud and Managed Services offerings are in the managed service space, which generate more revenue from the same physical space compared to fixed data centre co-location services.
Strong and diverse customer base	DC Two services over 300 customers (either directly or indirectly through its channel partners) of varying size and industry vertical which provides diversity and insurance against revenue risk. Strong base for upsell and cross sell to new services.
Strong partner base	Over 40 channel partners provide access to customers of diverse size and industry vertical, expands the sales scope, extends technical capability and reduces critical customer risk.
Pre-invested innovation assets	The business has invested in innovation assets (DC Soft, DC Modular) that are already in production and ready for acceleration into market.
Strong technical capabilities	A core team of technically skilled staff and leaders able to take advantage of emerging innovation opportunities.

1. INVESTMENT OVERVIEW

1.3 KEY RISKS

An investment in Shares under this Prospectus should be considered highly speculative. The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Shares of the Company.

The Board will aim to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

Set out below is a summary of the specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 8.

Key Risk	Description
Software, technology and system related risks	<p>DC Two and its clients rely on the performance and availability of data centres (both company owned and third party data centres) and software. The ongoing availability of the data centres and software is key to the Company's service delivery to clients and therefore its ability to generate revenue. A cyber-attack or failure of either the software or the technology that underpins DC Two, could result in it being unable to meet contractual and service level obligations, unauthorised system use, data integrity issues or data loss, integration issues with other systems and third parties, and increased costs.</p> <p>DC Two mitigates the potential impact of technology failures or interruptions to its availability by having established business continuity and disaster recovery plans in place. In relation to software, all proprietary software is subject to regular internal upgrades and scheduled works. Where third party software is used by the Company, it is subject to strict security protocols and regular internal upgrades as they are released by the relevant software vendor. In addition, DC Two operates a risk management program to identify risks and tolerance levels for potential mitigation strategies. However, there remains a risk that a system failure may result in a loss of an existing client and/or the ability to attract new clients.</p>
Supplying and pricing of electrical power	<p>The Company will rely on third parties for the supply of electrical power to its data centres. It cannot be guaranteed that these third parties will be able to consistently provide sufficient levels of electrical power, or will have the necessary infrastructure to deliver any additional power that the Company may require.</p> <p>The Company's data centres will be fitted with back-up power generation capability at each site to cover temporary power outage, however this may be unable to provide ongoing service to the extent outages last beyond backup and alternative power arrangements. Inability to satisfy customer obligations by these means may materially adversely impact the financial position of the Company.</p>
Operational risks	<p>The Company and its clients are exposed to operational risks relating to both current and future operations. Such operational risks include fraud / dishonesty by its employees or service providers, occupational health & safety, software failure, information systems failure or external services failure.</p>
Reliance on key personnel	<p>The Company employs or proposes to engage as consultants, a number of key members of its management and team. The loss of any of these people's services could materially and adversely affect the Company and may impede the achievements of its objectives.</p>
Customer relationships	<p>The growth of the Company depends in part on increasing the number of its customers. The Company's ability to maintain levels of customer numbers, or to increase the number of customers further, in applicable business units and geographical areas is likely to be subject to limits.</p> <p>There is a risk that one or more customers may terminate their contracts early or that, upon expiration of their existing contracts, they may choose not to renew arrangements with DC Two or that the subsequent terms may be less favourable to DC Two. Failure to maintain customer relationships or renew agreements could result in DC Two's revenues declining and operating results being materially and adversely affected.</p>

Key Risk	Description
Partnership arrangements	The Company has or may hold a number of detailed discussions with potential partners. Failure to finalise these partnership arrangements may have a negative impact on the ability of the business to perform its services.
Business Failure	DC Two is currently loss-making, however currently generates revenue. However, there is no guarantee that the Company’s business to date, future acquisitions or the development and marketing campaigns will be successful. If these events are not successful, this would likely have an adverse impact on the Company’s potential profitability. There is a risk the Company will not achieve a commercial return. There is a risk of business failure, including failure to attract new clients, failure to retain existing clients, or that sufficient revenue will otherwise not be achieved. In event of business failure there is also a risk the Company will need to raise additional capital which will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or suspend its operations to reduce costs.
Supplier and manufacturer risk	Any material changes in the trading terms and or supply from third-party providers may impact the Company’s ability to provide the current suite of services to its customers at the current pricing and gross margin.
Competition risk	The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company.
Construction risk	<p>The Company intends to build new data centres, with a number of risks including:</p> <ul style="list-style-type: none"> • the risk that suitable sites or required planning consents and regulatory approvals are not obtained or, if obtained, are received later than expected, or are adverse to the Company’s interests, or are not properly adhered to; • the escalation of development costs beyond those originally expected; • unforeseeable project delays beyond the control of the Company; and • non-performance/breach of contract by a contractor or sub-contractor. <p>Increases in supply or falls in demand could influence the acquisition of sites, the timing and value of sales and carrying value of project.</p>
Technological developments	If DC Two fails to adapt to technological changes, this could have an adverse effect on DC Two’s business, operating results and financial position. The ability to improve DC Two’s existing products and develop new products is subject to risks inherent in the development process. DC Two’s products may be shown to be ineffective, not capable for adaptation to its customer’s business, or unable to compete with superior or cheaper products or services marketed by third parties. There is no assurance that DC Two will be successful in maintaining its market share or that it will be able to develop and introduce competitive technological advances in a timely and cost effective way.

Key Risk	Description
Intellectual property risk	<p>Whilst the Company protects its intellectual property through trade secrets, a trademark application, contractual arrangements and data security policies and measures, there can be no guarantee that there will not be any unauthorised use or misuse of its intellectual property or reverse engineering of its software by competitors.</p> <p>The commercial value of intellectual property assets is dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Company's intellectual property or commercially sensitive information, or that competitors will not be able to produce non-infringing competitive products. There can be no assurance that any intellectual property which the Company (or entities it deals with) may have an interest in now or in the future will afford the Company commercially significant protection of technologies, or that any of the products that may arise from technologies will have commercial applications.</p> <p>It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against the Company under copyright, trade secret, patent, or other laws. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has or will acquire an interest, such claims, if made, may harm, directly or indirectly, the Company's business. If the Company is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Company's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations.</p>

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company. Investors should refer to the additional risk factors in Section 8 before deciding whether or not to apply for Securities under this Prospectus.

1. INVESTMENT OVERVIEW

1.4 INDICATIVE TIMETABLE FOR THE OFFERS

Event	Indicative Date
Lodgement of Prospectus with ASIC and ASX	28 September 2020
Opening Date	5 October 2020
Closing Date	26 October 2020
Despatch of holding statements	2 November 2020
Expected date for quotation on ASX	9 November 2020

Notes:

1. Subject to the Exposure Period. Any extension of the Exposure Period will impact on the Opening Date.
2. Prospective investors are encouraged to submit their Applications as early as possible. The Directors reserve the right to close the Offers earlier or later than as indicated above without prior notice to prospective investors.
3. Anticipated dates only. The above dates are indicative only and may change without notice. The Directors reserve the right to amend the timetable. The date the Securities are expected to be issued and/or commence trading on ASX may vary with any change to the Closing Date.

1.5 KEY ADVISORS' INTERESTS IN SECURITIES

1.5.1 LEAD MANAGER

The Company has entered into the Lead Manager Mandate with Alto Capital pursuant to which Alto Capital is engaged as:

- (a) lead manager to the Public Offer; and
- (b) corporate advisor to the Company for a period of six (6) months from the date the Company is admitted to the Official List of the ASX.

Pursuant to the Lead Manager Mandate, the Company will pay Alto Capital the following fees in respect of the Public Offer:

- (a) a cash fee equal to 6% of the total capital raised (plus GST) pursuant to the Public Offer (maximum fee of \$330,000 plus GST);
- (b) subject to successful completion of the Offers, a lead manager fee of \$50,000 (plus GST); and
- (c) subject to successful completion of the Offers, a monthly retainer of \$8,000 (plus GST) per month for corporate advisory support for 6 months from the date the Company is admitted to the Official List of ASX (a maximum fee of \$48,000 plus GST over the mandate term).

Refer to Section 7.2 for a summary of the key terms and conditions of the Lead Manager Mandate.

As at the date of this Prospectus, the Lead Manager and its associates have a relevant interest in 333,486 Shares in the Company.

The Lead Manager and its associates intend to subscribe for 200,000 Shares under the Public Offer.

Based on the information available to the Company as at the date of this Prospectus regarding the intentions of the Lead Manager and its associates in relation to the Offers and assuming:

- (a) 27,500,000 Shares are issued under the Public Offer;
- (b) 7,000,000 Shares are issued under the Noteholder Offer; and

(c) the Lead Manager and its associates take up 200,000 Shares under the Public Offer, the Lead Manager and its associates will have a relevant interest in 533,486 Shares (representing a percentage shareholding of up to 0.91%).

The Lead Manager has not participated in a placement of Securities by the Company in the 2 years preceding lodgement of this Prospectus. The Lead Manager and its associates acquired 333,486 Shares at \$0.06 per Share pursuant to off-market transfers.

The Lead Manager has been paid fees of \$13,200 (inclusive of GST) in respect of the Convertible Note raising described in Section 7.1.

1.5.2 COMPLIANCE MANDATE

The Company has entered into a Compliance Mandate with Ventnor Capital pursuant to which Ventnor Capital is engaged to provide:

- (a) prospectus management services in respect of the preparation of this Prospectus, including:
 - (i) assistance with execution of listing and management of timetable for listing;
 - (ii) assistance with project management of the IPO process;
 - (iii) assistance with review of legal documentation in relation to the IPO and other agreements;
 - (iv) prospectus drafting;
 - (v) prospectus management, including assisting the Company with prospectus verification and other due diligence activities; and
 - (vi) coordination of due diligence enquiring and liaising with ASX, brokers, legal advisors, accountants and other advisors, (together, **Prospectus Management Services**); and
- (b) ongoing company secretarial services to the Company (**Company Secretarial Services**).

In consideration for the provision of the:

- (a) Prospectus Management Services, the Company:
 - (i) Ventnor Capital a fee of \$35,000 (plus GST) and issued nominees of Ventnor Capital a total of 1,200,000 Shares at an issue price of \$0.001 per Share (a total of \$1,200); and
 - (ii) agreed to pay Ventnor Capital a success fee of \$35,000 payable following successful completion of the Offers and the Company being admitted to the Official List of the ASX.
- (b) Company Secretarial Services, the Company will pay Ventnor Capital a monthly fee of \$5,000 (plus GST), commencing from the date of lodgement of this Prospectus.

In addition to the above, Ventnor Capital will assist the Company with provision of Chief Financial Officer (**CFO**) services until a suitable candidate to fulfill the role of CFO is confirmed by the Company. Ventnor Capital will be paid additional fees for these services, calculated on an hourly basis at commercial rates.

As at the date of this Prospectus, Ventnor Capital and its associates have a relevant interest in 1,366,732 Shares in the Company.

Ventnor Capital does not intend to subscribe for Shares under the Public Offer.

Based on the information available to the Company as at the date of this Prospectus regarding the intentions of the Lead Manager and its associates in relation to the Offers and assuming:

- (a) 27,500,000 Shares are issued under the Public Offer;
- (b) 7,000,000 Shares are issued under the Noteholder Offer; and
- (c) neither Ventnor nor its associates take up Shares under the Public Offer,

Ventnor Capital and its associates will have a relevant interest in 1,366,732 Shares (representing a percentage shareholding of 2.34%).

Ventnor Capital has participated in a placement of Securities by the Company in the 2 years preceding lodgement of this Prospectus. In accordance with the Ventnor Compliance Mandate, 1,200,000 Shares were issued to nominees of Ventnor Capital at an issue price of \$0.001 per Share. Ventnor Capital and its associates also acquired a total of 166,732 Shares at an issue price of \$0.06 per Share pursuant to off market transfers.

1. INVESTMENT OVERVIEW

1.6 USE OF FUNDS

The Company intends to apply the funds raised from the Public Offer, together with existing cash reserves, over the first two years following admission of the Company to the Official List as follows:

Source of Funds	Minimum Subscription (\$5,000,000)	Maximum Subscription (\$5,500,000)
Existing cash as at 31 August 2020	132,771	132,771
Proceeds from the Public Offer	5,000,000	5,500,000
Total	5,132,771	5,632,771
ALLOCATION OF FUNDS		
Expenses of the Offers ¹	574,117	604,666
Cloud platform expansion ²	584,900	584,900
Data centre expansion ³ , comprised of: <ul style="list-style-type: none"> • lease, accreditation, building & facilities; and • electrical infrastructure 	1,500,000	1,800,000
Growth of DC Soft business ⁴	300,000	300,000
Growth of DC Modular business ⁵	800,000	800,000
Loan repayment ⁶	130,000	130,000
Administration costs ⁷	300,000	300,000
Working capital	943,754	1,113,205
Total	5,132,771	5,632,771

Notes:

- Refer to Section 9.6 for further details of the expenses of the Offers.
- Cloud platform expansion includes:
 - expanding DC Two's primary cloud computing activities from WA and NT to the other states (namely VIC, NSW, QLD and SA at this time);
 - the expenditure will include additional computing hardware to seed the new locations and some staff costs to seed, promote and operate the new physical locations and platforms; and
 - these expansions will be supported by the software and automation processes developed within the DC Soft business unit.
- Data centre expansion from its current tier 2 facilities in Osborne Park includes certification and completion of a Tier 3 Bibra Lake data centre facility, which will involve:
 - acquisition and installation of remaining electrical switchboards and associated components;
 - acquisition and installation of suitable Backup Generators;
 - acquisition and installation of Uninterruptible Power Systems (UPS);
 - completion of the facility's cooling systems for the data centre module, telecommunications and other critical rooms;
 - completion of the first 40 rack data centre module; and
 - undertaking data centre tier accreditation works with the Uptime Institute to achieve the Tier 3 accreditation for the Bibra Lake site (which was previously certified as a Tier 3 data centre by the former tenant).

1. INVESTMENT OVERVIEW | 1.6 USE OF FUNDS

4. *Growth of DC Soft business will include separating DC Soft as its own business unit/entity not directly associated with the DC Two cloud business, will enable the software arm of the Company to grow and expand independent of the cloud business.*
5. *Growth of DC Modular business will include:*
 - (a) *designing and developing solutions that enable quick and easy deployment of data centres in regional locations (such as those needed for the Company's new Mid-West, Collie and Werribee locations);*
 - (b) *embedding DC Two designs and IP into a separate DC Modular business unit/entity, DC Two will be able to build its new regional modular sites (in Mid-West and Collie) for a much lower cost point than we would otherwise have been able to achieve with other commercially available products; and*
 - (c) *two new data centre sites to be brought online in 2 separate regional locations in Western Australia and one site in Victoria.*
6. *Repayment of a loan granted to the Company by a related party of Justin Thomas amounting to \$126,009 (including interest) as at 31 August 2020. The loan was advanced for working capital purposes, it is unsecured, on arm's lengths terms and accrues interest at a rate of 6.29% per annum. This loan will be fully repaid using the proceeds from the Offer and will no longer be a commitment thereafter. Refer to Section 1.15.3 for a summary of the key terms and conditions of the Loan Agreement.*
7. *Administration costs include director, staff, consultancy fees, administrative overheads and costs associated with public company compliance.*

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (such as the Risk Factors noted in Section 8) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

The Directors believe that the Company will have sufficient working capital to meet its immediate business obligations, as set out in the above table, and to meet its objectives upon completion of the Offers.

1. INVESTMENT OVERVIEW

1.7 PRO-FORMA CAPITAL STRUCTURE

The table below provides a summary of the capital structure of the Company upon completion of the Offers:

Securities	Minimum Subscription (\$5,000,000)	Maximum Subscription (\$5,500,000)
SHARES¹		
Shares currently on issue	24,000,000	24,000,000
Shares to be issued under the Public Offer	25,000,000	27,500,000
Shares to be issued under the Noteholder Offer ²	7,000,000	7,000,000
Total Shares on completion of the Offers	56,000,000	58,500,000
OPTIONS		
Options currently on issue ³	6,400,000	6,400,000
Options to be issued pursuant to the Offers	Nil	Nil
Total Options on completion of the Offers	6,400,000	6,400,000

Notes:

- The rights and liabilities attaching to Shares are summarised in Section 9.8.
- The Company has agreed to issue 7,000,000 Shares to the Noteholders (or their nominees) upon conversion of the Convertible Notes. Refer to Section 7.1 for a summary of the terms of the Convertible Note Agreements.
- Comprising:
 - 2,200,000 Director Options (exercisable at \$0.25 and expiring 4 years from the date on which the Company is admitted to the Official List of the ASX) issued to Cameron McLean and Blake Burton in accordance with their respective Letters of Appointment. Refer to Section 7.5 for a summary of the key terms and conditions of the Letters of Appointment and Section 9.9 for the full terms and conditions of the Director Options;
 - 2,200,000 Staff Options (exercisable at \$0.25 and expiring 4 years from the date on which the Company is admitted to the Official List of the ASX) issued to certain employees and consultants of the Company as part of their remuneration. Refer to Section 9.9 for the full terms and conditions of the Staff Options; and
 - 2,000,000 Lessor Options (exercisable at \$0.30 each and expiring on 31 July 2024) which were issued to the Lessor (or its nominee) in accordance with the Bibra Lake Lease Agreement. Refer to Section 7.8 for a summary of the key terms and conditions of the Bibra Lake Lease Agreement and Section 9.10 for the full terms and conditions of the Lessor Options.

1. INVESTMENT OVERVIEW

1.8 SUBSTANTIAL SHAREHOLDERS

Subject to who applies for Shares under the Public Offer, the Company anticipates that the only persons (and/or their nominees) who will have a voting power in the Company of 5% or more upon completion of the Offers are set out below.

Shareholder	Shares	Voting power (Minimum Subscription)	Voting power (Maximum Subscription)
SHARES ¹			
Thomas Family Holdings Pty Ltd as trustee for Thomas Wealth Trust ¹	14,175,258	25.31%	24.23%
Mark Dignam ²	4,492,282	8.02%	7.68%

Note:

1. An entity of which Justin Thomas (Managing Director) is a director and sole shareholder.
2. Mr Dignam also holds 400,000 Staff Options (exercisable at \$0.25, subject to time based vesting conditions, and expiring on the date that is 4 years from the date the Company is admitted to the Official List). Refer to Section 9.9 for the full terms and conditions of the Staff Options.

The Company will announce to the ASX details of its top 20 Shareholders (following completion of the Offers) prior to the Shares commencing trading on ASX.

1.9 RESTRICTED SECURITIES

Subject to the Company being admitted to the Official List, it is expected that certain Securities currently on issue or to be issued pursuant to the Noteholder Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will seek to enter into restriction deeds and issue restriction notices (as applicable) in respect of all Securities classified by ASX as restricted securities in accordance with Chapter 9 of the ASX Listing Rules.

It is estimated that:

- (a) 5,791,110 Shares will be subject to escrow for 12 months from the date the Shares were issued (held by non-related seed capitalists);
- (b) 22,364,273 Shares will be subject to escrow for 24 months from the date of Official Quotation (held by related party seed capitalists, including Directors and their associated entities, and promoters);
- (c) 2,950,000 Options will be subject to escrow for 12 months from the date the Options were issued (held by unrelated parties, including certain employees and consultants of the Company); and
- (d) 3,450,000 Options will be subject to escrow for 24 months from the date of Official Quotation (held by related parties, including Directors and their associated entities).

1. INVESTMENT OVERVIEW | 1.9 RESTRICTED SECURITIES

The Company will announce to the ASX full details (quantity and duration) of the Shares and Options required to be held in escrow prior to the Shares commencing trading on ASX.

The Company's free float at the time of listing will be not less than 20%. The Company anticipates its free float upon commencement of trading on ASX will be as follows:

% Minimum Subscription (undiluted)	% Minimum Subscription (diluted)	% Maximum Subscription (undiluted)	% Maximum Subscription (diluted)
44.64%	40.06%	47.01%	42.37%

1.10 FINANCIAL INFORMATION

The Company's financial information is set out in Section 4 and Annexure A

A summary of the audited historical statement of financial position for the Company for the financial years ended 30 June 2019 and 30 June 2020 and the unaudited pro-forma statement of financial position assuming completion of the Offers is set in Sections 4.2.9 and 4.2.10 respectively.

A summary of the audited historical statement of profit or loss and other comprehensive income of the Company for the financial years ended 30 June 2019 and 30 June 2020 is set out in Section 4.2.3.

1. INVESTMENT OVERVIEW

1.11 TAXATION

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

1.12 DIVIDEND POLICY

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

1.13 CORPORATE GOVERNANCE

To the extent applicable, in light of the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (4th Edition) as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 6.4 and the Company's compliance and departures from the Recommendations are set out in Section 6.5.

In addition, the Company's full corporate governance policies will be available on the Company's website (dctwo.com.au).

1.14 DISCLOSURE OF INTERESTS

For each of the Directors, the proposed annual remuneration following the Company being admitted to the Official List together with the relevant interest of each of the Directors in the Securities of the Company as at the date of this Prospectus and Securities to be issued as a result of the Offers are set out in the tables below.

1.14.1 REMUNERATION

The remuneration (including superannuation) paid to the Directors for the 2 financial years prior to the date of this Prospectus and proposed to be paid for the current financial year and the subsequent financial year (on an annualised basis), is set out below.

Director	Financial year ended 30 June 2019	Financial year ended 30 June 2020	Financial year ending 30 June 2021	Financial year ending 30 June 2022
Justin Thomas ¹	\$53,655	\$98,371	\$175,200	\$175,200
Cameron McLean ²	Nil	Nil	\$27,000	\$36,000
Blake Burton ³	Nil	Nil	\$27,000	\$36,000

Notes:

1. Mr Thomas has received \$20,000 in remuneration for the period from 1 July 2020 to the date of this Prospectus. The remuneration payable to Mr Thomas pursuant to the Executive Services Agreement is \$160,000 per annum (plus superannuation) plus statutory motor vehicle allowance for his private motor vehicle, commencing on the date the Company is admitted to the Official List of the ASX. Assuming the Company is admitted to the Official List of the ASX on 1 November 2020, Mr Thomas' remuneration for the financial year ending 30 June 2021 will be \$175,200 (inclusive of superannuation). Refer to Section 7.4 for a summary of the key terms and conditions of the Executive Services Agreement.
2. The remuneration payable to Mr McLean pursuant to his Letter of Appointment is \$36,000 per annum, commencing on the date the Company is admitted to the Official List of the ASX. Assuming the Company is admitted to the Official List of the ASX on 1 November 2020, Mr McLean's remuneration for the financial year ending 30 June 2021 will be \$27,000. In addition, Mr McLean has been issued 1,200,000 Director Options as part of his remuneration and in accordance with his Letter of Appointment. Refer to Section 7.5 for a summary of the key terms of conditions of the Letters of Appointment.
3. The remuneration payable to Mr Burton pursuant to his Letter of Appointment is \$36,000 per annum, commencing on the date the Company is admitted to the Official List of the ASX. Assuming the Company is admitted to the Official List of the ASX on 1 November 2020, Mr Burton's remuneration for the financial year ending 30 June 2021 will be \$27,000. In addition, Mr Burton has been issued 1,000,000 Director Options as part of his remuneration package and in accordance with his Letter of Appointment. Refer to Section 7.5 for a summary of the key terms of conditions of the Letters of Appointment.

1.14.2 INTERESTS IN SECURITIES

The Directors are not required to hold any Securities in the Company under the Constitution.

Set out below are the anticipated relevant interests of the Directors in the Securities of the Company upon completion of the Offers:

Director	Shares	Director Options ¹
Justin Thomas ²	14,175,258	Nil
Cameron McLean ³	125,000	1,200,000
Blake Burton ⁴	150,000	1,000,000

Notes:

1. The full terms and conditions of the Director Options are set out in Section 9.9.
2. Mr Thomas currently holds 14,175,258 Shares indirectly through Thomas Family Holdings Pty Ltd as trustee for Thomas Wealth Trust (an entity which Mr Thomas controls).
3. Mr McLean intends to subscribe for 125,000 Shares under the Public Offer. Mr McLean has been issued 1,200,000 Director Options as part of his remuneration package and in accordance with his Letter of Appointment. Refer to Section 7.5 for a summary of the key terms of conditions of the Letters of Appointment.
4. Mr Burton intends to subscribe for 150,000 Shares under the Public Offer. Mr Burton has been issued 1,000,000 Director Options as part of his remuneration package and in accordance with his Letter of Appointment. Refer to Section 7.5 for a summary of the key terms of conditions of the Letters of Appointment.

1.15 AGREEMENTS WITH DIRECTORS AND RELATED PARTIES

1.15.1 RELATED PARTY POLICY

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) the Director who has a material personal interest should not be present while the matter is being considered by the Board at the meeting and must not vote on the matter.

1.15.2 AGREEMENTS WITH DIRECTORS

The Company is party to the Executive Services Agreement and Letters of Appointment with the Directors, the material terms of which are set out in Sections 7.4 and 7.5 respectively.

1.15.3 DEEDS OF INDEMNITY, INSURANCE AND ACCESS

The Company has entered into a deed of indemnity and access with each of the Directors and the Company Secretary, the terms of which are summarised in Section 7.6.

1.15.4 LOAN AGREEMENT

The Company has entered into a loan term sheet with a related party of Justin Thomas (**Lender**) pursuant to which the Lender agreed to make a loan available to the Company for general working capital (**Loan**). The Loan is unsecured, on arm's length terms and accrues interest at a rate of 6.29% per annum. The Loan will be fully repaid using the proceeds from the Public Offer and will no longer be a commitment thereafter. As at 31 August 2020, the Loan (together with interest) amounts to \$126,009.

2. LETTER FROM MANAGING DIRECTOR



Justin Thomas, Managing Director

DEAR INVESTOR,

**On behalf of the Board,
I am pleased to invite
you to become a
shareholder in DC Two
Limited.**

In 2012, DC Two was founded with a single rented rack in a Perth CBD data centre, a couple of servers, some storage and a vision to provide the local IT community with a world class data centre-based cloud and hosted services offering.

Since then, the Company has grown organically to service over 300 end user business clients and has 40+ channel partners promoting and selling our data centre and cloud products and services into both the Western Australian and Northern Territory markets, primarily delivered from our own high-quality data centre located in Osborne Park, Perth.

This IPO is a gateway to enable the acceleration of DC Two's growth, with the opportunities that have presented themselves to DC Two.

These key opportunities include:

- (a) leasing, fitting out and completing an enterprise grade Tier 3 data centre located in Bibra Lake, Perth;
- (b) completing ISO 27001 Information Security Management System (**ISMS**) accreditation for our cloud platform;
- (c) releasing our first data centre and cloud management software products into the Australian cloud hosting market. These software based automated reporting tools are an Australian first with global potential and reach; and
- (d) complete the roll out of our, and Australia's first, "behind the meter" regional ultra-high-density data centre with our modular data centre products and solutions which are located on an already operational wind farm north of Perth.

This is a very exciting time in the development and growth of both DC Two and the Australian data centre and cloud markets. Subject to obtaining the respective accreditations, we anticipate being the only cloud provider in WA with our own Uptime Institute accredited Tier 3 data centre and ISO 27001 ISMS accredited cloud platform.

On behalf of my fellow Directors, I recommend the Company to you and encourage you to consider the Public Offer and I look forward to welcoming you as a shareholder.

Yours faithfully

A handwritten signature in black ink that reads "Justin Thomas".

Justin Thomas
Managing Director | DC Two Limited



3. COMPANY AND INDUSTRY OVERVIEW

3. COMPANY AND INDUSTRY OVERVIEW

3.1 BACKGROUND AND HISTORY OF THE COMPANY

DC Two was founded in 2012, by Justin Thomas and Mark Dignam, with a vision of delivering world class capabilities, through local services to local customers in the emerging Cloud space. From humble beginnings DC Two has ridden the cloud wave and now has over 300 end user businesses hosted on our platforms across WA and NT, with services delivered from data centres in Perth and Darwin. the Company does not currently have any subsidiaries.



OUR GOALS

From the outset the goal was to leverage the managed service provider (MSP) channel as a route to market. This has driven the Company's design thinking to ensure the offerings were focused on the needs of the MSP, so they had the services and control that would allow them to add value to their customers.

Delivering on this goal means the Company now has a suite of vertically integrated services covering nearly every part of the data centre and cloud technology stack. From the physical infrastructure and services of the data centre itself through to the cloud hosted customer servers and virtual desktops, all controlled, connected, accessed and managed via DC Two's in-house developed hardware and software-based self-service and automation

focused products, enabling proper control and management of the entire stack.

This approach has delivered a loyal customer base and strong revenue over the past 3 financial years. With a dedicated team of 13 staff and a channel of over 40 MSPs, DC Two is now ideally positioned to exploit one of the fastest growth global technology sectors by accelerating the delivery of a broad suite of cloud services, telecommunications solutions, industry specific software and unique IT hardware, all designed & developed in house and manufactured or produced locally.



3.2 OVERVIEW OF BUSINESS MODEL



3.2.1 BUSINESS UNITS

The business is structured to ensure a focus on customer success and outcomes, an internal focus on responsibility and a clarity of value generation for investors.

The business units are positioned to contribute to and enhance the success of each other, but also to provide the opportunity for independent value creation. Each of these business units is exploiting the results of existing investments and hence creating the opportunity for accelerated growth through investor funding.

The Company's core business units are described below.

OUR FOUR UNITS

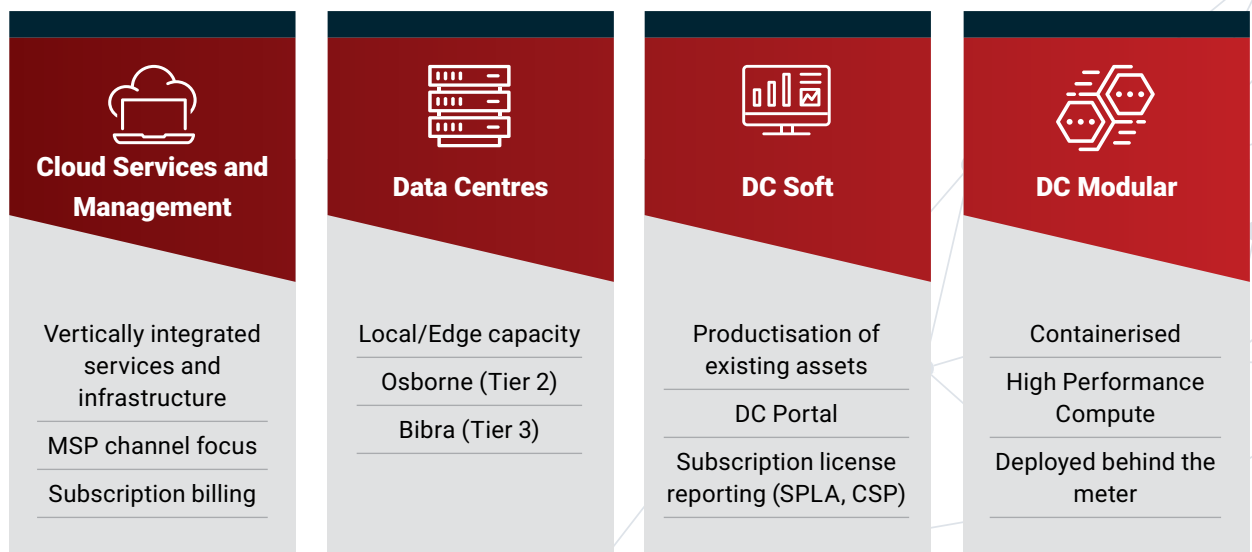


Figure 1 – Business unit overview

(a) Cloud Services and Management

The business has grown through delivering an increasingly sophisticated set of vertically integrated cloud services and associated management, to local customers through a local MSP channel.

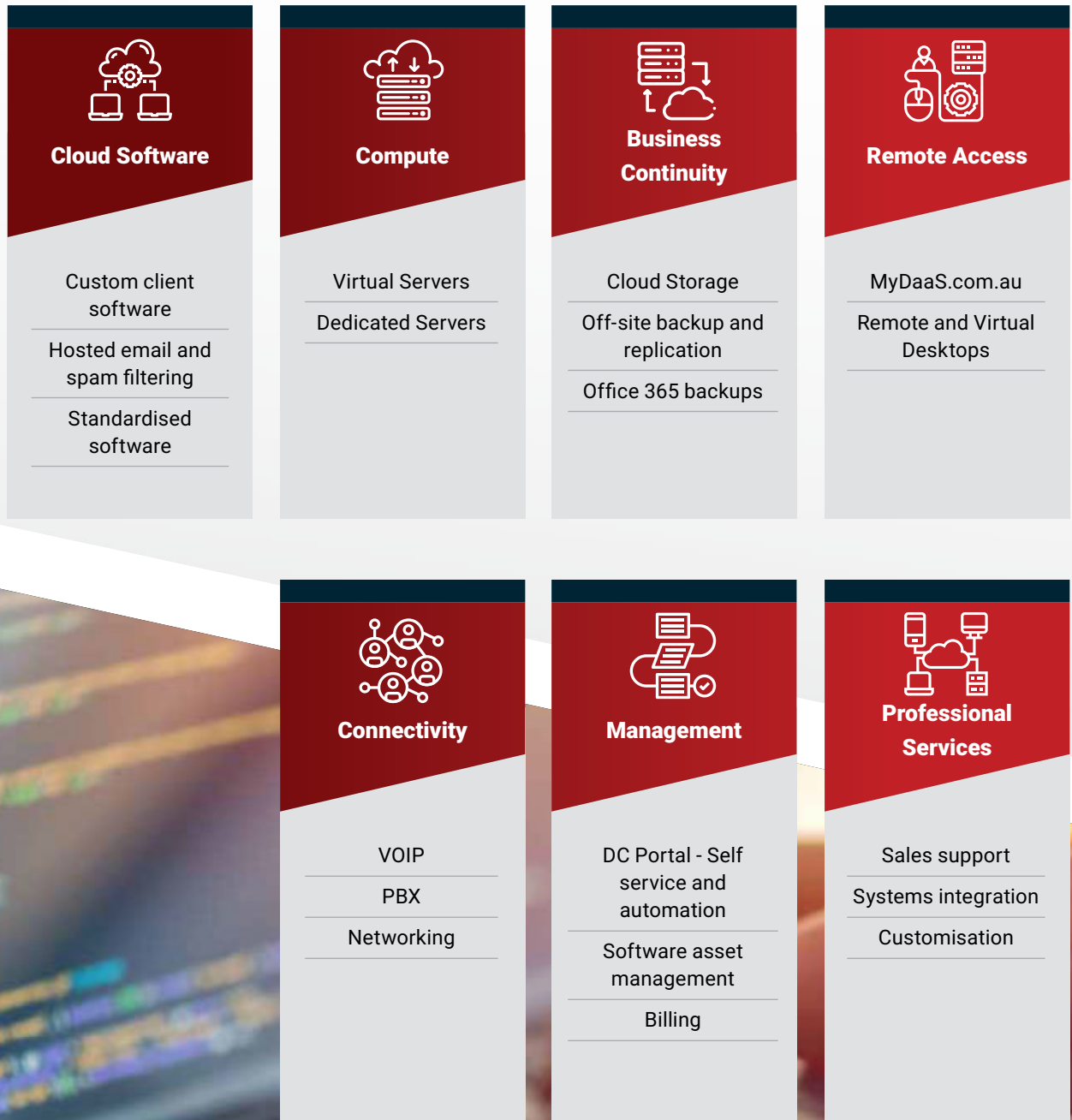


Figure 2 – Cloud services and management offerings overview

Customer demand for these managed cloud services is growing and the current COVID-19 pandemic is accelerating the digital transformation activities of most businesses and hence further increasing demand. However, customer awareness and expectations in the areas of compliance, privacy and security is also growing. Mid-market and enterprise customers in particular are beginning to demand formal certifications.

Many cloud service providers rely on the accreditation of their data centre partner, which is often limited

in scope to the physical infrastructure. However, as a vertically integrated provider DC Two can offer services to their partners and end customers that have been accredited across the whole physical and cloud stack. This is why DC Two are investing in ISO 27001 accreditation across the whole of their vertically integrated Cloud Platform.

DC Two see the demand for these integrated and accredited local services growing and this will remain a core focus for the business.

(b) Data centres

DC Two's cloud services and management are underpinned by its directly owned and operated local data centre capacity in Perth, and the shared capacity in Darwin.

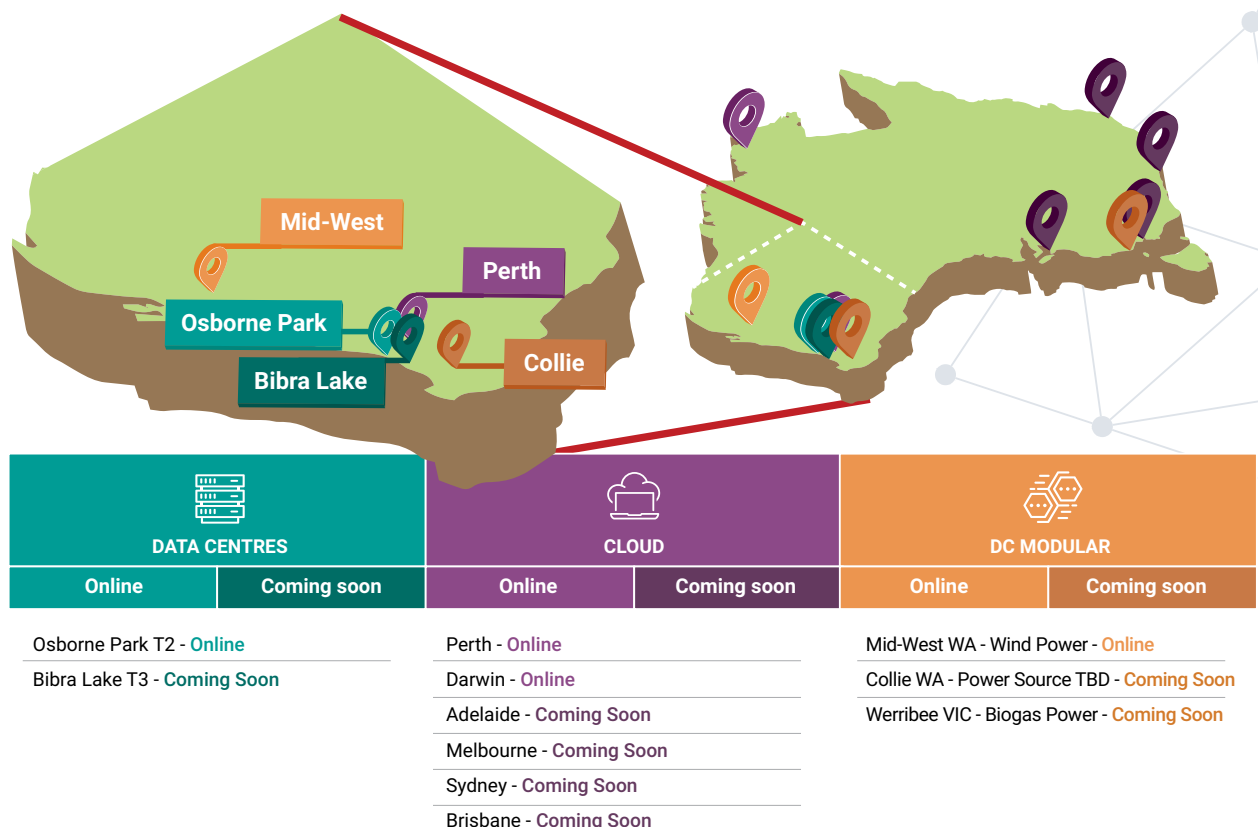
Whilst the hyper scale data centres (Microsoft, Amazon et al) are servicing a large percentage of the market demand, there is a strong market requirement for the flexibility and control provided by local/edge capacity.

As part of its growth strategy, the Company has entered into a lease agreement in respect of a new larger premises in Bibra Lake (previously certified as a Tier 3 data centre by the former tenant). The Company intends to complete the necessary works required to achieve Tier 3 certifiable standards, and obtain such

certification from the Uptime Institute. The current Osborne Park data centre provides high quality Tier 2¹ local services, meeting the existing customer requirements, however, the lease of the Bibra Lake facility will provide DC Two with the ability to meet the immediate growth in demand and to align with the growing customer requirements for compliance, security and privacy accreditation.

DC Two see an immediate opportunity to accelerate the value of DC Two's data centre assets and to expand into additional facilities over the 2021/22 timeframe.

Data centres will continue to be a core and expanding focus for the business.



1. For further information regarding Data centre Tiers - <https://uptimeinstitute.com/tiers>

ROADMAP FOR THE FUTURE

OUR JOURNEY THIS FAR

2012-2020

Where we have come from

2012

- DC Two Established

2016-2020

- Dependable growth rate of ~25% per year. 300 end user businesses hosted on our platforms. 40 MSP partners. 13 staff. ~\$1.85m pa revenue.

2016

- Software development team established to start R&D of SAM Tool
- Marketing

2017

- Started R&D of SAM Tool

2018

- Started DC Modular concept, recieved Collie futures grant to do R&D for pods leveraging renewables

2019

- Development started for PDU and Room Controller hardware & Software

2019-2020

- Expansion of marketing and development team to accelerate projects & build company brand image

Mid 2019

DC Modular prototype / first Mini-Pod completed and tested ready for first deployment

Mid 2020

PDU prototype built and load tested

Mid 2020

New enterprise business development manager employed to accelerate aquisition of new partners and revenue

Mid 2020

pre-sold hosting for first 1-2 Mini-Pods

OUR NEXT PHASE OF GROWTH

END 2020

2021

2022

CLOUD SERVICES

Marketing Campaign to increase local customers

Expanded Sales Teams

Launch in VIC

Launch in NSW

Launch in QLD

Launch in SA

DATA CENTRES

Complete Bibra Lake operational - stage 1

Bibra Lake Tier 3 design accreditation

Tier 3 construction accreditation

DC MODULAR

Mid-West Site Rollout and initial revenue

Further Regional Sites

DC SOFT

DC Portal & Microsoft SPLA tool first saleable products live

Expand development team

Add automation & self service features

(c) DC Soft

From the outset, DC Two has strived to provide enhanced value of control and flexibility to their partners and customers through automation and self-service as well as optimising costs internally.

Over the past 3 years, to meet this requirement, DC Two has developed its own software assets which are in daily production use, supporting the existing business, being:

- (i) DC Portal: Deliver a single interface to automate access, management and self service of products and services.

- (ii) DC SAM (Software Asset Management): Automation of the complex task of accurate license reporting data centre environments.

Despite an ongoing review of the COTS (common off the shelf) market, DC Two has not found capability that meets the requirements of a fully integrated, partner channel focused, data centre provider. This lack of suitable COTS capability has also been reflected in market interest in DC Two's software assets.

This market interest has created the opportunity to productise these software assets so they can be sold into the open market.



DC Two has strived to provide enhanced value of control and flexibility to their partners and customers through automation and self-service as well as optimising costs internally.



(d) DC Modular

Just as the Company had a vision for the growth in Cloud, they can now see the expanding requirement for localised, high performance compute. Delivering to the cost/performance characteristics demanded by the market, has again required creative thinking.

The result is a flexible package, with industry leading efficiency, high density compute and storage capacity, in a containerised form factor that allows for simplified local/edge deployment.

Additional creative thinking means that the pilot deployment will be “behind the meter” at a local renewable energy generation site. This provides enhanced value to the generator, reduced energy costs to DC Two and a “green powered” service to the customer.

DC Two believes the proven DC Modular capability and business model, positions the business to accelerate into the growing localised and edge, high-performance compute market.



Inside of the prototype modular data centre, note- not-to-scale



Electrical technician installing the modular data centre cooling fans



Justin Thomas, Managing Director and John Pavy, Business development inspecting the cooling fan for the modular data centre pod

3.2.2 ROUTE TO MARKET

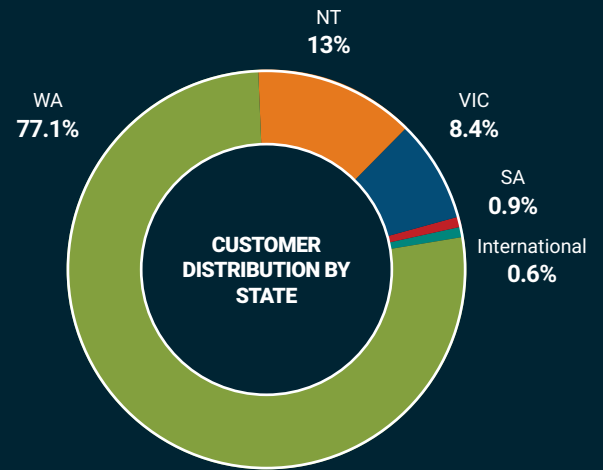
(a) Cloud Services and Management and Data centre business units

From day one, DC Two has had a partner first model. This has offered diversity and risk management across the customer base, including:

- (i) Diversity of customer size: Partners of differing size and capabilities all have access to the same services, allowing them to confidently engage with end customers of all sizes.
- (ii) Diversity of industry verticals: Partners can engage and focus with customers in differing industry verticals based on their expertise. The combination of the partner and DC Two, offering greater customer value than either on their own.
- (iii) Wider sales exposure: The expertise and contacts provided by a diversified partner channel, extends DC Two’s reach into the local customer market. DC Two can then focus on delivering support and services to the partner channel (1 to few) and allow the channel to manage the end customer (1 to many) sales and customer relationship.
- (iv) Reduction of critical customer risk: The diversified customer portfolio delivered through the partner first model means that “critical customer risk” is reduced. Currently the largest single customer represents ~10% of revenue, however this risk is mitigated with long term (typically 3 year) contract agreements.

This focus has ensured that ~70% of current revenue is derived from DC Two’s partner ecosystem and a broad spread of customers across a diverse set of industrial verticals, including (but not limited to):

- (i) ASX listed mining, exploration, energy, resources, telecommunications and financial services companies;
- (ii) local governments in Western Australia;
- (iii) Perth based schools and law firms; and
- (iv) Aboriginal health organisations in the Northern Territory.



This partner first, route to market, will continue to be the focus for the core Cloud Services and Management and Data centre business units.



DC Two have been instrumental in providing IaaS offerings that have allowed us to build and scale fast and efficient cloud solutions for our clients. Their investment in providing local, robust infrastructure is a great win for clients in Western Australia that require low-latency, secure access to their resources.

- Brenton Baker, former Empower ICT



(b) DC Soft DC Modular business units

Although the partner channel will continue to have access to all of DC Two offerings, the differing nature of the offerings from DC Soft and DC Modular means this will not be “partner first” model.

It is anticipated that DC Soft offerings will initially be sold directly to other providers of hosted services. This will establish market credibility and proof of capability. Following this, the goal is to establish agreements with distribution partner(s) who specialise in the subscription software and channel market that will enable a broader reach into local and international markets.

For example, there are approximately 1,500 service providers in Australia that utilise the Microsoft SPLA

licensing program. The licensing requirements for this program are challenging and the punishments for non-compliance can be significant. The SPLA capability of the DC SAM tool not only reduces the compliance risk, but also assists in optimising license utilisation to reduce ongoing costs.

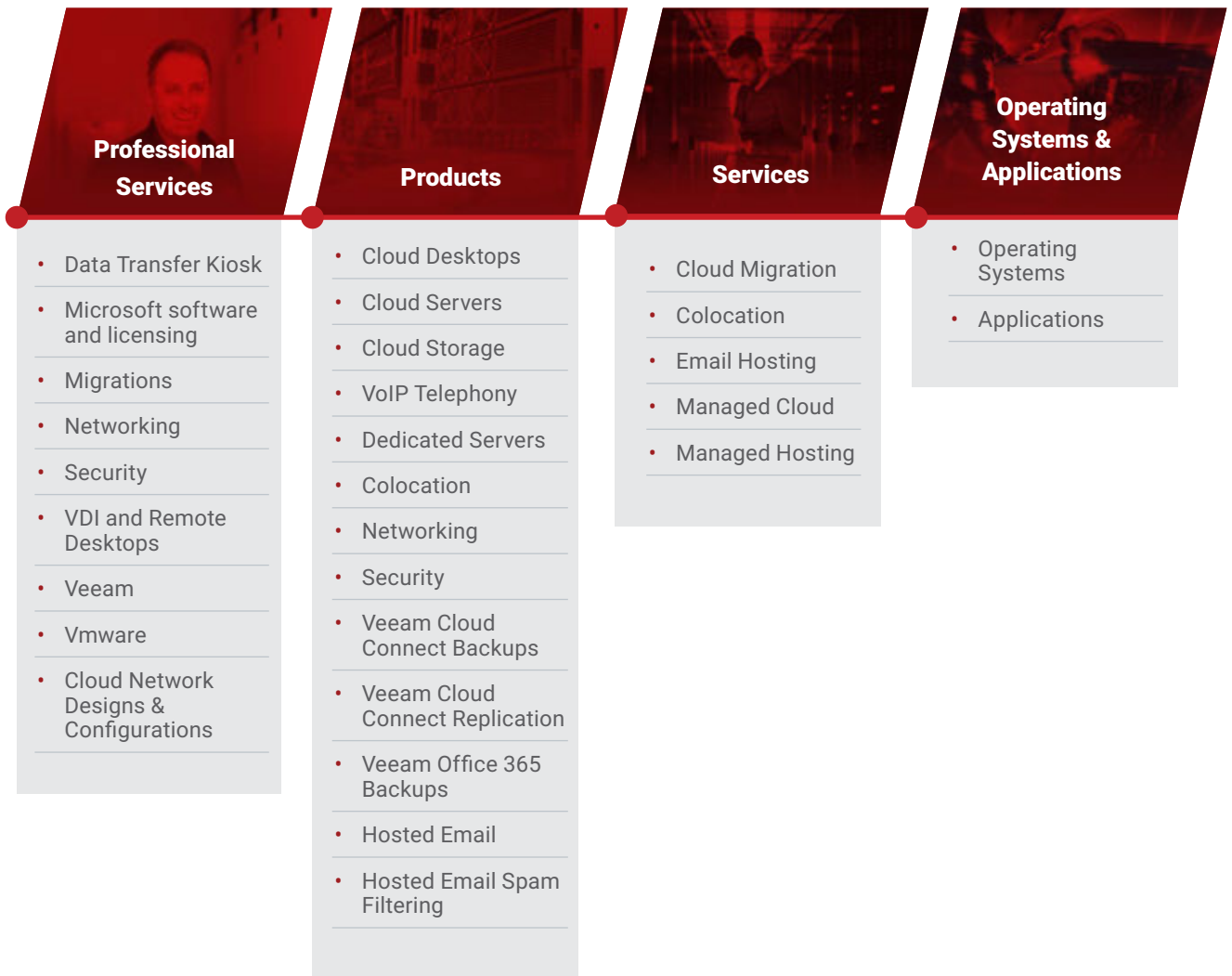
The target market for DC Modular offerings are customers with specialist high compute/low cost requirements (e.g. blockchain) and customers with specific requirements for localised deployment of large-scale compute and storage (e.g. oil, gas and mining sector).



3.2.3 PRODUCTS AND SERVICES

(a) Cloud Services and Management

As mentioned previously, the offerings in this business unit have historically provided the core revenue streams and will continue to be a focus for the business. The offerings include:



Further information on each of these offerings is available on the DC Two web site², however, our material offerings include:

- (i) **Data Transfer Kiosks:** DC Two has always provided an onsite internet 'kiosk' for the use of our clients to gain very quick and easy access to our cloud platforms. There are no other cloud platforms data centres that provide this capability that the Company is aware of and the Company's clients find this to be a very convenient capability. Customers can visit and transfer large amounts of their own data at much faster speeds than would otherwise be available across general internet links (such as NBN), and without the need to physically enter the data centre itself. This reduces foot traffic through the secure areas, therefore reducing security risks.
- (ii) **MyDaaS Desktop as a Service:** During 2014, DC Two recognised that a large portion of its customers were utilising the Company's cloud platforms to deliver remote desktop services, however the Company's pricing model at the time was overly cumbersome and complex for this usage. Customers needed to have the skills (and time) to build whole multi server solutions from a combination of CPU, memory, multiple tiers of storage differing in performance and software licensing.

The Company invested a significant amount of time modelling over 90 unique server system and software licensing combinations which in themselves included all the required items as would normally need to be modelled to achieve a quote for a customer and based on this work, the Company was able to successfully simplify and break down pricing and billing for the vast majority of its remote desktop customers into a cost per user model which both increases or decreases as user numbers change from month to month.

- iii) **Veeam Cloud Connect:** As a Veeam Gold Cloud Partner, DC Two is in a fortunate position to be able to offer locally based off-site backup and replication solutions with a level of efficiency and capability few others can offer:
 - a. Our customers and partners can personally visit our Data Transfer Kiosks to upload 'seed' backups quickly and get 'protected' much quicker than uploading over the internet
 - b. In the event of a disaster, the Data Transfer Kiosks can be used to download and retrieve their data quicker, enabling our customer to get back to work faster
 - c. Or, depending on the type of failure, DC Two can recover the customer backed up system into our cloud platform, often within only hours, and enable immediate external customer connectivity to their restored systems

Many of our products and services may seem similar to those offered by other hosting, cloud or data centre providers, however, not every solution can be solved by a data centre or platform which may be located half way around the world. What often seems at face value to be 'cheap' or 'easy' quickly becomes expensive when considering all relevant factors.

2. <https://dctwo.com.au/products-services/>

(b) Data Centres

This business unit provides the underpinning physical infrastructure, power, networking and related services that enable the value-added Cloud Services and Management revenue streams.

- (i) The Osborne Park data centre provides our (predominantly) SMB customer base with a high-quality offering. However, as a Tier 2 facility, it will be unable to easily service and address the higher-level requirements for compliance, security, and business continuity, especially as the Company grows into the mid-market and enterprise markets.
- (ii) The Bibra Lake facility (further detailed information below), will help meet this changing requirement. The facility has benefited from significant investment by the prior tenants (circa A\$10m). DC Two's investment plans include completion of the works required to restore the data centre to Tier 3 certifiable standards and obtain such certification from the Uptime Institute (the prior certification lapsed in Dec 2018). This will support the Company's growth into the mid-market and enterprise space.

The capability of the Data Centre business unit to "enable" the value-added Cloud Services and Management revenue streams will continue to be a core requirement for the business.

DC Two has historically chosen not to lead with traditional fixed data centre co-location services. Whilst this position continues for the fixed data centres, the additional capacity at Bibra Lake provides the opportunity to generate incremental revenue by offering co-location as a value-added service to existing and new customers. This ensures that DC Two will remain differentiated from the "co-location only" data centre providers.



Image A

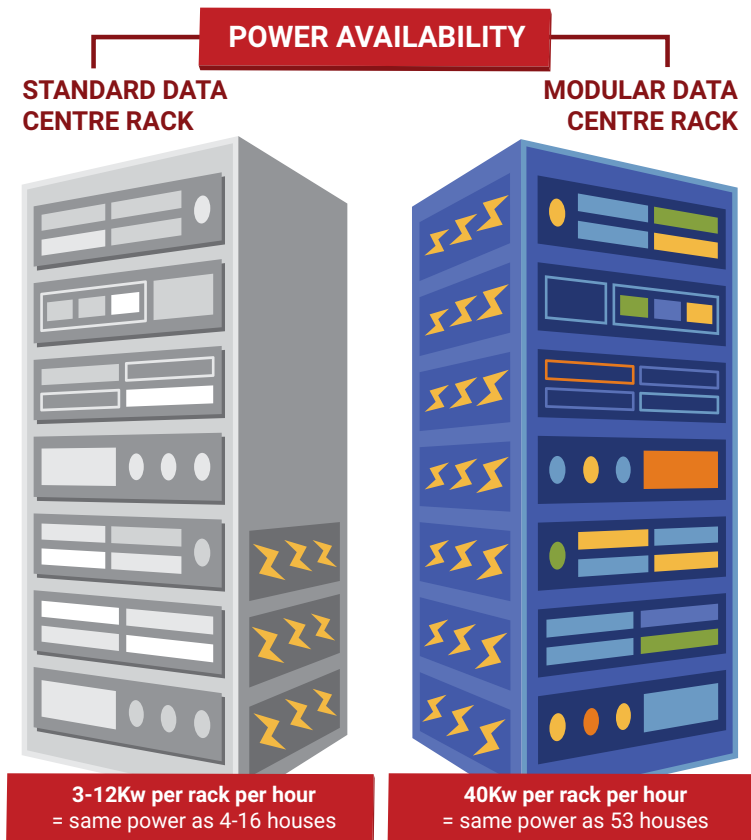


Image B

Image A and B - Data centre infrastructure, which exists at the new Bibra Lake data centre facility



One set of data centre racks located at DC Two's Osborne Park data centre



The average Australian household consumes 18kw per day = 0.75kw per hour

About Bibra Lake

Located in Bibra Lake, one of Perth’s southern suburbs, the data centre was originally designed in 2013 with significant design and construction updates during 2016, 2017 & 2018. During these works, the data centre successfully achieved Uptime Institute (UTI) Tier 3 Design accreditation, although this expired in December 2018.

It is estimated that the prior tenants invested circa \$8m to \$12m in the project before it was effectively abandoned in 2018/19. This left the landlord with a nearly finished, design accredited, Tier 3 data centre with no route to completion or market. Since then the site has remained unfinished and unoccupied.

Through ongoing market research and due diligence, DC Two have been able to acquire these highly attractive premises by way of a long-term lease, a summary of the key terms and conditions of which are set out in Section 7.8. This acquisition unlocks access to the significant CAPEX already invested in the property. DC Two will now be able to bring the site to operation and market at a much lower CAPEX and in a much shorter time frame than would otherwise be required for such a large and high quality facility.

Power density per rack (kilowatts [kW] per rack) is a critical number in data centre design, capacity planning and cooling and power provisioning. The growth in compute-intensive workloads such as AI, IoT, augmented and virtual reality, has driven the requirement for higher power densities. This is reflected in the recent Uptime Institute 2020 data centre survey³, which reported an increase of the average density from 2.4kw/rack in 2011 to 8.4kw/rack in 2020.

The original Bibra Lake UTI accredited design was based on 3kw/rack, which was at the time, in keeping with industry norms. DC Two’s investment plans involve updating this design and re-applying for UTI Tier 3 accreditation, based on the facility having:

- (i) multiple separate and secure data halls
- (ii) power density options ranging from 3kw/rack to 11.5kw/rack
- (iii) capability to meet future demands by increasing power density to 30kw/rack with direct/spot cooling technologies

Note: *The above specifications may vary as the site design and engineering is completed.*

This updated design will allow DC Two to offer flexible capacity options, from partial racks to dedicated secure data halls, providing industry leading physical security and power densities.

DC Two anticipates the site will be ready for customers in mid-2021.

3. *Uptime Institute, 2020 Data Centre Industry Survey Results (July 2020) <(<https://uptimeinstitute.com/2020-data-center-industry-survey-results>>. Uptime Institute has not consented to the use of the information in the form or context in which it is included in this Prospectus.*

New illuminated signage installed at DC Two's Bibra Lake data centre



New signage installed at DC Two's Bibra Lake data centre





Image A



Image B

Image A and B - Data centre and infrastructure, which exists at the new Bibra Lake data centre facility

“

Prior tenants invested circa \$8m to \$12m in the project before it was effectively abandoned in 2018/19. This acquisition unlocks access to the significant CAPEX already invested in the property.

”



(c) DC Soft

The DC Soft business unit has been established to productise and generate IP assets from the software already developed for internal use in the Cloud Services and Management business unit. The initial products available from DC Soft are:

- (i) **DC Portal:** DC Soft’s key application and is the ‘container’ which provides the framework and capability to deliver our management tools. The DC Portal is already quite a mature product with the following capabilities:
 - (a) **Tiered Account levels:** With up to 5 tiers of customer relationships or levels available, just about any number of customer levels and combinations can be catered for including levels for distributors, partners, customers and departments.
 - (b) **Price Books:** The internal Price Books and billing system has been aligned with the Account Levels enabling each Account level to assign and customise their own unique pricing structures and figures to their child accounts within the portal whilst the system maintains a single underlying product set. What this means is that the DC Portal can be used as a single source of truth for a wide range of products and services and should any consumption items and figures change, these changes will flow automatically through the multiple account levels providing accurate billing and charging which ensures that any changes during billing periods are not missed.

This is a very important capability as in the IT industry, manually inputted billing changes are regularly missed which directly impacts the profitability of the IT service provider.

- (ii) **Software Asset Management (SAM):** Accurate recording and reporting of the implementation and deployment of software assets is a very complex task and that task is made even more difficult within cloud and data centre environments by virtue of the additional levels of security that must be implemented to secure user systems and data.

In the market, there are several licensing programs which all have their own specific rules of operation. DC Two chose to initially target the Microsoft “Service Provider Licensing Agreement” (or SPLA) program.

In the development of DC Soft’s SAM tool, the Company had to identify and overcome many technical challenges which are unique to cloud providers and create interfaces which allowed the Company’s technicians to easily review, then manipulate and record the masses of complicated information, data and relationships within ours and other cloud platforms.

The Company has been successful in this goal and will be operating this SAM tool in its own cloud platform and data centres before the Company is admitted to the Official List of the ASX.



(d) DC Modular

As mentioned previously, DC Two has not focused on co-location as a primary sales offering due to the competitive nature of the market and limited differentiation. However, the growth in demand for localised, regional and edge capacity has created the opportunity to deliver differentiated offerings in the space.

To that end, DC Two have worked with industry leading suppliers to design and build a durable, modular data centre capability that is delivered in a containerised

form factor. This allows DC Two to deploy ultra-high-density colocation and hosting solutions at a greatly reduced OPEX, anywhere that has the required power and data connectivity.

The first of these regional deployments is occurring in Western Australia’s Mid-West on an operational wind farm. This is generating significant customer interest not just due to the regional deployment and cost/performance benefits, but also for the provision of “green energy” to meet the power requirements.

Data Centre Modules

With our first data centre module already built and on site with the first customers equipment already working and operational, what has been a plan for nearly 2 years, has now become a reality.

With additional funds being allocated to the DC Modular business unit, the company will be able to accelerate the expansion and growth of this business unit, and other sites that are under development and with the sheer volume of renewable projects (wind, solar etc.) having already been built or under development across the country, DC Two, as pioneers in this space, will have created an industry leading position and be front-runners in deploying significant additional regional capacity which can unlock additional revenue streams and margins for the owners of the renewable projects.

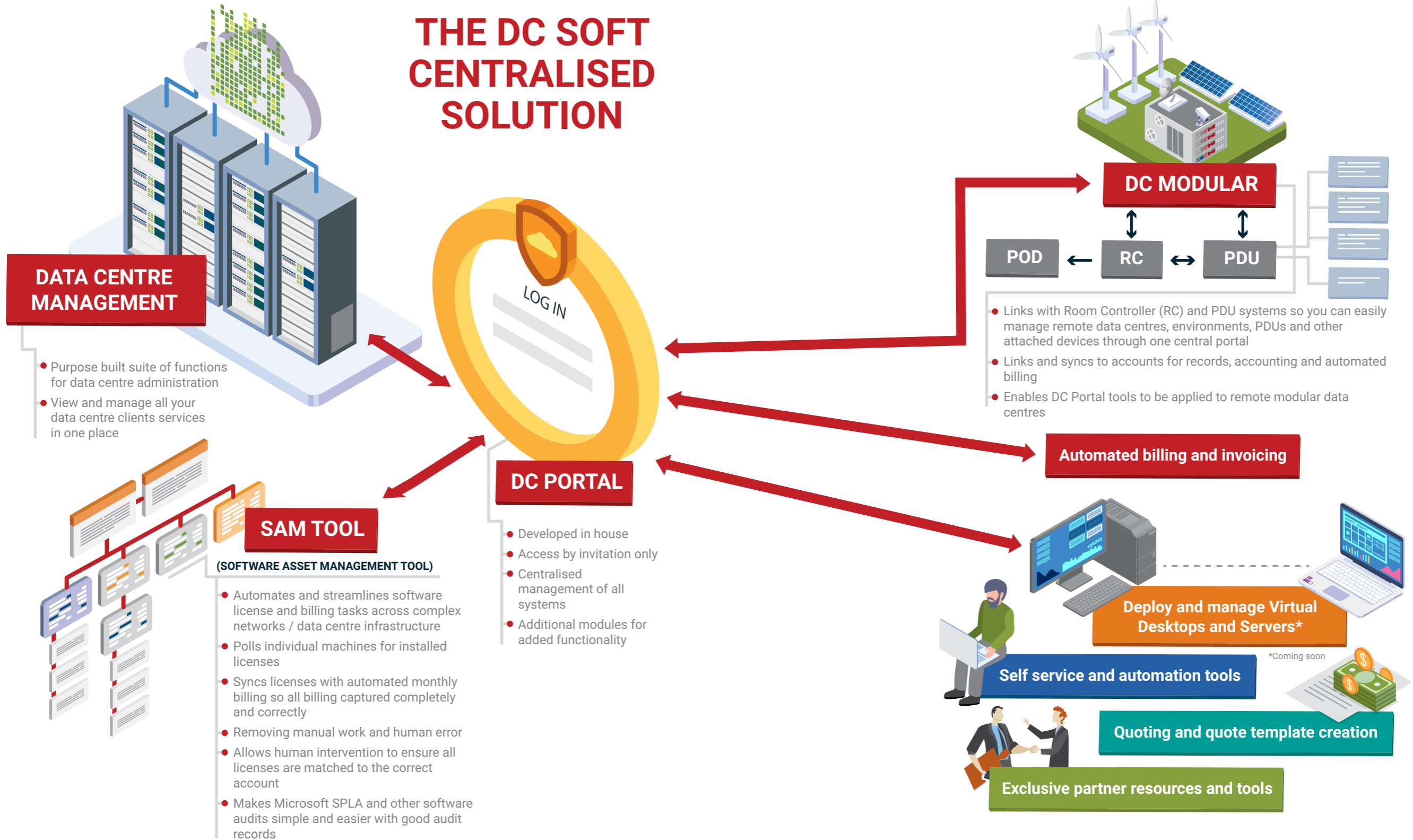


Justin Thomas, Managing Director building the frame work for the prototype modular data centre at our Osborne Park data centre workshop

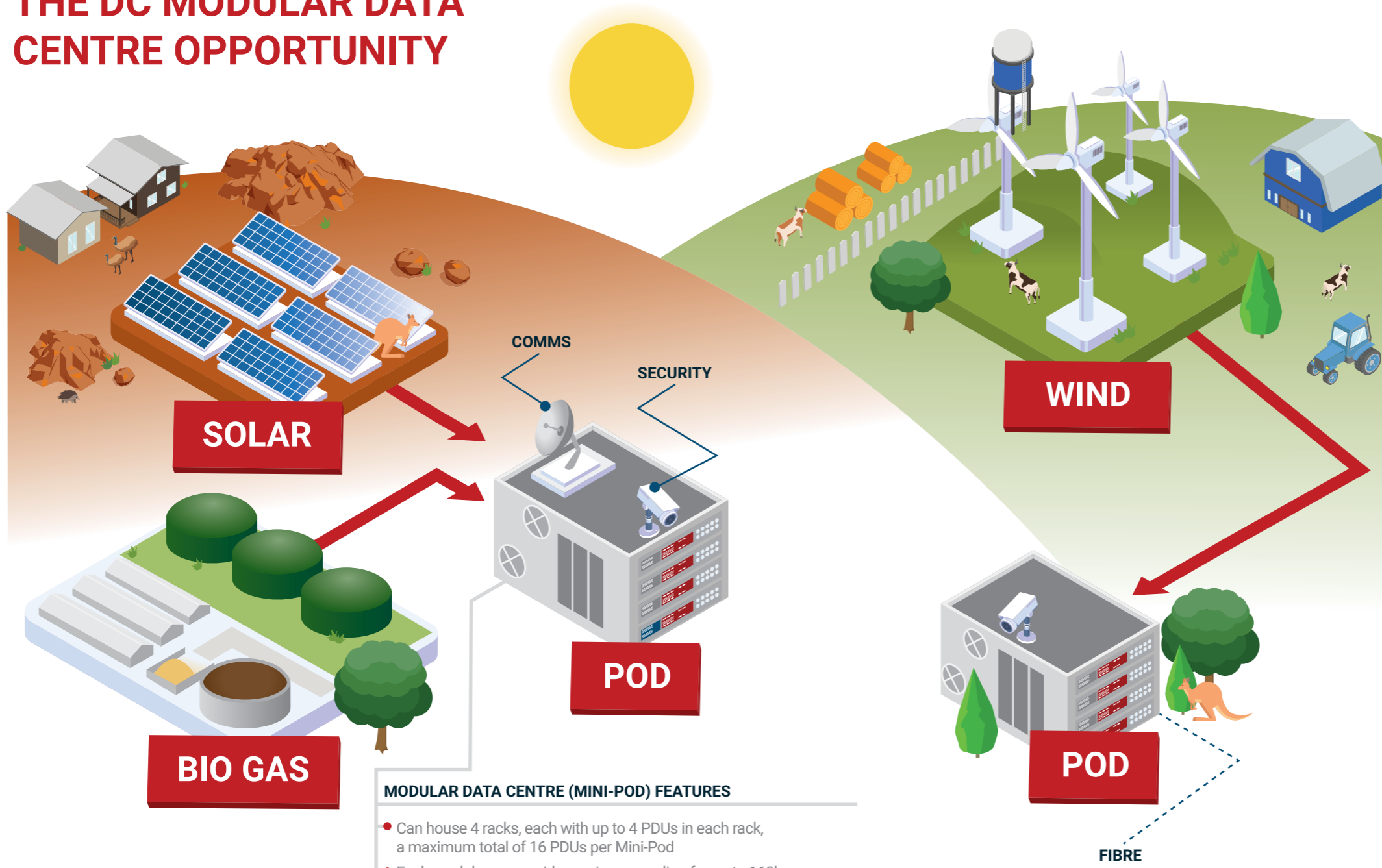


Example Biogas power facility. This photo is for illustration purposes only.

THE DC SOFT CENTRALISED SOLUTION



THE DC MODULAR DATA CENTRE OPPORTUNITY



- MODULAR DATA CENTRE (MINI-POD) FEATURES**
- Can house 4 racks, each with up to 4 PDUs in each rack, a maximum total of 16 PDUs per Mini-Pod
 - Each module can provide maximum cooling for up to 160kw which is 40kw in each rack
 - Each of our mini-pods use the same amount of power per day as around 213 homes all in the space of around 7m²
 - Able to link with satellite, microwave or fibre internet connections plus more
 - Remote security features; Door locks, cameras, motion sensors and alarms
 - Designed to integrate with 3rd party power sources such as wind, solar or even bio gas renewable in regional and remote locations

REMOTE ACCESS AND MANAGEMENT

- ROOM CONTROLLER**
- Remote web interface
 - Cycle power on individual devices or whole racks easily from one place
 - (i) Temperature and Humidity sensors;
 - (ii) RS485 communications - to interface with other manufacturers products;
 - (iii) Electrical Variable Frequency controllers
 - (iv) Motor controllers;
 - (v) Simple Reed switches;
 - Air pressure sensors - for sensing when air filters are full or empty; and
 - Multiple PDU integration
- ↕
- INTELLIGENT POWER DISTRIBUTION UNITS (PDU)**
- Created because of no other suitable hardware available on the market
 - Very high power capabilities 63 amp single phase (15kw) same as one typical residential house in one device
 - Remote web interface
 - Access unit to remotely cycle power on each / all devices
 - Device info; MAC address, IP address etc
 - Live stats: temp, amps, volts for each port
 - Alerts, warnings and messages
 - Can be a standalone product or integrated with Room Controller
- ↕
- DC PORTAL**
- A key feature of the Room Controller and PDU system is that it has been designed to integrate seamlessly into DC Soft's central management DC Portal
 - View all room controllers and PDU from one place

“
One complete control system
”

Power Distribution Units (PDU)

Ultra-high-density data centres need power distribution units capable of safely delivering and controlling extreme amounts of power into a small amount of space. When competing against international data centres, this all needs to be achieved at the lowest possible prices. DC Two was not about to find a suitable product in the market that catered for all of these needs, accordingly, DC Two decided to build its own.

DC Two now has its own 'fit for purpose' 63 amp single phase (15kw) PDU designed to control ultra-high-density data centres and high performance compute solutions with control and management integrated into DC Soft's own DC Portal.

To put this new hardware into perspective and to help explain exactly what ultra-high-density is, here are a few examples:

- (i) Most houses in newer suburbs have a single phase 63amp (15kw) connection to the street – which is the same as each of our PDUs.
- (ii) Each of our Mini-Pod data centre modules can house 4 racks, each with up to 4 PDUs in each rack, a maximum total of 16 PDUs per Mini-Pod.
- (iii) Based on the maximum cooling capability, each module can provide power and cooling for up to 160kw which is 40kw in each rack.
- (iv) Considering that the average household in Australia uses about 18kw per day⁴ (approximately 0.75kw per hour), this equates to each of our mini-pods using the same amount of power per day as around 213 homes all in the space of around 7sqm.

⁴ Source: <http://www.arelectrical.com.au/tag/average-kwh-usage-per-day-australia/>.

Room Controller

To control the entirety of the data centre modules, we would be needing a controller system and once again, reviewing the market and available products revealed that the available products were either very expensive or for the items that fell within budget were not integrated within a monitoring system.

Once again we chose to undertake an approach of developing our own product which can achieve budget while maintaining the flexibility, management and control of all of the components that are needed.

This DC Modular Room Controller system is capable of monitoring and controlling many external sensors and controls including:

- (i) Temperature and Humidity sensors;
- (ii) RS485 communications – to interface with other manufacturers products;
- (iii) Electrical Variable Frequency Controllers;
- (iv) Motor controllers;
- (v) Simple Reed switches;
- (vi) Air pressure sensors – for sensing when air filters are full or empty; and
- (vii) DC Modular iSense PDU integration & control.

A key feature of the Room Controller system is that it has been designed to integrate seamlessly into DC Soft's DC Portal.

3.2.4 REVENUE GROWTH STRATEGY – AN OPPORTUNITY TO ACCELERATE

The majority of DC Two's revenue (~90%) is currently generated from its cloud services and management offerings (as outlined in "Products and Services" above and underpinned by the Osborne Park data centre). The balance being made up of secondary offerings such as telecommunications and network links, hardware resale and technical services.

During the financial year ended 30 June 2020, DC Two generated sales revenue of \$1,856,000, which represents an increase of approximately 30% from the revenue generated during the financial year ended 30 June 2018.

3. COMPANY AND INDUSTRY OVERVIEW | 3.2 OVERVIEW OF BUSINESS MODEL

DC Two's revenue for the previous three financial years was approximately as follows (based on the Company's audited accounts for the respective periods):

	FY18	FY19	FY20
Net Revenue (\$)	1,400,000	1,961,000	1,856,000

Refer to Section 4 for a summary of the historical statement of profit or loss and other comprehensive income for FY2019 and FY2020, and related analysis.

The other business units, whilst to date not being material direct revenue generators, have benefited from significant investment, funded by the profitable Cloud Services and Management business. As outlined previously each of the business units now have significant assets that are poised for launch into market. This has the potential to significantly accelerate DC Two's growth and revenue.

Following completion of the Offers, the Company intends to execute the following growth strategy:

- (a) Cloud Services and Management – accelerated growth building on:
 - (i) building on the Company's strong existing partner and customer base;
 - (ii) taking advantage of the increasing demand for cloud and data centre services (which has been accelerated as a result of the COVID-19 pandemic);
 - (iii) increasing the number of midmarket and enterprise clients (driven by compliance capability and ISO27001 accreditation); and
 - (iv) expanding the Company's footprint outside of WA.
- (b) Data Centres: As part of its growth strategy, the Company has entered into a lease agreement in respect of a new larger premises in Bibra Lake (previously certified as a Tier 3 data centre by the former tenant). The Company intends to complete the necessary works required to achieve Tier 3 certifiable standards, and obtain such certification from the Uptime Institute. This will allow the Company to meet the market demand

for such facilities and customer requirements for compliance, security and privacy accreditation.

- (c) DC Soft – Accelerated growth by:
 - (i) building on the existing development investments in control and management software tools (i.e. DC Portal and DC SAM);
 - (ii) productising these tools and releasing them to the market; and
 - (iii) increasing the Company's client and partner base and providing an additional sales channel for the Cloud Services and Management business.
- (d) DC Modular – Accelerated growth by building on:
 - (i) the existing investments in designing a building the containerised and high-compute, modular data centre;
 - (ii) the experience gained from the existing, "behind the meter", modular data centre deployment at a regional WA, renewable energy facility; and
 - (iii) the growth in requirement for the differentiated and hence value added, regional/edge compute capacity.

By the end of FY2022 DC Two anticipates that revenue will be split between Cloud Service and Management (~40% to 45%), DC Modular (~40% to 45%) and DC Soft (~10%-15%).

The Board will actively assess suitable acquisition opportunities where they are complementary to the Company's business and can enhance Shareholder value.

3.2.5 KEY DEPENDENCIES

The key factors that the Company will depend on to meet its objectives are:

- (a) access to growth capital;
- (b) access to quality and experienced staff; and
- (c) access to electricity, power and communications at the right rates.

3.3 COMPETITIVE ADVANTAGE

The Company will operate in a competitive landscape alongside a number of other developers, owners and operators of data centres with competing product offerings and geographic presence.

In addition, the Company may face competition from new entrants into the data centre market from competitors that may have significant advantages including greater name recognition, longer operating history, lower operating costs, pre-existing relationships with current or potential customers and greater financial, marketing and other resources. Nevertheless, the Company differentiates itself from its competitors due to a combination of factors, as set out below.

The Frost & Sullivan (2020) report “Australian Data Centre Services Market, Forecast to 2025” highlights a series of market drivers and restraints. DC Two believe they are well positioned to take advantage of the drivers and provide differentiation by positively addressing the restraints.

DC Two Opportunity

Drivers

<ul style="list-style-type: none"> Increasing enterprise data due to adoption of data- intensive technologies 	The addition of the Tier 3, Bibra Lake facility (subject to undertaking the relevant accreditation works and obtaining Tier 3 accreditation from the Uptime Institute) will enhance the ability to meet the compliance, Security and privacy requirements of mid-market and enterprise customers
<ul style="list-style-type: none"> Incoming investments from hyperscale cloud vendors to boost data centre requirements 	The hyperscale cloud vendors are driving overall acceptance and growth in the market
<ul style="list-style-type: none"> SMEs increasing their outsourcing of data centre services 	The MSP/partner first approach, positions DC Two for this increased demand
<ul style="list-style-type: none"> Improvement in international connectivity boosting data centre market in Australia 	Increasing international network capacity positions Perth well for access to Asia and the Middle East
<ul style="list-style-type: none"> Government initiatives undertaken to boost data centre growth 	The supportive stance of the Australian government drives overall acceptance and growth in the market

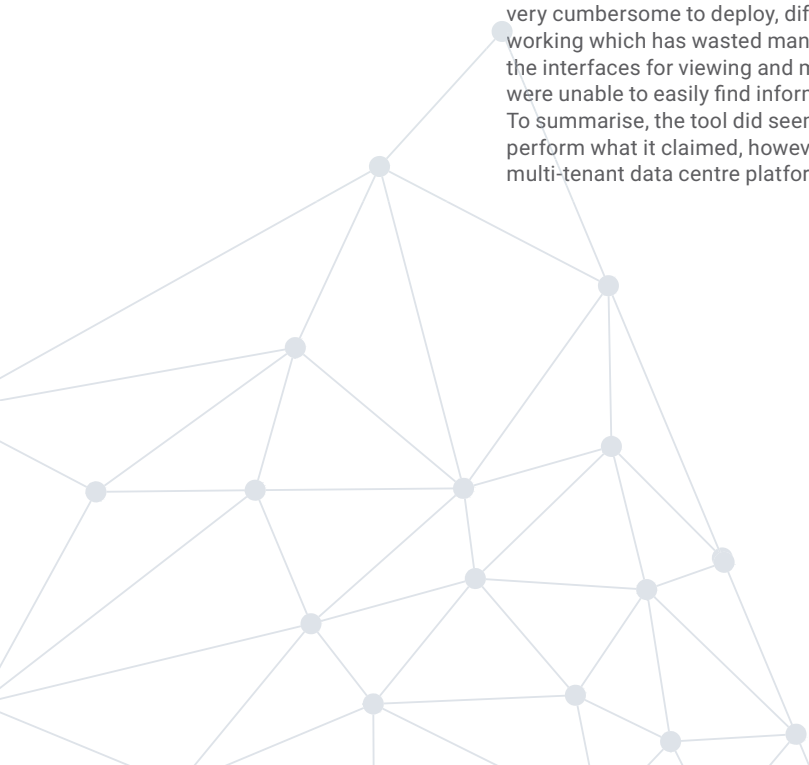
Restraints

<ul style="list-style-type: none"> Increasing Property Prices demanding greater capital expenditure 	The lower property prices in Perth vs Sydney and Melbourne and the ability with DC Modular to locate capacity in even lower cost regional locations offers DC Two an advantage compared to other data centre providers
<ul style="list-style-type: none"> Rising electricity prices negatively impacting operational expenditure 	DC Two will benefit from the high efficiency in in their fixed and DC Modular data centre facilities. Additionally, DC Modular can take advantage of “behind the meter” deployments at renewable energy locations
<ul style="list-style-type: none"> Lack of trained manpower to handle complex data centre processes 	DC Two already has a highly skilled team of technicians and through our software development works undertaken in DC Soft, the company is automating many simple processes which will in turn reduce the need for additional manpower. DC Two also invests in training so our team continues to learn and perform at the forefront of technology
<ul style="list-style-type: none"> Lack comprehensive understanding of power and cooling of data centres 	DC Two have specialist skills in this space as demonstrated with the design of the DC Modular platform

The following table provides additional details of advantages by business unit:

Business Unit	Advantage
Cloud	
	Local focus
	Management and control
	Partner first route to market
	ISO accreditations
	Unique pricing models – such as MyDaaS
Data Centre	
	Integrated with our Cloud Platforms – allowing colocation customers to ‘burst’ into our cloud for projects OR expansion
DC Modular	
	Behind the meter power OPEX
	We had to design and learn lower cost methods of construction in order to be internationally competitive
	Building our own hardware in the PDU and Room Controllers
DC Soft SAM Tool	
	Existing tools are generally modified from the enterprise space, therefore not addressing the technical challenges seen in a true multi-tenant cloud platform

In the market, we have found a small number of potential competing products (both European based) that claim to be able to record and report SPLA usage and DC Two has had the opportunity to implement and test the end to end capability of one of these tools within our production environment. We are very pleased to report that we found this other system very cumbersome to deploy, difficult to use, often requiring support tickets to simply get working which has wasted many man hours. Once we managed to get the system operating, the interfaces for viewing and managing the collected data were difficult to use and we were unable to easily find information critical to our cloud and data centre environment. To summarise, the tool did seem to collect the base information needed to undertake and perform what it claimed, however lacked the technically challenging capabilities with cloud and multi-tenant data centre platforms



3.4 INDUSTRY OVERVIEW – A MARKET BEING DRIVEN BY CUSTOMER CHANGE AND DEMAND

According to a June 2020 report from Telsyte⁵, 45% of organisations are looking to increase cloud infrastructure spending in 2020, and 59% of Australian business have a “cloud first” policy.

Gartner in their “Postpandemic Planning Framework”⁶ propose that businesses will navigate 3 phases: Respond, Recover and Renew. The final renew phase is when “Wise leaders will take the opportunity to “reset” or rebuild their business models and operations for a new reality”⁷

3.4.1 CUSTOMER CONTEXT

The past decade has seen a fundamental and accelerating shift in the business and infrastructure models for the deployment and consumption of information technology.

The default model was based on one-off CAPEX costs, with single customer, on premises deployments and access to services largely limited to those physically in the “office”. Now, the norm is increasingly based on subscription OPEX costs, with services delivered from shared hosted infrastructure and managed to varying degrees by third parties, with these services accessible from anywhere, with the new office being wherever the user is.

We are increasingly seeing the rise of everything as a service with existing business being transformed and whole new business opportunities being created. It is already difficult to imagine how we managed our personal finances or booked holidays without our mobile phone and the related cloud services.

Whilst the COVID-19 pandemic has been devastating at a personal level and has sent economic shock waves around the world, it has been an accelerator for digital transformation. Businesses are having to enable staff in the enforced “working from home” model and implement innovative business to customer (B2C) and business to business (B2B) solutions to overcome business restrictions. Many of the changes required for this COVID “new normal” are likely to translate into the ongoing new normal for technology services and infrastructure.

“

Foundational to all these transformative opportunities and the related new services and capabilities is the data centre, and as one grows so does the other.

”

3.4.2 GLOBAL GROWTH

Globally, we have seen the arrival of disruptive start-ups in all sectors, with the once rare unicorn, becoming a common occurrence.

There are the often mentioned examples of Amazon, Salesforce, Uber and AirBnB, however these are only the tip of the iceberg with every industry vertical seeing new entrants and/or transformation of existing players.

With the acceptance of these public cloud services, businesses are also wanting to gain the benefits of this managed service approach with their core infrastructure and are therefore looking to outsource this is well. For some this can be done exclusively in the hyperscale cloud, however for the majority there needs to be a hybrid approach.



Gartner are forecasting that total worldwide public cloud revenue will grow 6.3% in 2020 and 19% in 2021, with Desktop as a Service (DaaS) growing at 95.4% and Infrastructure as a Service (IaaS) at 13.4% in 2020 and 27.6% in 2018⁸



5. Telsyte, *Hyperscale Clouds Dominate as IaaS spending set to exceed \$1 billion in 2020 (June 2020)* <<https://www.telsyte.com.au/announcements/2020/6/25/hyperscale-clouds-dominate-as-iaas-spending-set-to-exceed-1-billion-in-2020>>. Telsyte has not consented to the use of the information in the form or context in which it is included in this Prospectus.
6. Gartner, *Framework for Post-Pandemic Business Planning (May 2020)* <<https://www.gartner.com/en/insights/framework-for-post-pandemic-planning>>. Gartner has not consented to the use of the information in the form or context in which it is included in this Prospectus.
7. Gartner, *The Executive's Guide to Returning to the Workplace (2020)* <<https://www.gartner.com/en/insights/an-executive-guide-to-returning-to-the-workplace>>. Gartner has not consented to the use of the information in the form or context in which it is included in this Prospectus.
8. Gartner Press Release, *Gartner Forecasts Worldwide Public Cloud Revenue to Grow 6.3% in 2020 (July 2020)* <<https://www.gartner.com/en/newsroom/press-releases/2020-07-23-gartner-forecasts-worldwide-public-cloud-revenue-to-grow-6point3-percent-in-2020>>. Gartner has not consented to the use of the information in the form or context in which it is included in this Prospectus.

3. COMPANY AND INDUSTRY OVERVIEW |

3.4 INDUSTRY OVERVIEW – A MARKET BEING DRIVEN BY CUSTOMER CHANGE AND DEMAND

Traditional “on-premises” software businesses that have made the shift to cloud, especially by enabling a hybrid model, have seen strong benefits.

As an example, Microsoft changed its focus from a history of Windows and Office delivered largely on-premises, to a cloud/hybrid focus with Azure and Office 365. Along with other software providers they have also provided strong support to their global partner community to enable the transition from traditional installation and break/fix management to managed service providers.

The rise of connected devices (aka IoT) and 5G, is also driving growth in the data centre market. Research by Transforma Insights⁹ indicates that active IoT devices will grow from 7.6bn (2019) to 24.1bn (2030) at a CAGR of 11%. An interesting dynamic of this growth is how it is driving the requirement for localised/edge capacity.

With the next era of digitalization, a silent revolution is expected to change the location where data is processed. Edge computing is giving rise to a new wave of data centres that are smaller in terms of footprint and located close to the source. The amount of data being processed at a core data centre is likely to reduce, as data that requires immediate processing is likely be fed to an edge data centre. Frost & Sullivan (2020)¹⁰.

WW Public Cloud Service Revenue (US\$Bn)

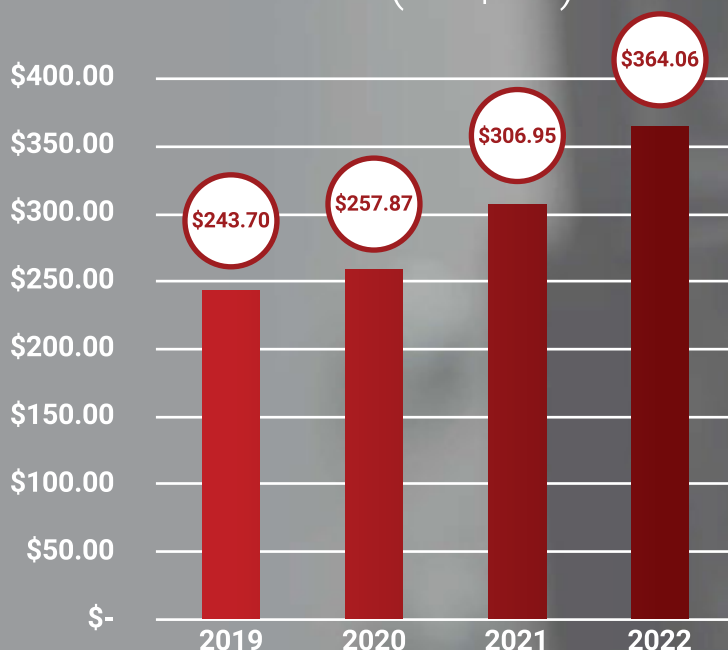


Figure 3 - Source: Gartner (July 2020)

The varied technology requirements of customers means that there is not a one size fits all. A rich data-centre eco-system will be required to power these varying requirements. From the “hands off” hyperscale cloud, through the fully managed and controllable local datacentre, to the local/edge deployment of modular data centre capacity.

9. Transforma Insights, Global IoT market will grow to 24.1 billion devices in 2030, generating \$1.5 trillion annual revenue (May 2020) <<https://transformainsights.com/news/iot-market-24-billion-usd15-trillion-revenue-2030>>. Transforma Insights has not consented to the use of the information in the form or context in which it is included in this Prospectus.

10. Frost & Sullivan, Global Modular Data Centres Market, Forecast to 2025 (May 2020) <<https://store.frost.com/global-modular-data-centers-market-forecast-to-2025.html>>. Frost & Sullivan has not consented to the use of the information in the form or context in which it is included in this Prospectus.

3. COMPANY AND INDUSTRY OVERVIEW |

3.4 INDUSTRY OVERVIEW – A MARKET BEING DRIVEN BY CUSTOMER CHANGE AND DEMAND

3.4.3 AUSTRALIAN GROWTH

Despite its relatively small population, Australia is one of the worlds most advanced technology markets. Many international technology companies have used Australia as early delivery locations for the global growth of their cloud services. For example, companies such as Microsoft, Amazon, Google and Alibaba have all determined that the Australian market is valuable enough for them to fund in-country hyperscale datacentre capabilities. The forward value of this local market can be seen in the valuation of data centre companies such as NextDC Limited (ASX: NXT) which saw a 70%+ in its share price from January 2020 to July 2020.¹¹

Australia is also considered to be one of the friendliest global locations for entrepreneurs, which is in turn driving growth in high tech areas. The Global Entrepreneurship and Development Institute ranked Australia 5th in its 2019 annual index (which measures the health of the entrepreneurship ecosystems in 137 countries and ranks them against each other) due in part due to its sophisticated infrastructure, high skilled workforce and regulatory environment.¹⁴ This is further reflected in the growth of start-up hubs in Australia's major cities. For example, the Sydney Startup Hub (NSW government initiative that is situated above Wynyard Station in the Sydney CBD) has 11 stories and is home to 5 accelerators, and 100s of startups.



"The Australian data centre market is expected to be highly competitive in the near future due to innovative strategies adopted by existing participants in order to enhance customer value."

– Frost & Sullivan (May 2020)¹²

"Australia is likely to witness more than US\$600 million of investments in the data centre market in the coming 2 years due to increase in data centre services demand." –

Frost & Sullivan (May 2020)¹³



According to Frost and Sullivan, the Australian Data centre market is in a Growth Market Stage, with revenue expected to grow from USD1.12Bn in 2018 to USD2.69Bn in 2025 at a CAGR of 13.3%¹⁵

Data Centre Services Market: Revenue Forecast by Segment, Australia, 2018-2025 Revenue CAGR, 2018-2025 = 13.3%

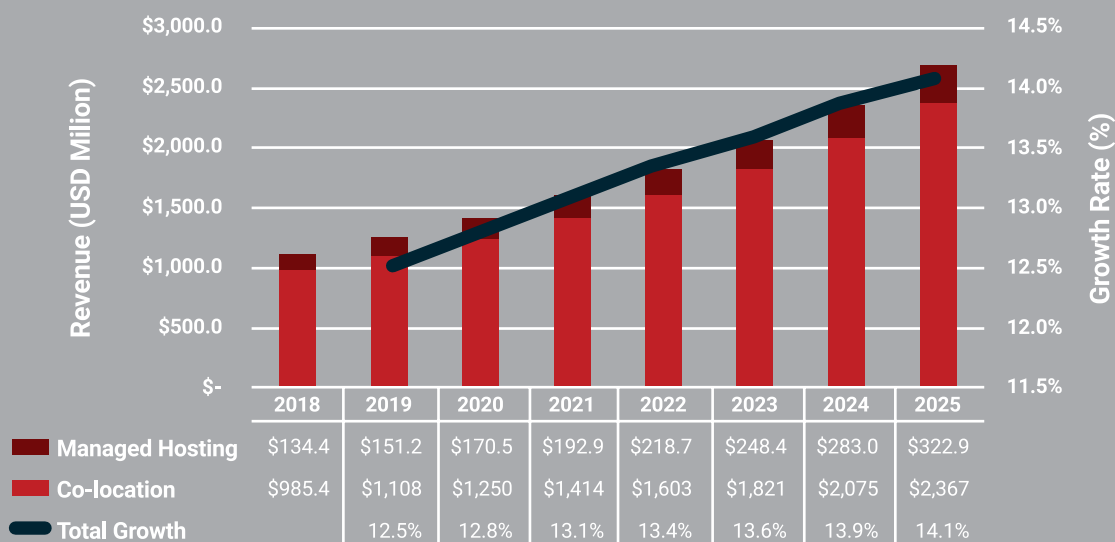


Figure 4 – Frost & Sullivan, Australian Data Centre Services Market, Forecast to 2025 (May 2020)

11. (ASX: NXT): 2-Jan-2020 A\$6.53; 27-Jul-2020 A\$11.44.

12. Frost & Sullivan, Australian Data Centre Services Market, Forecast to 2025 (May 2020). Frost & Sullivan has not consented to the use of the information in the form or context in which it is included in this Prospectus.

13. Frost & Sullivan, Australian Data Centre Services Market, Forecast to 2025 (May 2020). Frost & Sullivan has not consented to the use of the information in the form or context in which it is included in this Prospectus.

14. The Global Entrepreneurship and Development Institute, Global Entrepreneurship Index < <https://thegedi.org/global-entrepreneurship-and-development-index/>>. The Global Entrepreneurship and Development Institute has not consented to the use of the information in the form or context in which it is included in this Prospectus.

15. Frost & Sullivan, Australian Data Centre Services Market, Forecast to 2025 (May 2020). Frost & Sullivan has not consented to the use of the information in the form or context in which it is included in this Prospectus.

3. COMPANY AND INDUSTRY OVERVIEW |

3.4 INDUSTRY OVERVIEW – A MARKET BEING DRIVEN BY CUSTOMER CHANGE AND DEMAND

The vibrant Australian market of managed service providers has been a global leader in supporting businesses who are going through their digital transformation journeys. The trusted advisor status of MSPs also means they can assist with the increasingly complex data and privacy regulatory frameworks, both in Australia and overseas.

These more sophisticated customer requirements mean that MSPs who were early adopters of the “all in public cloud” approach and have now matured to the more flexible and controllable hybrid approach, are able to utilise both hyperscale and localised cloud platforms to deliver the outcomes customers require.



Telsyte¹⁶ report that Australian organisations have on average 4 different cloud providers (up from 3.8 in 2019), which is typically a combination of hyperscale, MSP and hosted.



Although there have been concerns about Australia's access to high speed internet, and whether this could be a blocker to “cloud adoption”, the recent COVID-19 enforced mass adoption has shown the network to be highly resilient. This resilience and future growth opportunity are reflected in the valuation of network as a service providers such as Megaport (ASX: MP1), whose share price has increased by over 70% from July 2019 to July 2020.¹⁷ Even the often maligned

NBN has shown itself to be more capable than many critics predicted. Additionally, Perth is well served for high speed international connections with access to a growing number of services, including INDIGO-West to Singapore (2019) and the planned Oman Australia Cable (2021).

The economic value of cloud services in Australia has been reported on by multiple organisations and recognised at both federal and local level.

The adoption of cloud services by businesses in Australia has resulted in a cumulative productivity benefit to the economy of \$9.4 billion over the last 5 years. 78% of users have reported improvements in productivity since using cloud services. (Deloitte Access Economics 2019¹⁸)

The recent natural disasters of fire, flood and the COVID-19 pandemic have further reinforced the critical infrastructure role of the cloud and related services to the Australian economy.

This Australian growth, with the demand for cloud services going up, the perceived blockers to access being less than expected and the critical infrastructure role of the cloud being recognised, is translating into a strong underlying requirement for datacentre capacity from hyperscale to specialist localised providers.

16. Telsyte, *Hyperscale Clouds Dominate as IaaS Spending Set to Exceed \$1 Billion in 2020* (June 2020)

17. <<https://www.telsyte.com.au/announcements/2020/6/25/hyperscale-clouds-dominate-as-iaas-spending-set-to-exceed-1-billion-in-2020>>. Telsyte has not consented to the use of the information in the form or context in which it is included in this Prospectus.

18. (ASX: MP1): 29-Jul-2019 A\$7.60; 27-Jul-2020 A\$13.01.

19. Deloitte Access Economics, *The Economic Value of Cloud Services in Australia* (2019). Deloitte has not consented to the use of the information in the form or context in which it is included in this Prospectus.

3. COMPANY AND INDUSTRY OVERVIEW |

3.4 INDUSTRY OVERVIEW – A MARKET BEING DRIVEN BY CUSTOMER CHANGE AND DEMAND

3.4.4 LOCAL (WA/PERTH) GROWTH

Frost & Sullivan identify Perth is one of the 4 key datacentre markets in Australia. Sydney and Melbourne are the largest markets (49.1% combined), however Perth is significant at 15.3%.

Perth also has the benefit of lower real estate costs, addressing one of the key restraints identified by Frost & Sullivan for growth in the Sydney and Melbourne Markets.

Additionally, Perth is well served for high speed international connections with access to a growing number of services, including INDIGO-West to Singapore (2019) and the planned Oman Australia Cable (2021).

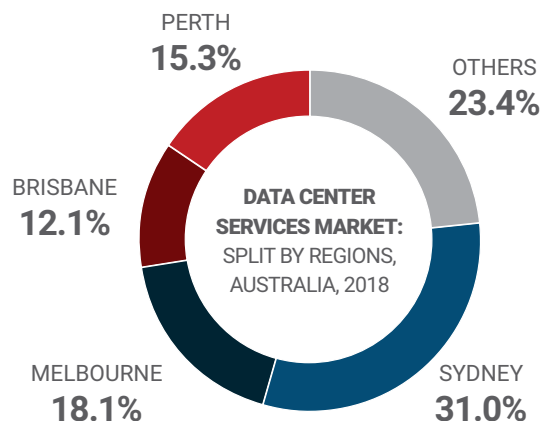


Figure 5 - Frost & Sullivan (2020)

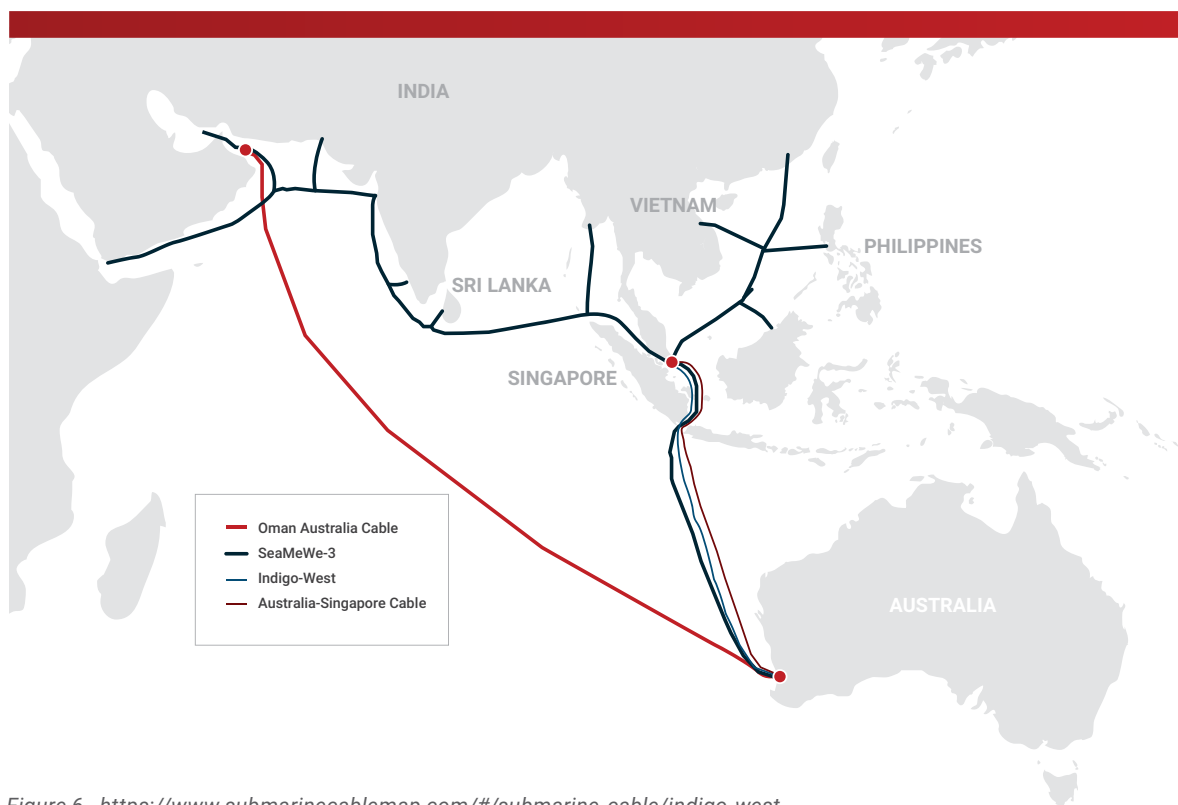
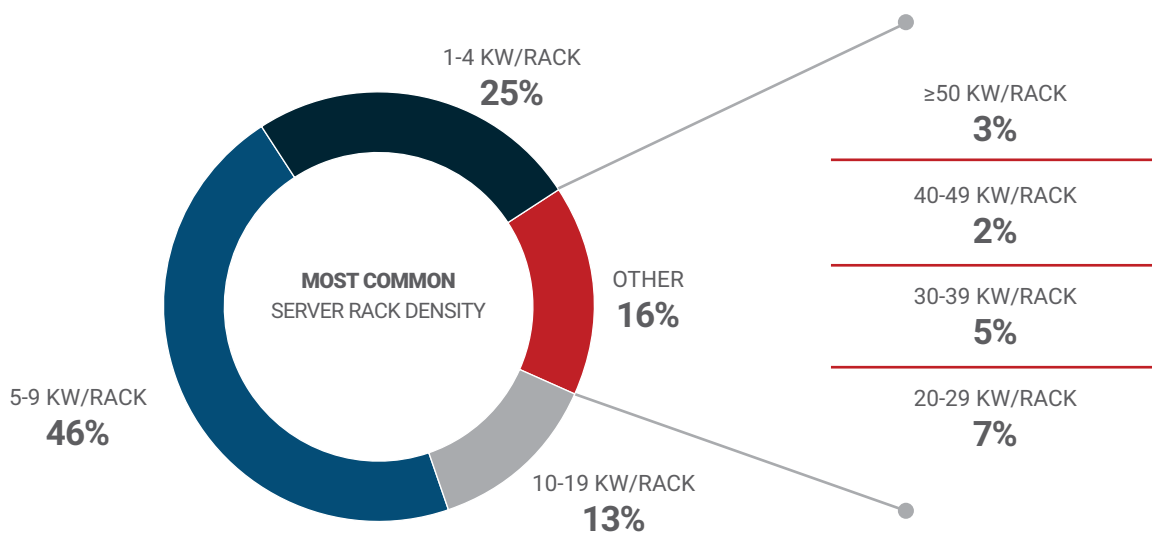


Figure 6 - <https://www.submarinecablemap.com/#/submarine-cable/indigo-west>

Perth provides a well-connected, highly skilled market, ideally positioned to take advantage of the key market drivers and positively address the market restraints

3.4.5 DATA CENTRE RACK DENSITIES

In the Uptime Institute’s 2020 data centre survey, it was found that more than two-thirds (71%) of respondents reported a modal average density of below 10 kW per rack with just 16% widely deploying 20kw or higher rack densities. The most common density was 5 to 9kw per rack



What is the most common (model average) server rack density deployed in your organisation's data center(s)?

Choose one.*

*All figures rounded

Source: Uptime Institute Global Survey of IT and Data Center Managers 2020, n=422



4. FINANCIAL INFORMATION

4. FINANCIAL INFORMATION

4.1 INTRODUCTION

The financial information set out in this Section includes the following:

- Summary historical statement of profit or loss and other comprehensive income for DC Two Ltd for the 12 months ended 30 June 2019 (FY2019) and the 12 months ended 30 June 2020 (FY2020);
- Summary historical statement of financial position for DC Two Ltd as at 30 June 2019 and as at 30 June 2020;
- Summary historical statements of cash flows for DC Two Ltd for FY2019 and FY2020;
- The Pro Forma statement of financial position of DC Two Ltd at 30 June 2020 and supporting notes which includes the Pro Forma transactions, subsequent events, consolidation adjustments and capital raising together referred to as the 'Historical Financial Information'.

The Historical and Pro Forma Financial Information should be read together with the other information contained in this Prospectus, including:

- Management's discussion and analysis set out in this Section;
- The risk factors described in Section 8;
- The Investigating Accountant's Report on the Historical and Pro Forma Financial Information set out in Annexure A of the Prospectus; and
- The other information contained in this Prospectus.

Investors should also note that historical results are not a guarantee of future performance.

4.2.1 BASIS OF PREPARATION OF THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The Historical Financial Information included in this Section has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The Historical and Pro Forma Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001. Changes in accounting policies and significant accounting policies applied to the Historical and Pro Forma Financial Information are noted at the end of this section under the headings 'Changes in accounting policies and 'Significant Accounting Policies'.

The Company has elected to adopt the Australian Accounting Standards - Reduced Disclosure Requirements established by AASB 1053 Application of Tiers of Australian Accounting Standards. The Company is a for-profit entity for the purpose of preparing the financial statements.

4.2 BASIS OF PREPARATION OF THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

4.2.1 BACKGROUND

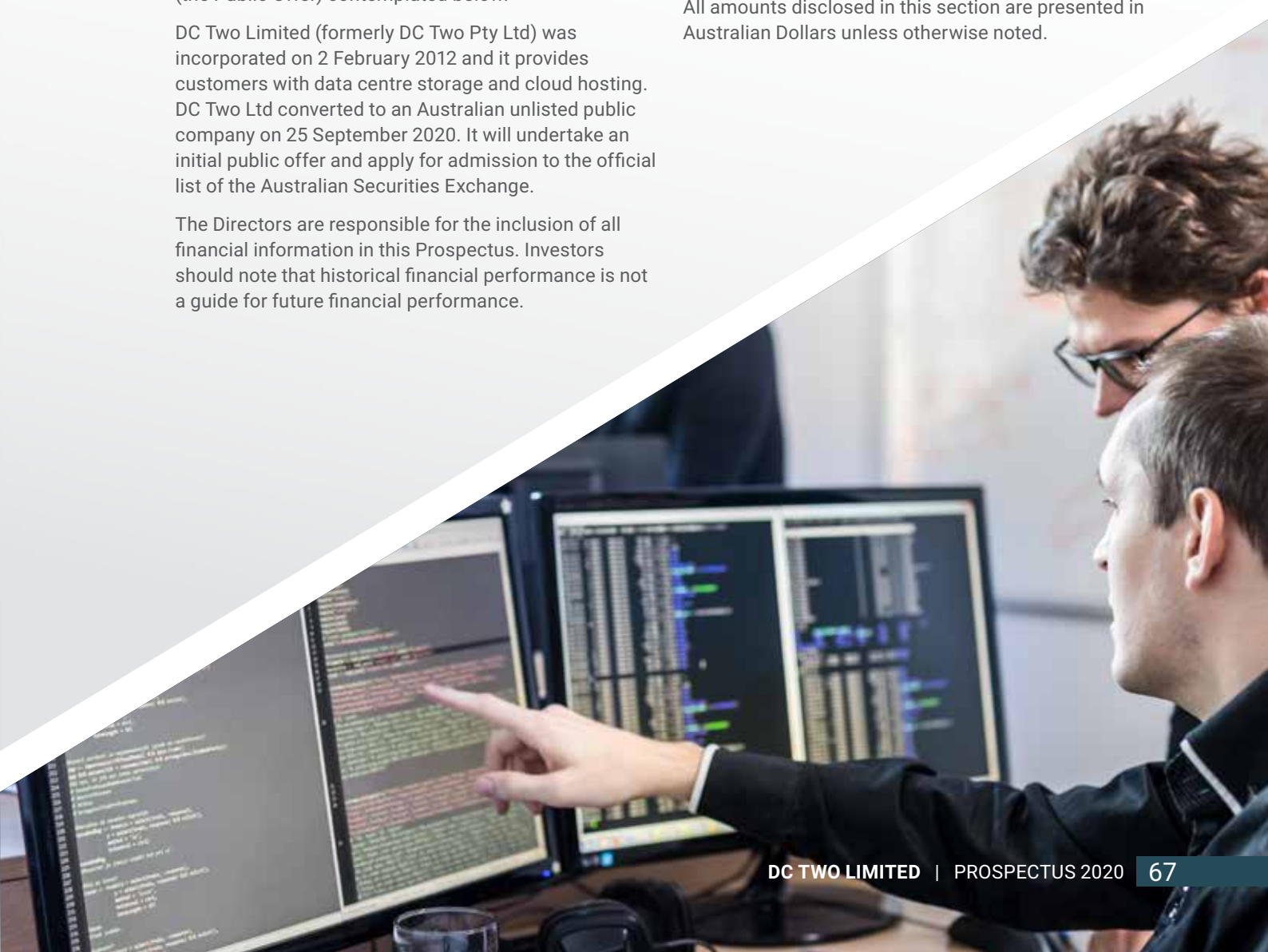
DC Two Limited's historical financial performance has been audited by Butler Settineri (Audit) Pty Ltd for FY2019 and by Grant Thornton Audit Pty Ltd for FY2020. An unqualified audit opinion was issued for each of those periods with an Emphasis of Matter included in the audit opinion regarding the going concern assumption, this was dependent on successfully completing the proposed transaction (the Public Offer) contemplated below.

DC Two Limited (formerly DC Two Pty Ltd) was incorporated on 2 February 2012 and it provides customers with data centre storage and cloud hosting. DC Two Ltd converted to an Australian unlisted public company on 25 September 2020. It will undertake an initial public offer and apply for admission to the official list of the Australian Securities Exchange.

The Directors are responsible for the inclusion of all financial information in this Prospectus. Investors should note that historical financial performance is not a guide for future financial performance.

The Historical and Pro Forma Financial Information has been reviewed by Grant Thornton Corporate Finance Pty Ltd, whose Investigating Accountant's Report is contained in Annexure A of the Prospectus. Investors should note the scope and limitations of that report. The information in this Section should also be read in conjunction with the risk factors set out in Section 8 and other information contained in this Prospectus.

All amounts disclosed in this section are presented in Australian Dollars unless otherwise noted.



4. FINANCIAL INFORMATION |

4.2 BASIS OF PREPARATION OF THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

4.2.3 HISTORICAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below presents the summarised historical pro forma statement of profit or loss and other comprehensive income for the periods ended FY2019 and FY2020.

	Audited	Audited
	FY2020	FY2019
	\$'000	\$'000
Revenue	1,856	1,961
Other income	50	200
Operating Expenses		
Accountancy and audit fees	(26)	(4)
Advertising and marketing	(21)	(2)
Colocation costs	(100)	-
Computer expenses	(17)	(374)
Consultancy fees	-	(114)
Depreciation and amortisation expense	(230)	(214)
Employment costs	(698)	(525)
Insurance	(9)	(6)
Interest expenses	(29)	(21)
Loss on sale of assets	(15)	-
Other expenses	(428)	(266)
Rent	-	(166)
Repairs and maintenance	(5)	(4)
Subscriptions and licences	(537)	(488)
Total Operating Expenses	(2,115)	(2,182)
Loss Before Income Tax	(209)	(21)
Income tax expense	-	-
Total Comprehensive Loss	(209)	(21)

4.2.4 MANAGEMENT DISCUSSION AND ANALYSIS OF THE HISTORICAL FINANCIAL PERFORMANCE AND KEY OPERATING METRICS

Below is a discussion of the main factors which affected the operations and relative financial performance in FY2019 and FY2020 which DC Two Ltd expects may continue to affect it in the future. The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected the company's historical operating and financial performance, nor everything which may affect DC Two Ltd's operations and financial performance in the future.

Revenue: The majority of revenue is generated from cloud services and management offerings which are underpinned by the Osborne Park data centre. Alternate forms of revenue are derived from the Company's secondary offerings such as telecommunications and network links, hardware resale and technical services. Revenue in the Profit & Loss comprises of services provided at a point in time less discounts allowed.

Other income: Represents Southwest Development Commission Small Business Development Grant provided to support DC Two in seeking to set up operations in Collie in FY19 and Cashflow Boost payment from the ATO in FY20.

Employment Costs: Includes all employee related expenses such as wages and salaries, payroll tax,

superannuation and employee entitlement (Annual Leave and Long Service Leave).

Other Expenses: Is comprised of allowance for impairments of receivables, listing costs, other, Pod expenses, telecommunications, travel and utilities.

Depreciation and Amortization: Expenses in relation to plant and equipment, property improvements as well as right-of-use assets relating to leases.

Subscription and Licenses: Includes subscriptions and license to Datacore, Microsoft SPLA, Other, Veeam, and VMWare VSPP.

Income Tax Expense: Is the aggregated income tax expense based on the current tax and deferred tax. This is taken at the statutory rate of 27.5%.

DC Two Ltd's intended use of funds (as detailed in Section 1.6) will result in a change to the underlying cost base of the business as the company executes its strategic growth trajectory (as detailed in Section 3.2.4). This will lead to additional costs that may have the potential to impact short term profitability however, these costs are intended in order to allow for the Company to reach its full potential and achieve its target revenue growth.

4. FINANCIAL INFORMATION |

4.2 BASIS OF PREPARATION OF THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

4.2.5 MANAGEMENT DISCUSSION AND ANALYSIS OF THE HISTORICAL STATEMENT OF CASH FLOWS

The table below presents the summarised historical statement of cash flows for the periods ended FY2019, and FY2020.

	Audited	Audited
	FY2020	FY2019
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,621	1,909
Payments to suppliers and employees	(1,629)	(1,927)
Receipts from other income	50	200
Other revenue	-	55
Interest paid	(30)	(21)
Net cash from operating activities	12	215
Cash flows from investing activities		
Payments for plant and equipment	(70)	(167)
Net cash used in investing activities	(70)	(167)
Cash flows from financing activities		
Receipts from convertible notes issues	380	-
Payment of loans	(99)	(51)
Net cash from / (used in) financing activities	281	(51)
Net increase/(decrease) in cash and cash equivalents	223	(2)
Cash and cash equivalents at the beginning of year	14	16
Cash and cash equivalents at end of year	237	14

4. FINANCIAL INFORMATION |

4.2 BASIS OF PREPARATION OF THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

4.2.6 OPERATING CASH FLOWS

DC Two Ltd has historically operated at a surplus operating cash flow position. However, in FY2020 capital expenditure and loan repayments were met through the raising of \$380,381 (net of costs) from issued Convertible Notes.

4.2.7 INVESTING CASH FLOWS

Historical investment in plant and equipment primarily comprised of new data centre assets.

4.2.8 FINANCING CASH FLOWS

In December 2019, \$424,000 of convertible notes were issued (\$380,381 net of costs). These were issued as a result of the Board resolving to raise seed capital to be used towards general working capital of the Company.

All convertible notes will convert to ordinary shares (based on the terms of the relevant convertible note deed). Conversion through the IPO process is detailed in the pro forma balance sheet in Section 4.2.10.

4. FINANCIAL INFORMATION |

4.2 BASIS OF PREPARATION OF THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

4.2.9 HISTORICAL STATEMENT OF FINANCIAL POSITION

	Audited	Audited
	FY2020	FY2019
	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	237	14
Trade and other receivables	227	53
Other current assets	7	7
TOTAL CURRENT ASSETS	471	74
NON-CURRENT ASSETS		
Property, plant and equipment	321	400
Right of use assets	122	-
TOTAL NON-CURRENT ASSETS	442	400
TOTAL ASSETS	913	474
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	215	115
Contract liabilities	46	-
Borrowings	50	92
Lease liabilities	35	-
Provisions	136	106
Other liabilities	126	270
TOTAL CURRENT LIABILITIES	608	582
NON-CURRENT LIABILITIES		
Borrowings	37	35
Lease liabilities	90	-
Provisions	14	8
TOTAL NON-CURRENT LIABILITIES	141	43
TOTAL LIABILITIES	749	625
NET ASSETS / (LIABILITIES)	164	(151)
EQUITY		
Issued capital	315	171
Convertible notes (net of issuing costs)	380	-
Accumulated losses	(531)	(322)
TOTAL EQUITY / (DEFICIT)	164	(151)

4. FINANCIAL INFORMATION |

4.2 BASIS OF PREPARATION OF THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

4.2.10 HISTORICAL STATEMENT OF FINANCIAL POSITION

The table below sets out the audited historical statement of financial position of DC Two Ltd, the pro forma adjustments that have been made to it (further described in Section 4.2.11) and the pro forma consolidated statement of financial position as at 30 June 2020.

The pro forma statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of DC Two Ltd's view of its future financial position.

As at 30 June 2020	Audited		Minimum Raise		Maximum Raise	
	DC Two \$'000	Pro forma Adjustments \$	Pro forma \$	Pro forma Adjustments \$	Pro forma \$	
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	237	4,300	4,537	4,769	5,006	
Trade and other receivables	227	(175)	52	(175)	52	
Prepayments	-	-	-	-	-	
Other current assets	7	-	7	-	7	
TOTAL CURRENT ASSETS	471	4,125	4,596	4,594	5,065	
NON CURRENT ASSETS						
Investments	-	-	-	-	-	
Property, plant and equipment	321	34	355	34	355	
Right of use assets	122	2,836	2,958	2,836	2,958	
TOTAL NON CURRENT ASSETS	442	2,870	3,313	2,870	3,313	
TOTAL ASSETS	913	6,995	7,909	7,464	8,378	
LIABILITIES						
CURRENT LIABILITIES						
Trade and other payables	215	57	272	57	272	
Contract liabilities	46	-	46	-	46	
Borrowings	50	-	50	-	50	
Lease liabilities	35	271	306	271	306	
Provisions	136	-	136	-	136	
Other liabilities	126	(126)	-	(126)	-	
TOTAL CURRENT LIABILITIES	608	201	809	201	809	
NON CURRENT LIABILITIES						
Borrowings	37	-	37	-	37	
Lease liabilities	90	1,966	2,056	1,966	2,056	
Provisions	14	-	14	-	14	
TOTAL NON CURRENT LIABILITIES	141	1,966	2,107	1,966	2,107	
TOTAL LIABILITIES	749	2,167	2,917	2,167	2,917	
NET ASSETS	164	4,828	4,992	5,297	5,461	
EQUITY						
Issued capital	315	5,106	5,421	5,586	5,900	
Convertible notes (net of issuing costs)	380	(380)	-	(380)	-	
Reserves	-	707	707	697	697	
Accumulated losses	(531)	(605)	(1,136)	(605)	(1,136)	
TOTAL EQUITY/(DEFICIENCY)	164	4,828	4,992	5,297	5,461	

4.2.11 PRO FORMA TRANSACTIONS

The following transactions contemplated in this Prospectus which are to take place on or before the completion of the Offer, referred to as the subsequent events and pro forma adjustments, are presented as if they, together with the Offer, had occurred subsequent to 30 June 2020 and are set out below.

With the exception of the subsequent events and pro forma transactions noted below no other material transactions have occurred between 30 June 2020 and the date of this Prospectus which the Directors consider require disclosure.

Pro forma transactions:

- (a) **“The Public Offer”**: the issue of a minimum of 25 million ordinary shares and a maximum of 27.5 million ordinary shares at an issue price of \$0.20 per share, amounting to \$5.0 million to \$5.5 million under the Public Offer.
- (b) **“Offer costs”**: total expenses associated with the Public Offer (including broking, legal, accounting and administrative fees as well as printing, advertising and other expenses) are estimated to be a minimum of \$574,117 and a maximum of \$604,666 (exclusive of GST) under the Public Offer, as further detailed in Section 9.6. Those costs which directly related to the issue of new shares have been offset against contributed equity, while the remaining costs have been expensed to retained profits as detailed as follows:

	Minimum \$'000	Maximum \$'000
Offset against contributed equity	274	295
Expensed to retained profits	300	310
Total	574	605

- (c) **“Conversion of Convertible Notes”**: the issue of 7 million ordinary shares on conversion of the Convertible Notes. The Company had entered into a number of convertible note agreements with seed investors historically raising a total of \$424,000 (\$380,381 net of costs) - see Section 7.1 for further details.
- (d) **“Repayment of Shareholder Loan”**: the Company has entered into a loan term sheet with a related party of Director Justin Thomas (Lender) pursuant to which the Lender agreed to make a loan available to the Company for general working capital (Loan). The Loan is unsecured, on arm's length terms and accrues interest at a rate of 6.29% per annum. The Loan will be fully repaid using the proceeds from the Public Offer. As at 30 June 2020 the loan totalled \$126,009.

- (e) **“Right-of-Use Asset and Liability”**: In line with AASB16 “Leases” the Company have recognised a right-of-use asset and lease liability in connection with new data centre premises which will be leased at 19 Horus Bend, Bibra Lake WA. Funding for this new site is a key use of funds of the Public Offer as detailed in Section 1.6 of this Prospectus. This is in line with the existing accounting policies applied which have resulted in the recognition of a right-of-use asset and related liability in connection with DC Two's existing premises in Osborne Park.

Subsequent Events:

- (f) **“Issue of Options to Directors and staff”**: the issue of up to 4,400,000 new Options to the Directors and staff on 21 September 2020 which are exercisable at \$0.25 and expiring 4 years from the date on which the Company is admitted to the Official List of the ASX. The allocation of new Options to the Directors and staff are as follows:

Number of options issued	
Director - Cameron McLean	1,200,000
Director - Blake Burton	1,000,000
Staff	2,200,000
Total Options	4,400,000

Utilising acceptable finance valuation methodologies the options have a fair value of \$0.07 per Option totalling \$286,334. The fair value of the options issued have been recognised as a share based payment in accordance with AASB 2 “Share Based Payments”.

- (g) **“Issue of options to Lessor”**: the issue of 2,000,000 new Options to the Lessor on 21 September 2020 in accordance with the Bibra Lake Lease Agreement which are exercisable at \$0.30 and expiring on 31 July 2024. Utilising acceptable finance valuation methodologies the options have a fair value of \$0.06 per Option totalling \$120,396. The fair value of the options provided, have been assessed as an incentive to the Lessor and capitalised to the right of use asset.
- (h) **“Working capital”**: since 30 June 2020 there has been a material movement in working capital as a result of losses incurred in July and August 2020.
- (i) **“Capex”**: recognition of \$34,000 capex at Midwest facility incurred in July and August 2020.

4.2.12 REVIEWED PRO FORMA CASH AND CASH EQUIVALENTS

The reviewed pro forma cash and cash equivalents has been set out below:

	Pro forma adjustment	Minimum Pro Forma \$'000	Maximum Pro Forma \$'000
Audited cash and cash equivalents at 30 June 2020		237	237
<i>Pro forma transactions:</i>			
Proceeds from shares issued under the offer	a	5,000	5,500
Payment of the costs relating to the offer	b	(574)	(605)
Repayment of shareholder loan	d	(126)	(126)
Pro forma cash and cash equivalents		4,537	5,006

4.2.13 CONTRIBUTED EQUITY

The reviewed pro forma contributed equity has been set out below:

	Pro forma adjustment	Minimum Pro Forma \$'000	Maximum Pro Forma \$'000
Audited share capital at 30 June 2020		315	315
Subscription received under the offer (before costs)	a	5,000	5,500
Offer costs offset against contributed equity	b	(274)	(295)
Convertible loan	c	380	380
Pro forma share capital		5,421	5,900

4.2.14 NUMBER OF SHARES

The reviewed pro forma contributed equity has been set out below:

	Pro forma adjustment	Minimum Pro Forma no. of shares	Maximum Pro Forma no. of shares
Audited number of shares issued at 30 June 2020		24,000,000	24,000,000
Shares issued under the offer	a	25,000,000	27,500,000
Convertible loan	c	7,000,000	7,000,000
Pro forma shares issued		56,000,000	58,500,000

4. FINANCIAL INFORMATION |

4.2 BASIS OF PREPARATION OF THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

4.2.15 RESERVES

	Pro forma adjustment	Minimum Pro Forma \$'000	Maximum Pro Forma \$'000
Audited reserves at 30 June 2020		-	-
<i>Pro forma transactions:</i>			
Offer costs offset expensed	b	(300)	(310)
<i>Subsequent events:</i>			
Right of use asset	e	600	600
Fair value of the options issued to directors and staff	f	286	286
Fair value of the options issued to lessor	g	120	120
Pro forma reserves		707	697

4.2.16 ACCUMULATED LOSSES

The reviewed pro forma retained earnings have been set out below:

	Pro forma adjustment	Minimum Pro Forma \$'000	Maximum Pro Forma \$'000
Audited accumulated losses at 30 June 2020		(531)	(531)
<i>Subsequent events</i>			
Fair value of the options issued to directors	f	(286)	(286)
Fair value of the options issued to lessor	g	(120)	(120)
Working capital	h	(198)	(198)
Pro forma accumulated losses		(1,136)	(1,136)

4.3 CHANGE IN ACCOUNTING POLICIES

AASB 16 Leases

The Company has adopted the new accounting pronouncements which have become effective FY20, and are as follows:

AASB 16 'Leases' replaces AASB 117 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from AASB 117 and IFRIC 4 and has not applied AASB 16 to arrangements that were previously not identified as lease under AASB 117 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 5.37%.

4.4 SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

Revenue consists of sales of goods, interest and sundry income. Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Revenue arises mainly from the sale of IT software, after-sales maintenance, consulting and IT services, and contracts for IT services.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Company often enters into transactions involving a range of the Company's products and services, for example for the delivery of IT services, software and related after-sales service.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

Interest income

Interest revenue is recognised on an accrual basis.

Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and future tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

The carrying value of plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Depreciation

Depreciable non-current assets are depreciated over their expected economic life using either the straight line or the diminishing value method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- Property Improvements 0 - 10%
- Plant & equipment 10 - 100%

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

The Company does not have any financial assets categorised as FVOCI and FVTPL. Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses.

In using this practical expedient, the Company uses its historical experience to calculate the expected credit losses.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Company's financial liabilities were not impacted by the adoption of AASB 9.

The Company's financial liabilities include trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted.

The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits have been measured at the amounts expected to be paid when the liability is settled.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Trade Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Contributed Equity

Issued capital is recognised as the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Leased Assets

As described in section 6.9, the Company has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 17 and IFRIC 4.

For any new contracts entered into on or after 1 July

2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- The Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures

4. FINANCIAL INFORMATION | 4.4 SIGNIFICANT ACCOUNTING POLICIES

the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.



5. DETAILS OF THE OFFER

5. DETAILS OF THE OFFER

5.1 PUBLIC OFFER

Under this Prospectus, the Company is offering up to 27,500,000 Shares at an issue price of \$0.20 each to raise up to \$5,500,000 (Public Offer), with a minimum subscription requirement of \$5,000,000.

The Public Offer is open to the general public however non-Australian resident investors should consider the statements and restrictions set out in Sections 5.16 before applying for Shares.

The Shares to be issued under the Public Offer are of the same class and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to Shares can be found in Section 9.8.

Applications for Shares must be made on the Public Offer Application Form accompanying this Prospectus and received by the Company on or before the Closing Date. Persons wishing to apply for Shares should refer to Section 5.10 and the Application Form for further details and instructions.

It is intended that the funds raised from the Public Offer will be applied in accordance with the table set out in Section 1.6. The Company believes that, following completion of the Offers, the Company will have sufficient working capital to achieve its objectives as set out in this Prospectus.

All application monies are payable in full on Application.

5.2 NOTEHOLDER OFFER

In addition, the Company is offering 7,000,000 Shares to the Noteholders (or their nominees) upon conversion of the Convertible Notes (**Noteholder Offer**).

The Company entered into Convertible Note Agreements with the Noteholders pursuant to which the Company issued Convertible Notes to raise a total of \$424,000 (before costs). The Convertible Notes are convertible into a total of 7,000,000 Shares (subject to satisfaction of certain conditions precedent), being the Shares the subject of the Noteholder Offer. Refer to Section 7.1 for a summary of the key terms and conditions of the Convertible Note Agreements.

The Company is issuing these Shares under this Prospectus so that they are issued with disclosure and therefore the Shares will not be subject to the 12 month on-sale restrictions in Section 707(3) of the Corporations Act. Importantly, however, some of these Shares will be subject to ASX imposed escrow for 12 to 24 months. See Section 1.9 for further details on escrow arrangements.

The Company is not offering the Shares under the Noteholder Offer for the purpose of the Noteholders selling or transferring their Shares. However, the Company considers that such persons should be

entitled, if they wish, to on-sell their Shares prior to the expiry of 12 months, subject to any escrow restrictions.

The Shares to be issued under the Noteholder Offer are of the same class as the Public Offer and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attached to Shares can be found in Section 9.8. Shares will be issued under the Noteholder Offer at the same time as Shares are issued under the Public Offer.

Applications for Shares under the Noteholder Offer must be made using the Noteholder Offer Application Form accompanying this Prospectus and received by the Company on or before the Closing Date. Applications may only be made by the Noteholders (and/or their respective nominees) for the relevant number of Shares that they are due to receive (as applicable) in accordance with the Convertible Note Agreements. Noteholders wishing to apply for Shares should refer to the Noteholder Application Form for further details and instructions. No additional funds or consideration are payable by applicants under the Noteholder Offer.

5. DETAILS OF THE OFFER

5.3 CONDITIONS OF THE OFFERS

The Offers are conditional upon:

- (a) the Company receiving sufficient applications to meet the Minimum Subscription under the Public Offer (see Section 5.4 for further information); and
- (b) the Company receiving in principle approval from the ASX for the admission of the Company's Securities to the Official List of ASX on conditions reasonably acceptable to the Company,

(together, the **Conditions of the Offers**).

There is a risk that the Conditions of the Offers will not be achieved. In the event the Conditions of the Offers are not achieved, the Company will not proceed with the Offers and will repay all Application Monies received without interest in accordance with the Corporations Act.



5.4 MINIMUM SUBSCRIPTION

The minimum total subscription under the Public Offer is \$5,000,000 (**Minimum Subscription**). None of the Shares offered by this Prospectus will be issued if Applications are not received for the Minimum Subscription. Should Applications for the Minimum Subscription not be received within 4 months from the date of this Prospectus, the Company will either repay the Application Monies (without interest) to Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Applications and Application Monies will be repaid (without interest).

5. DETAILS OF THE OFFER

5.5 PURPOSE OF THE PUBLIC OFFER

The principal purposes of the Public Offer are to:

- (a) implement the business model and objectives of the Company (as set out in Section 3.2);
- (b) provide funding for the purposes set out in Section 1.6;
- (c) meet the costs of the Offers;
- (d) provide for general administration and working capital needs;
- (e) enhance the public and financial profile of the Company to facilitate its growth;
- (f) continue to provide the Company with access to equity capital markets for future funding needs; and
- (g) meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules.

5.6 LEAD MANAGER

Alto Capital has been appointed as Lead Manager to the Public Offer. Refer to Sections 1.5.1 and 7.2 for details regarding the terms and conditions of the Lead Manager Mandate.

5.7 UNDERWRITING

None of the Offers are underwritten.

5.8 COMMISSIONS PAYABLE

The Company reserves the right to pay a commission of 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee.

Payments will be subject to the receipt of a tax invoice from the licensed securities dealer or Australian financial services licensee. Alto Capital, as Lead Manager, will be responsible for paying all commissions that Alto Capital and the Company agree with any other licensed securities dealers or Australian financial services licensee out of the fees paid by the Company to Alto Capital under the Lead Manager Mandate.

5. DETAILS OF THE OFFER

5.9 EXPOSURE PERIOD

This Prospectus is subject to an Exposure Period of 7 days from the date of lodgement with ASIC. The Exposure Period may be extended by a further period of up to 7 days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

During the Exposure Period, this Prospectus can be viewed online on the Company's ASX announcements platform at www.asx.com.au or the Company's website at <https://dctwo.com.au/>, and hard copies of this Prospectus will be made available upon request to the Company. Applications received during the Exposure Period will not be processed until after expiration of the Exposure Period. No preference will be conferred on applications received during the Exposure Period and all such applications will be treated as if they were simultaneously received on the Opening Date.

5.10 APPLICATIONS AND PAYMENT

If you wish to invest in the Company, you can complete the Application Form or apply online as described below.

Completed Application Forms should be returned to the Company, together with the Application Monies in full, prior to 5.00pm (AWST) on the Closing Date.

Applications under the Public Offer must be for a minimum of \$2,000 worth of Shares (10,000 Shares) and thereafter, in multiples of \$500 worth of Shares (2,500 Shares).

Completed Application Forms and Application Monies should be returned to the Company via the Share Registry as follows:

By Post To:

DC Two Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Or Hand Delivered To:

DC Two Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2128

Note: Do not use this address for mailing purposes.

Refer to the instructions on the back of the Application Form when completing your Application. Cheques must be made payable to DC Two Limited. All cheques must be in Australian currency.

Applicants may also apply for Shares under the Public Offer by applying online at <https://events.miraql.com/dc2-offer/>. An Applicant must comply with the instructions on the website. An Applicant paying the Application Monies by BPAY must use the unique BPAY Customer Reference Number provided.

BPAY payments must be made from an Australian dollar account of an Australian financial institution. An Applicant should schedule its payment to occur on the same day that it completes its Online Application Form. Applications without payment will not be accepted.

An Applicant should be aware that its own financial institution may implement earlier cut off times with regard to BPAY or other electronic payments and it should take this into consideration when making payment. It is the Applicants responsibility to ensure that funds submitted through BPAY or other electronic payments are received by 5:00pm (AWST) on the Closing Date. An applicant paying the Application Monies by electronic funds transfer must follow the payment instructions on the online application.

An original completed and lodged Application Form, together with a cheque or BPAY payment for the Application Monies, constitutes a binding and irrevocable offer to subscribe for the number of Securities specified in the Application Form. The Application Form does not have to be signed to be a valid Application. An Application will be deemed to have been accepted by the Company upon issue of the Securities.

The Offers may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, the Company reserves the right to extend the Offers.

It is the responsibility of applicants outside Australia to obtain all necessary approvals in order to be issued Shares under the Public Offer. The return of a Public Offer Application Form or otherwise applying for Shares under the Public Offer will be taken by the Company to constitute a representation by the applicant that it:

- (a) has received a printed or electronic copy of this Prospectus accompanying the form and has read it in full;
- (b) agrees to be bound by the terms of this Prospectus and the Constitution;
- (c) makes the representations and warranties in Section 5.16 (to the extent that they are applicable) and confirms its eligibility in respect of an offer of Shares under the Public Offer;
- (d) declares that all details and statements in the Public Offer Application Form are complete and accurate;
- (e) declares that it is over 18 years of age and has full legal capacity and power to perform all of its rights and obligations under the Public Offer Application Form;
- (f) acknowledges that once the Public Offer Application Form is returned or payment is made its acceptance may not be withdrawn;
- (g) agrees to being issued the number of new Shares it applies for at \$0.20 each (or such other number issued in accordance with this Prospectus);
- (h) authorises the Company to register it as the holder(s) of the Shares issued to it under the Public Offer;
- (i) acknowledges that the information contained in this Prospectus is not investment advice or a recommendation that the Shares are suitable for it, given its investment objectives, financial situation or particular needs; and
- (j) authorises the Company and its officers or agents to do anything on its behalf necessary for the new Shares to be issued to it, including correcting any errors in its Application Form or other form provided by it and acting on instructions received by the Share Registry using the contact details in the Public Offer Application Form.

5.11 OFFICIAL QUOTATION

An application will be made to ASX not later than seven (7) days after the date of this Prospectus for the Company to be admitted to the Official List and for Official Quotation of the Shares on ASX.

The fact that ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Company or the Securities offered by this Prospectus. ASX takes no responsibility for the contents of this Prospectus.

5. DETAILS OF THE OFFER

5.12 ALLOCATION AND ISSUE OF SHARES

Application Monies will be held in trust for Applicants until the issue of the Shares. Any interest that accrues will be retained by the Company. No issue of Shares under this Prospectus will occur unless the Minimum Subscription is raised.

The Company reserves the right to reject any Application or to issue a lesser number of Securities than those applied for. Where the number of Shares issued is less than the number applied for, surplus Application Monies will be refunded (without interest) as soon as reasonably practicable after the Closing Date.

Shares under the Offers are expected to be issued on the Issue Date. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares issued under the Offers. Applicants who sell Shares before they receive their holding statements do so at their own risk.

If ASX does not grant permission for Official Quotation within 3 months after the date of this Prospectus (or within such longer period as may be permitted by ASIC) none of the Shares offered by this Prospectus will be issued. If no issue is made, all Application Monies will be refunded to Applicants (without interest).

5.13 CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM (CHESS) AND ISSUER SPONSORSHIP

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder

Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

5.14 DIVIDEND POLICY

The extent, timing and payment of any dividends in the future will be determined by the Directors based on a number of factors, including future earnings and the financial performance and position of the Company. At the date of issue of this Prospectus the Company does not intend to declare or pay any dividends in the immediately foreseeable future.

5.15 RISK FACTORS OF AN INVESTMENT IN THE COMPANY

Prospective investors should be aware that an investment in the Company should be considered speculative and involves a number of risks inherent with a technology business. Section 1.3 contains details of key Risk Factors which prospective investors should be aware of and Section 8 contains more detailed Risk Factors. It is recommended that prospective investors consider these risks carefully before deciding whether to invest in the Company.

This Prospectus should be read in its entirety as it provides information for prospective investors to decide whether to invest in the Company. If you have any questions about the desirability of, or procedure for, investing in the Company please contact your stockbroker, accountant or other independent adviser.

5.16 OVERSEAS APPLICANTS

No action has been taken to register or qualify the Shares, or the Offers, or otherwise to permit the public offering of the Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus within jurisdictions outside Australia may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

SINGAPORE

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are: (i) an existing holder of the Company's Shares, (ii) an "institutional investor" (as defined in the SFA); or (iii) an "accredited investor" (as defined in the

SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

MALAYSIA

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.



5.17 WITHDRAWAL

The Directors may at any time decide to withdraw this Prospectus and the Offers in which case the Company will return all Application Monies (without interest) within 28 days of giving notice of their withdrawal.

5.18 FINANCIAL FORECASTS

After considering ASIC Regulatory Guide 170, the Directors do not believe that they have a reasonable basis to reliably forecast future earnings of the Company and, accordingly, financial forecasts are not included in this Prospectus.

5.19 ENQUIRIES

If you have any questions about the Offers, please contact the Share Registry, Link Market Services Limited, on 1800 882 147 (if calling within Australia) or +61 1800 882 147 (if calling from outside of Australia) from 8:30am to 5:00pm (WST time) Monday to Friday.

If you have any doubt as to what to do in relation to the Offers, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.

The background of the page is a blurred server room with rows of server racks. Each rack has several units with glowing green and blue lights. In the top right and bottom right corners, there is a white network diagram consisting of interconnected nodes and lines. A large, dark orange diagonal shape is positioned in the lower right, containing the section header text.

6. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

6.1 BOARD OF DIRECTORS

6.1.1 JUSTIN THOMAS – MANAGING DIRECTOR

Mr Thomas is a solutions-oriented professional IT developer that excels in identification, development, management and commercialisation of projects with broad reaching team collaboration, interfacing with clients and deployment of technology to ensure successful solutions for clients.

During his career, Mr Thomas has successfully managed large project teams of over 15 people. From the initial need's identification and requirement analysis through to implementation, Mr Thomas has supported the processes to commercialisation by remaining deeply involved and always with a hands-on approach.

He was also the Lead Project Manager who successfully compiled and sourced the commercial, technical and planning information, including identifying suitable consultants needed, to undertake both the HPC Data Centres Henderson facility build as well as Global Networks Australia International Cable and Data Centre project located in Australia and Indonesia.

A previous business venture of Justin's saw the successful development of an industry specific niche software application for the real estate/property industry which grew to over 300 monthly subscription clients and the business sold for over \$1 million dollars in 2007.

Justin founded DC Two in 2012 with Mark Dignam. Justin is a shareholder of DC Two and will hold approximately 24.23% of the Company's issued capital on completion of the IPO (assuming Maximum Subscription).

Refer to Section 1.14 for information regarding the security holding, interests and remuneration of Mr Thomas.

6.1.2 CAMERON MCLEAN – NON-EXECUTIVE CHAIR

Mr McLean has more than 20 years' experience leading and managing a range of commercial activities,

including co-directing London business, iBase Limited in the geo-technology sector and as CFO at Snowden Mining Industry Consultants, Kagara Limited and Atrum Coal. Mr McLean has a background in accounting and finance with experience originating at Western Mining Corporation in Melbourne after finishing his accounting certificate at RMIT Melbourne University.

Mr McLean is the founder and major shareholder of the mining investment platform, Mineral Intelligence. Through Mineral Intelligence Mr McLean has facilitated over \$100M in mining transactions over the past 5 years. Mr McLean also identified, secured and introduced the three GNM gold projects through Mineral Intelligence.

Current Boards are Great Northern Minerals Limited (ASX:GNM) and Pure Minerals Limited (ASX:PM1).

Mr McLean will be considered an independent director.

Refer to Section 1.14 for information regarding the security holding, interests and remuneration of Mr McLean.

6.1.3 BLAKE BURTON – NON-EXECUTIVE DIRECTOR

Mr Burton possesses extensive experience in the IT industry, having founded his own web hosting company which he took to a successful trade sale to Australia's largest privately owned web host. Previously Blake was an auditor at PwC, which included working with a number of ASX listed and international companies. Mr Burton is currently a director of Perth based foundry, Intercast.

Mr Burton holds a Bachelor of Commerce from the University of Western Australia, majoring in Accounting and Corporate Finance.

Mr Burton will be considered an independent director.

Refer to Section 1.14 for information regarding the security holding, interests and remuneration of Mr Burton.

6.2 COMPANY SECRETARY

6.2.1 DEBORAH HO – COMPANY SECRETARY

Ms Ho has over seven years of experience in company secretarial, corporate compliance, ASX listings and financial accounting matters. Ms Ho has acted as Company Secretary to a number of ASX listed and private companies. Ms Ho is currently the company secretary of Osteopore Limited (ASX:OSX), K-TIG Limited (ASX:KTG), ClearVue Technologies Limited (ASX:CPV) and Accelerate Resources Limited (ASX:AX8).

6.3 SENIOR MANAGEMENT

6.3.1 MICHAEL TRAVIS – GENERAL MANAGER OF CLOUD SERVICES.

Mr Travis has been working in IT for over 30 years and has held senior management positions in some larger corporations which include Lend Lease and ADP. Mr Travis was recognised as a high achiever at Lend Lease by being nominated for the coveted chairman's award.

Mr Travis has owned and operated two (2) successful managed services practices (MSP's) in WA and was an early adopter of managed services in the early 2000's. In addition, Mr Travis is a certified business coach and executive coach. He takes pride in delivering services where solutions are implemented to meet specific business needs with outcomes.

Mr Travis holds 100,000 Staff Options (exercisable at \$0.25, subject to time based vesting conditions, and expiring on the date that is 4 years from the date the Company is admitted to the Official List). Refer to Section 9.9 for the full terms and conditions of the Staff Options.

6.3.2 MARK DIGNAM – SENIOR TECHNICIAN

Mr Dignam has had a very distinguished IT career spanning over 30 years and is one of those very rare individuals whose skill set extends across just about every area of IT including hardware (servers, PCs, laptops etc.), software, networking, VOIP, programming, storage and just about anything else that can be identified as IT and at a high level of skill in each area.

Some of Mr Dignam's personal achievements include;

- (a) being the first person in Australia to decode and identify the Michelangelo Virus and was nearly the first person in the world to do so; and
- (b) helped start the first Bulletin Board in WA, the Omen BBS, before the internet was even available in Australia.

Mr Dignam founded DC Two in 2012 with Justin Thomas. Mr Dignam is a shareholder of DC Two and will hold approximately 7.68% of the Company's issued capital on completion of the IPO (assuming Maximum Subscription). Mr Dignam also holds 400,000 Staff Options (exercisable at \$0.25, subject to time based vesting conditions, and expiring on the date that is 4 years from the date the Company is admitted to the Official List). Refer to Section 9.9 for the full terms and conditions of the Staff Options.

6.4 ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (4th edition) as published by the ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below. The Company's full Corporate Governance Plan is available in a dedicated corporate governance information section on the Company's website (<https://dctwo.com.au>).

6.4.1 BOARD OF DIRECTORS

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;

- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in Board discussions on a fully-informed basis.

6.4.2 COMPOSITION OF THE BOARD

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto:

- (a) membership of the Board of Directors will be reviewed regularly to ensure the mix of skills and expertise is appropriate; and
- (b) the composition of the Board has been structured so as to provide the Company with an adequate mix of Directors with industry knowledge, technical, commercial and financial skills together with integrity and judgment considered necessary to represent Shareholders and fulfil the business objectives of the Company.

As at the date of this Prospectus, the Board will consist of three Directors of whom two are considered independent, being Cameron McLean and Blake Burton. The Board considers the current balance of skills and expertise is appropriate for the Company for its current planned level of activity.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to Shareholders a candidate for election as a Director.

The Board ensures that Shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

6.4.3 IDENTIFICATION AND MANAGEMENT OF RISK

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

6.4.4 ETHICAL STANDARDS

The Board is committed to the establishment and maintenance of appropriate ethical standards and to conducting all of the Company's business activities fairly, honestly with integrity, and in compliance with all applicable laws, rules and regulations. In particular, the Company and the Board are committed to preventing any form of bribery or corruption and to upholding all laws relevant to these issues as set out in the Company's Anti-Bribery and Anti-Corruption Policy. In addition, the Company encourages reporting of actual and suspected violations of the Company's Code of Conduct or other instances of illegal, unethical or improper conduct. The Company and the Board provide effective protection from victimisation or dismissal to those reporting such conduct as set out in its Whistleblower Protection Policy.

6.4.5 INDEPENDENT PROFESSIONAL ADVICE

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising during the course of their duties.

6.4.6 REMUNERATION ARRANGEMENTS

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$400,000 per annum.

The Company's current policy is not to offer incentive-based remuneration to Non-Executive Directors. Options may be granted as determined by the Board and with the approval of shareholders as applicable.

Where agreed by the Board, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

6.4.7 TRADING POLICY

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its Directors, officers, employees and contractors. The policy generally provides that for Directors, the written acknowledgement of the Chairman (or the Board in the case of the Chairman) must be obtained prior to trading.

6.4.8 EXTERNAL AUDIT

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external audits.

6.4.9 AUDIT COMMITTEE

The Company will have an Audit Committee and the Board has approved the terms of reference providing the committee with governance matters, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function. Given the stage of development of the company and the size of the Board, the Audit Committee will comprise all independent members of the Board, with executive directors in attendance.

6.5 DEPARTURES FROM RECOMMENDATIONS

Under the ASX Listing Rules the Company will be required to provide a statement in its annual financial report or on its website disclosing the extent to which it has followed the Recommendations during each reporting period. Where the Company has not followed a Recommendation, it must identify the Recommendation that has not been followed and provide reasons why.

The Company's departures from Recommendations are detailed in the table below.

Recommendations (4th Edition)	Comply	Explanation
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.1</p> <p>A listed entity should have and disclose a board charter setting out:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	YES	<p>The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board and those delegated to management.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter, which is part of the Company's Corporate Governance Plan, is available on the Company's website.</p>

Recommendations (4th Edition)	Comply	Explanation
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward for election as a director; and</p> <p>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>YES</p>	<p>(a) The Company has guidelines for the appointment and selection of the Board and senior executives in its Corporate Governance Plan. The Company's Remuneration and Nomination Committee Charter (in the Company's Corporate Governance Plan) requires the Nomination Committee (or, in its absence, the Board) to ensure appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history (as appropriate)) are undertaken before appointing a Director or senior executive, or putting someone forward for election, as a Director.</p> <p>(b) Under the Remuneration and Nomination Committee Charter, all material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.</p>
<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>YES</p>	<p>The Company's Remuneration and Nomination Committee Charter requires the Nomination Committee (or, in its absence, the Board) to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.</p> <p>The Company has written agreements with each of its Directors and senior executives.</p>
<p>Recommendation 1.4</p> <p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>YES</p>	<p>The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. In accordance with this, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.</p>

Recommendations (4th Edition)	Comply	Explanation
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have a diversity policy; (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; (c) disclose in relation to each reporting period: <ul style="list-style-type: none"> (i) the measurable objectives set for that period to achieve gender diversity; (ii) the entity’s progress towards achieving those objectives; and (iii) either: <ul style="list-style-type: none"> (i) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined “senior executive” for these purposes); or (ii) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act. <p>If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	PARTIALLY	<ul style="list-style-type: none"> (a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish, achieve and measure diversity objectives, including in respect of gender diversity. The Diversity Policy is available, as part of the Corporate Governance Plan, on the Company’s website. (b) The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to continually monitor both the objectives, if any have been set, and the Company’s progress in achieving them. <p>The measurable gender diversity objectives for each financial year (if any), and the Company’s progress in achieving them, will be detailed in the Company’s Annual Report. The Board does not presently intend to set measurable gender diversity objectives because: if it becomes necessary to appoint any new Directors or senior executives, the Board will consider the application of a measurable gender diversity objective and determine whether, in light of the size of the Company and the Board, requiring specified objectives to be met will unduly limit the Company from applying the Diversity Policy as a whole and the Company’s policy of appointing based on skills and merit.</p> <p>The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes) for each financial year will be disclosed in the Company’s Annual Report.</p> <p>The Company was not in the S&P / ASX 300 Index at the commencement of the reporting period.</p>
<p>Recommendation 1.6</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. 	YES	<ul style="list-style-type: none"> (a) The Company’s Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is set out in the Company’s Corporate Governance Plan, which is available on the Company’s website. (b) The Company’s Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the Board, its committees (if any) and individual Directors for each financial year in accordance with the above process.

Recommendations (4th Edition)	Comply	Explanation
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.7</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	YES	<p>(a) The Company's Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Company's senior executives on an annual basis. The Company's Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non-executive Director.</p> <p>The applicable processes for these evaluations can be found in the Company's Corporate Governance Plan, which is available on the Company's website.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the senior executives (if any) for each financial year in accordance with the applicable processes.</p> <p>At this stage, due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Company has not appointed any senior executives.</p>
Principle 2: Structure the board to be effective and add value		
<p>Recommendation 2.1</p> <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p style="padding-left: 20px;">(i) has at least three members, a majority of whom are independent directors; and</p> <p style="padding-left: 20px;">(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p style="padding-left: 20px;">(iii) the charter of the committee;</p> <p style="padding-left: 20px;">(iv) the members of the committee; and</p> <p style="padding-left: 20px;">(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	YES	<p>(a) The Company's Remuneration and Nomination Committee Charter provides for the creation of a Nomination Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director. The members of the Nomination Committee, the number of times the committee meets during each financial year, and the individual attendances of the members, will be disclosed in the Annual Report.</p> <p>(b) The Company does not have a Nomination Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Remuneration and Nomination Committee Charter, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p style="padding-left: 20px;">I. devoting time at least annually to discuss Board succession issues and updating the Company's Board skills matrix; and</p> <p style="padding-left: 20px;">II. all Board members being involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</p>

Recommendations (4th Edition)	Comply	Explanation
Principle 2: Structure the board to be effective and add value		
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skill matrix setting out the mix of skills the board currently has or is looking to achieve in its membership.</p>	YES	<p>Under the Remuneration and Nomination Committee Charter (in the Company's Corporate Governance Plan), the Nomination Committee (or, in its absence, the Board) is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve) and to review this at least annually against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction, and deal with new and emerging business and governance issues.</p> <p>The Company has a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. A copy is available in the Company's Annual Report on the Company's website.</p> <p>The Board Charter requires the disclosure of each Board member's qualifications and expertise. Full details as to each Director and senior executive's relevant skills and experience are available in the Company's Annual Report on the Company's website.</p>
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (4th Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director</p>	YES	<p>(a) The Board Charter requires the disclosure of the names of Directors considered by the Board to be independent. The Company will disclose those Directors it considers to be independent in its Annual Report and on the Company's website. The Board considers the following Directors are independent: Cameron McLean and Blake Burton.</p> <p>(b) The Company will disclose in its Annual Report and ASX website any instances where this applies and an explanation of the Board's opinion why the relevant Director is still considered to be independent.</p> <p>(c) The Company's Annual Report will disclose the length of service of each Director, as at the end of each financial year.</p>
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	YES	<p>The Company's Board Charter requires that, where practical, the majority of the Board should be independent.</p> <p>The Board currently comprises a total of three directors, of whom two are considered to be independent. As such, independent directors are currently an independent majority of the Board.</p>
<p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	YES	<p>The Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not be the CEO/Managing Director.</p> <p>The Chair of the Company is an independent Director and is not the CEO/Managing Director.</p>
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and periodically reviewing whether there is a need for existing director to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.</p>	YES	<p>In accordance with the Company's Board Charter, the Board is responsible for procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors efficiently. The Company Secretary is also responsible for facilitating the induction and professional development of Directors.</p>

Recommendations (4th Edition)	Comply	Explanation
Principle 3: Instil a culture of acting lawfully, ethically and responsibly		
<p>Recommendation 3.1</p> <p>A listed entity should articulate and disclose its values.</p>	YES	<p>The Company is committed to conducting all of its business activities in accordance with the stated values set out in the Company's Code of Conduct (which forms part of the Company's Corporate Governance Plan), available on the Company's website.</p>
<p>Recommendation 3.2</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a code of conduct for its directors, senior executives and employees; (b) ensure that the board or a committee of the board is informed of any material breaches of that code by a director or senior executive; and (c) any other material breaches of that code that call into question the culture of the organisation. 	YES	<p>The Company's Corporate Code of Conduct applies to all Directors, officers, contractors, senior executives and employees (Staff). Staff are under the obligation to ensure that the Code of Conduct is not breached. If any Staff notice any violations of the Code of Conduct, they must notify the Company Secretary or the Chair of the Company (if applicable). The Directors must ensure that reports of any breach of the Code of Conduct undergoes thorough investigations and that appropriate action is taken by the Company.</p>
<p>Recommendation 3.3</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. 	YES	<p>The Company's Whistleblower Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. The Board is to be immediately notified of any reports made under the Whistleblower Policy concerning allegations of serious misconduct.</p> <p>The Company Secretary is also required to prepare reports which contain a general summary of the number and types of incidents identified or complaints received through the Company's internal reporting processes, together with a description of the nature and results of any investigation conducted as a result of a reported incident or complaint. These reports are to be provided to the Board and the Audit and Risk Committee (if applicable).</p>
<p>Recommendation 3.4</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy. 	YES	<p>The Company's Anti-Bribery and Corruption Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any actual or suspected breach of the Anti-Bribery and Corruption Policy must be reported to the Company Secretary or the CEO/Managing Director (if applicable). Reports can also be made in accordance with the Whistleblower Policy.</p>

Recommendations (4th Edition)	Comply	Explanation
Principle 4: Safeguard integrity in financial reporting		
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p style="margin-left: 20px;">(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p style="margin-left: 20px;">(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p style="margin-left: 20px;">(iii) the charter of the committee;</p> <p style="margin-left: 20px;">(iv) the relevant qualifications and experience of the members of the committee; and</p> <p style="margin-left: 20px;">(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	YES	<p>(a) The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director who is not the Chair.</p> <p>(b) The Company does not have an Audit and Risk Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter including the following processes to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p style="margin-left: 20px;">(i) the Board devotes time at annual Board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors; and</p> <p style="margin-left: 20px;">(ii) all members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p>
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	YES	<p>The Company's Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign off on these terms.</p> <p>The Company intends to obtain a sign off on these terms for each of its financial statements in each financial year.</p>
<p>Recommendation 4.3</p> <p>A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	YES	<p>The process which is followed to verify the integrity of the Company's periodic corporate reports is tailored based on the nature of the relevant report, its subject matter and where it will be published. However, the Company seeks to adhere to the general principles set out in its Shareholder Communication Policy (which forms part of the Corporate Governance Plan) with respect to the preparation and verification of its corporate reporting.</p>

Recommendations (4th Edition)	Comply	Explanation
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	YES	The Company's Corporate Governance Plan contains a Continuous Disclosure Policy which sets out the processes the Company follows to comply with its continuous disclosure obligations under the ASX Listing Rules and other relevant legislation. The Corporate Governance Plan, which incorporates the Continuous Disclosure Policy, is available on the Company website.
Recommendation 5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	YES	In accordance with the Company's Continuous Disclosure Policy (which forms part of the Corporate Governance Plan), the Board receives copies of all material market announcements promptly after they have been made.
Recommendation 5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	YES	In accordance with the Company's Continuous Disclosure Policy (which forms part of the Corporate Governance Plan), any substantive written material or presentations made to institutions, stockbrokers or shareholders, which do not contain material information, will be placed on the Company's website prior to such presentations and will be sent to ASX
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Policy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Policy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website as part of the Company's Corporate Governance Plan.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	Shareholders are encouraged to participate at all general meetings and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	YES	All substantive resolutions at a meeting of security holders will be decided by a poll rather than by a show of hands.
Recommendation 6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	The Shareholder Communication Policy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders queries can be made through the Company website or alternatively, shareholders may contact the Company Secretary.

Recommendations (4th Edition)	Comply	Explanation
Principle 7: Recognise and manage risk		
<p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p style="margin-left: 20px;">(i) has at least three members, a majority of whom are independent directors; and</p> <p style="margin-left: 20px;">(ii) is chaired by an independent director, and disclose:</p> <p style="margin-left: 20px;">(iii) the charter of the committee;</p> <p style="margin-left: 20px;">(iv) the members of the committee; and</p> <p style="margin-left: 20px;">(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>	YES	<p>(a) The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director.</p> <p>A copy of the Corporate Governance Plan is available on the Company's website. The members of the Audit and Risk Management Committee, the number of times the committee meets during each financial year, and the individual attendances of the members, will be disclosed in the Annual Report on the Company's website.</p> <p>(b) The Company does not have an Audit and Risk Committee as the Board consider the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter. Relevantly, the Board devotes time at quarterly Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.</p>
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	YES	<p>(a) The Audit and Risk Committee Charter requires that the Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Company's risk management framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.</p> <p>(b) The Company's Risk Management Policy requires the Company to disclose at least annually whether such a review of the company's risk management framework has taken place.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.</p>	YES	<p>(a) The Audit and Risk Committee Charter provides for the Audit and Risk Committee to monitor the need for an internal audit function. The Audit and Risk Committee Charter (or, in its absence, the Board) has established a framework for the management of the Company including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.</p> <p>(b) The Company has an internal audit function.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.</p>	YES	<p>The Company's Risk Management Policy requires the Audit and Risk Committee (or, in its absence, the Board) to assist management determine whether the Company has any material exposure to environmental and/or social risks and, if it does, how it manages or intends to manage those risks.</p> <p>The Company's Risk Management Policy requires the Company to disclose whether it has any material exposure to environmental and/or social sustainability risks and, if it does, how it manages or intends to manage those risks. The Company will disclose this information in its Annual Report (if applicable).</p>

Recommendations (4th Edition)	Comply	Explanation
Principle 8: Remunerate fairly and responsibly		
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p style="margin-left: 20px;">(i) has at least three members, a majority of whom are independent directors; and</p> <p style="margin-left: 20px;">(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p style="margin-left: 20px;">(iii) the charter of the committee;</p> <p style="margin-left: 20px;">(iv) the members of the committee; and</p> <p style="margin-left: 20px;">(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	YES	<p>(a) The Company's Corporate Governance Plan contains a Remuneration Committee and Nomination Committee Charter that provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom must be independent Directors, and which must be chaired by an independent Director.</p> <p>The members of the Remuneration Committee, the number of times the committee meets during each financial year, and the individual attendances of the members, will be disclosed in the Annual Report.</p> <p>(b) The Company does not have a Remuneration Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration and Nomination Committee Charter. Relevantly, the Board devotes time at annual Board meetings to assess the level and composition of remuneration for directors and executives to ensure that such remuneration is appropriate and not excessive.</p>
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	YES	<p>The Company's Remuneration and Nomination Committee Charter requires the Remuneration Committee (or, in its absence, the Board) to set policies and practices regarding the remuneration of Directors and senior executives, which is disclosed in the Annual Report.</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>(a) The Company does not currently have an equity based remuneration scheme. The Remuneration and Nomination Committee Charter requires the Remuneration Committee (or, in its absence, the Board) to review, manage and disclose the policy (if any) under which participants to any employee incentive scheme of the Company (if adopted from time to time) may be permitted (at the discretion of the Company) to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the employee incentive scheme.</p> <p>The Company's Securities Trading Policy prohibits Key Management Personnel:</p> <p style="margin-left: 20px;">(i) participating in equity-based incentive schemes from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities; and</p> <p style="margin-left: 20px;">(ii) trading during Closed Periods in financial products issued or created over or in respect of the Company's securities.</p> <p>(b) The Securities Trading Policy is available, as part of the Corporate Governance Plan, on the Company's website.</p>

Recommendations (4th Edition)	Comply	Explanation
Additional recommendations that apply only in certain cases		
<p>Recommendation 9.1</p> <p>A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.</p>	N/A	As set out in the Company's Board Charter (which forms part of the Corporate Governance Plan), in the event that a Director does not speak the language in which key corporate documents are written or Board or shareholder meetings are held, the Company will ensure that such documents are translated into the Director's native language, and a translator is present at all Board and shareholder meetings.
<p>Recommendation 9.2</p> <p>A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.</p>	N/A	All Shareholder meetings will be held at a reasonable place and time for shareholders.
<p>Recommendation 9.3</p> <p>A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	N/A	The Company's Auditor will attend the Company's Annual General Meeting and will be available to answer questions from shareholders in respect of the Company's audit.
Additional disclosures applicable to externally managed listed entities		
<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	N/A	This Recommendation does not apply to the Company.
<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	N/A	This Recommendation does not apply to the Company.



7. MATERIAL CONTRACTS

7. MATERIAL CONTRACTS

Set out below is a summary of the contracts to which the Company is a party that may be material or otherwise may be relevant to a potential investor in the Company. The whole of the provisions of the contracts are not repeated in this Prospectus and below is summary of the material terms only.

7.1 CONVERTIBLE NOTE AGREEMENTS

The Company has entered into a number of convertible note agreements with seed investors (Noteholders) pursuant to which the Company issued convertible notes (**Convertible Notes**) to raise a total of \$424,000 (before costs) (**Convertible Note Agreements**) in tranches as follows:

- (a) an initial risk-seed raising by way of issue of Convertible Notes to raise \$24,000 which are convertible into Shares at a conversion price of \$0.008 per Share; and
- (b) an additional issue of Convertible Notes to raise \$400,000 which are convertible into Shares at conversion price of \$0.10 per Share.

The Convertible Notes are convertible into a total of 7,000,000 Shares (subject to satisfaction of certain conditions precedent), being the Shares the subject of the Noteholder Offer.

The Convertible Notes were issued on the following terms and conditions:

- (a) (**Interest**): No interest is payable on the Convertible Notes.
- (b) (**Security**): The Convertible Notes are unsecured.
- (c) (**Conditions Precedent**): Conversion of the Convertible Notes into Shares is subject to the completion (or waiver in writing by the Company) of the following conditions precedent:
 - (i) all necessary shareholder approvals, regulatory approvals and third party consents being obtained (by the Company) to permit the authorised conversion of the Convertible Notes;
 - (ii) the Noteholders entering into duly executed restriction agreements (in the form required by ASX pursuant to Appendix 9A of the ASX Listing Rules) for such period of restriction imposed by ASX pursuant to the ASX Listing

Rules;

- (iii) the Company successfully completing the Minimum Subscription for the Public Offer; and
 - (iv) the Company obtaining written conditional approval from ASX for its admission to the official list of the ASX in accordance with Chapters 1 and 2 of the ASX Listing Rules, on conditions which are reasonably able to be satisfied by the Company (at the Company's discretion).
- (d) (**Conversion**): Subject to satisfaction of the conditions precedent in paragraph (c) above, the Convertible Notes will convert into Shares at the same time as the Company issues Shares under the Public Offer.
 - (e) (**Ranking**): Each Shares issued on conversion of the Convertible Notes will rank equally in all respect with all existing Shares (subject to mandatory escrow restrictions imposed by the ASX).
 - (f) (**Termination**): A party may terminate the Convertible Note Agreement if an event of default occurs in relation to the other party, which includes an insolvency event and a material breach of a material obligation under the Convertible Note Agreement. If the Noteholder is the terminating party, the principal sum advanced by the Noteholder become due and payable within 21 days on demand by the Noteholder.
 - (g) (**Release**): Upon conversion of the Convertible Notes, all obligations of the Company in respect of the Convertible Notes will be extinguished.
 - (h) (**ASX Imposed Restrictions**): Each Noteholder agrees that Shares issued on conversion of the Convertible Notes may be mandatorily escrow by the ASX for such period as the ASX requires under the ASX Listing Rules.

7.2 LEAD MANAGER MANDATE

The Company has entered into a mandate (**Lead Manager Mandate**) with Alto Capital pursuant to which Alto Capital is engaged as:

- (a) lead manager to the Public Offer; and
- (b) corporate advisor to the Company for a period of six (6) months from the date the Company is admitted to the Official List of the ASX.

Under the Lead Manager Mandate, Alto Capital will provide the Company with advice including (but not limited to) in relation to board structure, capital structure, equity issue pricing, equity market strategy, research notes, pre-IPO matters and ongoing capital markets advisory issues.

A summary of the key terms and conditions of the Lead Manager Mandate is set out below:

- (a) (**Fees**): Pursuant to the Lead Manager Mandate, the Company has agreed to pay the Alto Capital the following fees in respect of the Public Offer:
 - (i) (**Capital Raising Fee**): a cash fee equal to 6% of the total capital raised (plus GST) pursuant to the Public Offer (maximum fee of \$330,000 plus GST);
 - (ii) (**Lead Manager Fee**): subject to successful completion of the Offers, a lead manager fee of \$50,000 (plus GST); and
 - (iii) (**Corporate Advisory Fee**): subject to successful completion of the Offers, a monthly retainer of \$8,000 (plus GST) per month for corporate advisory support for 6 months from the date the Company is admitted to the Official List of ASX (maximum fee of \$48,000 plus GST over the mandate term).
- (b) (**Services**): The key services Alto Capital will provide to the Company include:
 - (i) providing strategic advice to the Company incorporating investor/market feedback and general sentiment;
 - (ii) as and when required, provide input and advice on potential funding requirements and planning;
 - (iii) leading and organising investor roadshows;
 - (iv) attend Company strategy / planning sessions, as required;
 - (v) participate in due diligence processes when appropriate;
 - (vi) provide feedback and insights on investor presentations and roadshows;
 - (vii) introduction to new strategic high net worth, institutional and retail investors;
 - (viii) marketing and updating current and potential new investors on the Company's activities and milestones;
 - (ix) reviewing and providing comment on announcements/information memorandums where necessary;
 - (x) assist with identifying and recommending appropriate service providers (investor relations and other media) to assist in communicating the Company's key activities and messages;
 - (xi) provide the Company with background information on key investors;
 - (xii) identify and present new opportunities to the Company including potential asset and company acquisitions; and
 - (xiii) providing advice on structure and valuation for any potential material transactions.
- (c) (**Expenses**): The Company will reimburse Alto Capital for their reasonable disbursements, including out-of-pocket expenses, travel, accommodation, printing, legal and other professional fees (with any expenses in excess of \$1,000 requiring the prior approval of the Company).
- (d) (**Termination**): The Lead Manager Mandate may be terminated by either the Company or Alto Capital without cause at any time, by providing the other party with two (2) month's written notice. The fees referred to in paragraph (a) above:
 - (i) will remain payable on termination of the Lead Manager Mandate; and
 - (ii) if, within six (6) months of termination of the Lead Manager Mandate, the Company or the shareholders of the Company enter into a transaction with any third party purchase introduced by the Alto Capital (or any party assisting Alto Capital) during the course of the Lead Manager Mandate, the fees referred to in paragraph (a) above will remain payable to Alto Capital.
- (e) (**Exclusivity**): The Company agrees to exclusively retain Alto Capital for a minimum of two (2) months with respect to the services to be provided under the Lead Manager Mandate.

The Lead Manager Mandate otherwise contains provisions considered standard for an agreement of this nature.

7.3 COMPLIANCE MANDATE

The Company has entered into a compliance mandate with Ventnor Capital (**Compliance Mandate**) pursuant to which Ventnor Capital is engaged to provide:

- (a) prospectus management services in respect of the preparation of this Prospectus (Prospectus Management Services), including:
 - (i) assistance with execution of listing and management of timetable for listing;
 - (ii) assistance with project management of the IPO process;
 - (iii) assistance with review of legal documentation in relation to the IPO and other agreements;
 - (iv) prospectus drafting;
 - (v) prospectus management, including assisting the Company with prospectus verification and other due diligence activities; and
 - (vi) coordination of due diligence enquiring and liaising with ASX, brokers, legal advisors, accountants and other advisors,
- (b) (together, **Prospectus Management Services**); and
- (b) ongoing company secretarial services to the Company (**Company Secretarial Services**).

In addition to the above, Ventnor Capital will assist the Company with the provision of CFO services until a suitable candidate to fulfil the role of CFO is confirmed by the Company. Ventnor Capital will be paid additional fees for these services, calculated on an hourly basis at commercial rates.

A summary of the key terms and conditions of the Compliance Mandate is set out below:

- (a) (**Fees**): In consideration for the provision of the:
 - (i) Prospectus Management Services, the Company:
 - i. has paid Ventnor Capital a fee of \$35,000

(plus GST) and has issued nominees of Ventnor Capital a total of 1,200,000 Shares at an issue price of \$0.001 per Share (a total of \$1,200 subscription costs); and

- ii. agreed to pay Ventnor Capital a success fee of \$35,000 payable following successful completion of the Offers and the Company being admitted to the Official List of the ASX.
- (ii) Company Secretarial Services, the Company will pay Ventnor Capital a monthly fee of \$5,000 (plus GST), commencing from the date of lodgement of this Prospectus.

For services provided by Ventnor Capital to the Company that are outside the scope of the Compliance Mandate, Ventnor Capital is entitled to be paid additional fees, calculated on an hourly basis at commercial rates.

- (b) (**Expenses**): The Company will reimburse Ventnor Capital for their reasonable disbursements, including travel, telephone, photocopying, courier charges and postage (with any expenses in excess of \$1,000 requiring the prior approval of the Company).
- (c) (**Termination**): The Compliance Mandate may be terminated by either the Company or Ventnor Capital without cause at any time, by providing the other party with six (6) month's written notice. The fees referred to in paragraph (a) above will remain payable on termination of the Ventnor Compliance Mandate.

The Compliance Mandate otherwise contains provisions considered standard for an agreement of this nature.

7.4 EXECUTIVE SERVICES AGREEMENT – MANAGING DIRECTOR (JUSTIN THOMAS)

The Company has entered into an executive services agreement with Justin Thomas (Executive Services Agreement) on the following material terms:

- (a) **(Position):** Managing Director.
- (b) **(Appointment):** Mr Thomas' appointment and commencement of the Executive Services Agreement is subject to the Company being admitted to the Official List of the ASX **(Commencement Date)**.
- (c) **(Term):** Mr Thomas' engagement as Managing Director of the Company will commence on the Commencement Date and continue until the Executive Services Agreement is validly terminate in accordance with its terms.
- (d) **(Salary):** \$160,000 per annum (plus superannuation). In addition to this Mr Thomas also receives a motor vehicle reimbursement at the government statutory rate for his private motor vehicle used for business purposes and other business expenses .
- (e) **(Bonus):** The Board may determine from time to time whether to pay Mr Thomas a bonus in addition to his salary and what the quantum of that bonus will be, including issuing Shares, Options or other securities to Mr Thomas (or his nominee).
- (f) **(Duties):** Mr Thomas' duties under the Executive Services Agreement include:
 - (i) driving operational development and performance;
 - (ii) assisting in the achievement of corporate goals and objectives;
 - (iii) development of short, medium and long term corporate strategies and
 - (iv) planning to achieve the Company's vision and overall business objectives;
 - (v) assessment of business opportunities of potential benefit to the Company;
 - (vi) assist in proposals for major capital expenditure to ensure their alignment
 - (vii) with corporation strategy and justification on economic grounds;
 - (viii) sustain competitive advantage through maximising available resources,
 - (ix) encouraging staff commitment and strategically aligning the corporate culture
 - (x) with the organisation's goals and objectives;
 - (xi) undertake a role of company spokesperson;
 - (xii) ensure statutory, legal and regulatory compliance and comply with corporate
 - (xiii) policies and standards; and
 - (xiv) ensure appropriate risk management practices and policies are in place.
- (g) **(Termination):** Each party may terminate the Executive Services Agreement without reasons by giving the other party three (3) months' written notice or salary in lieu of notice. The Company may terminate the Executive Services Agreement if, among other things, Mr Thomas ceases or is otherwise prohibited from being a director in accordance with the Corporations Act, becomes bankrupt, is convicted of an indictable offence
- (h) **(Expenses):** The Company will reimburse Mr Thomas for all reasonable out of pocket expenses, as well as all reasonable travel and accommodation costs incurred by Mr Thomas in the performance of his duties under the Executive Services Agreement.

The Executive Services Agreement otherwise contains provisions considered standard for an agreement of this nature.

7. MATERIAL CONTRACTS

7.5 LETTERS OF APPOINTMENT – NON-EXECUTIVE CHAIRMAN (CAMERON MCLEAN) AND NON-EXECUTIVE DIRECTOR (BLAKE BURTON)

The Company has entered into a letter of appointment with Cameron McLean for his appointment as Non-Executive Chairman and Blake Burton for his appointment as Non-Executive Director (Letters of Appointment) on the following material terms:

- (a) **(Term):** The appointment of Mr McLean and Mr Burton is subject to the provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and their appointment will automatically cease at the end of any meeting at which they are not re-elected as a director of the Company by Shareholders.
- (b) **(Remuneration):** Mr McLean and Mr Burton will each be paid a fee of \$36,000 per annum, effective from the date the Company is admitted to the Official List of the ASX. In addition, the

Company has issued 1,200,000 Director Options to Mr McLean and 1,000,000 Director Options to Mr Burton in accordance with the Letters of Appointment, which will automatically be cancelled by the Company for no consideration in the event the Company is not admitted to the Official List of the ASX by 31 December 2020.

- (c) **(Expenses):** Mr McLean and Mr Burton will be entitled to be reimbursed reasonable expenses incurred in performing their duties in accordance with the Letters of Appointment, including the cost of attending Board meetings, travel, legal and other fees, accommodation and entertainment where agreed to by the Board.

The Letters of Appointment otherwise contain terms and conditions that are considered standard for agreements of this nature.

7.6 DEEDS OF INDEMNITY, INSURANCE AND ACCESS

The Company has entered into a deed of indemnity, insurance and access with each of its Directors.

Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and allow the officers to inspect Board papers in certain circumstances. The deeds are considered standard for documents of this nature.

7.7 LEASE AGREEMENT: OSBORNE PARK TIER 2 DATA CENTRE

The Company entered into a commercial lease agreement dated 13 December 2013 for the lease of the premises situated at Unit 301, 396 Scarborough Beach Road, Osborne Park, Western Australia (Osborne Park Lease Agreement). The Osborne Park Lease Agreement was extended pursuant to a deed of extension dated 20 November 2018.

A summary of the key terms and conditions of the Osborne Park Lease Agreement (as extended) is set out below:

- (a) **(Term)**: Initial term of five (5) years from 1 November 2013 and may be renewed by the Company for two additional terms with each additional term being five (5) years (Term).
- (b) **(Permitted Use)**: The premises may be used for a data centre, IT office and warehouse.
- (c) **(Rent)**: \$40,439.88 per annum (plus GST) payable in 12 calendar monthly instalments of \$3,369.99 (plus GST).
- (d) **(Review)**: The rent payable is subject to Consumer Price Index (CPI) rent review and market price rent review on various dates throughout the Term.
- (e) **(Outgoings)**: The Company is obliged to pay all costs, fees, charges and expenses whatsoever incurred or payable by the lessor in respect of the land, building and premises, including (but not limited to) all rates, taxes, insurances, maintenance, cleaning, pest control, electricity and water supply.
- (f) **(Guarantee)**: The Company must provide a bank guarantee or security bond equivalent to two (2) months' rent.
- (g) **(Expiry)**: At the expiration of the Term, the Company is obliged to remove all fixtures or fittings which have been erected or installed by the Company and deliver up possession of the premises in a good and substantial repair, order and condition.
- (h) **(Covenants)**: The Osborne Park Lease Agreement has reasonably standard form covenants by the Company with respect to insurances, repairs and maintenance, cleaning, painting and keeping the premises safe and compliant with regulatory requirements, not overloading the premises or creating a nuisance.
- (i) **(Termination)**: The lessor may terminate the Osborne Park Lease Agreement if the Company (among other things):
 - (i) is in default of rental payment for fourteen (14) days after its due date for payment;
 - (ii) fails to observe or perform any other covenants made by the Company and the breach, non-observance or non-performance continues after expiration of fourteen (14) days' notice to the Company by the lessor; or
 - (iii) goes into liquidation or has an administrator appointed.

7.8 LEASE AGREEMENT: BIBRA LAKE POTENTIAL TIER 3 DATA CENTRE

The Company entered into a commercial lease agreement for the proposed lease (subject to Listing on ASX) of a new premises situated at 19 Horus Bend, Bibra Lake, Western Australia (**Bibra Lake Lease Agreement**). A summary of the key terms and conditions of the Bibra Lake Lease Agreement is set out below:

- (a) (**ASX Listing**): The Bibra Lake Lease Agreement is subject to and conditional upon the Company obtaining written conditional approval from the ASX for the admission of the Company to the Official List of the ASX (on conditions which are reasonably able to be satisfied by the Company) on or before 16 November 2020.
- (b) (**Term**): Initial term of seven (7) years from 1 November 2020 (Commencement Date) (Initial Term) and may be renewed by the Company for two additional terms, with each additional term being for ten (10) years (First Renewed Term and Second Renewed Term).
- (c) (**Permitted Use**): The premises may be used as a data warehouse, storage and service centre or such other use as approved by the lessor in writing.
- (d) (**Rent**): \$384,000 per annum (plus GST) during the Initial Term (before any annual rent rebate) and \$300,000 (plus GST) during the First Renewed Term, payable in 12 calendar monthly instalments.
- (e) (**Annual Rent Rebate**): Subject to the Company complying with all its covenants and obligations under the Bibra Lake Lease Agreement, the lessor will provide an annual rent rebate of \$7,000.00 (plus GST) per month for 12 months, commencing on the Commencement Date and ending on the day before the day that is the first anniversary of the Commencement Date, with such rebate to be credited against the instalments of annual rent payable by the Company in respect of that period.
- (f) (**Review**): The rent payable is subject to Consumer Price Index (CPI) rent review and market price rent review on various dates throughout the Initial Term, First Renewed Term and Second Renewed Term.
- (g) (**Lessee's Fixtures**): There are a number of existing fixtures at the premises which are currently owned by the lessor and will be utilised by the Company in conducting its business, including a Cannon Technologies data centre module which houses 40 racks and power distribution units, as well as chillers, mechanical services switch boards and generator load bank (Lessee's Fixture). Subject to the Company complying with all its covenants and obligations under the Bibra Lake Lease Agreement, on the date that is the seventh (7th) anniversary of the Commencement Date, the lessor must transfer 100% of the unencumbered legal and beneficial interest in the Lessee's Fixture to the Company free from all third part rights.
- (h) (**Lessor Options**): Subject to and conditional upon the lessor entering into a restriction agreement (pursuant to Chapter 9 of the ASX Listing Rules) on terms required by the ASX, the Company will, on or before the Commencement Date, issue the lessor 2,000,000 Options (exercisable at \$0.30 on or before 31 July 2024) (Lessor Options). The full terms and conditions of the Lessor Options are set out in Section 9.10.
- (i) (**Outgoings**): The Company is obliged to pay all rates, taxes, insurances, maintenance, cleaning expenses, security, pest control, electricity, water and other outgoings in respect of the premises.
- (j) (**Guarantee**): The Company must provide a bank guarantee equal to \$105,600.
- (k) (**Expiry**): At the expiration of the term of the Bibra Lake Lease Agreement, the Company is obliged to remove all fixtures or fittings which have been erected or installed by the Company (unless otherwise agreed by the lessor and the Company) and deliver up possession of the premises in a good and substantial repair, order and condition.
- (l) (**Covenants**): The Bibra Lake Lease Agreement has reasonably standard form covenants by the Company with respect to insurances, repairs and maintenance, cleaning, painting and keeping the premises safe and compliant with regulatory requirements, not overloading the premises or creating a nuisance.
- (m) (**Termination**): The lessor may terminate the Bibra Lake Lease Agreement:
 - (i) if the Company is in default of rental payment for fourteen (14) days after its due date for payment;
 - (ii) in the event of a substantial part of the premises being destroyed damaged to such an extent so as to be unfit for occupation or use by the Company at any time during the term, unless the Company elects to rebuild the premises in a manner suitable for occupation; or
 - (iii) if the Company has goes into liquidation or has an administrator appointed.

7. MATERIAL CONTRACTS

7.9 LICENSE AGREEMENT

The Company is a party to a licence agreement with Secure Data Centre Pty Ltd (SDC) pursuant to which SDC grants the Company a licence to house and access the Company's computer file servers and communications equipment at SDC's data centre in Darwin, Northern Territory (**Licence Agreement**).

The Licence Agreement allows the Company to establish a point of presence in Darwin and provide its products and services to customers in Darwin. Under the Licence Agreement, the Company pays a monthly fee of \$1,500 (plus GST) for a single rack unit.

The Licence Agreement has an initial term of five (5) years from 1 June 2016 and may be renewed by the Company for five (5) additional terms, with each additional term being for one (1) year. The Licence Agreement contains additional provisions considered standard terms for agreements of this nature, including with respect to access, insurance, default, safety, security and compliance with policies and guidelines.

7.10 SERVICE AGREEMENTS

(END USERS AND CHANNEL PARTNERS)

The Company enters into service agreements with end users and channel partners which represent a substantial portion of annual revenue (**Service Agreements**).

Pursuant to the Service Agreements, the Company provides its products and services directly to customers or indirectly through reseller channel partners who promote and sell the Company's data centre and cloud products and services.

The Service Agreements between the Company and each end user or channel partner (as applicable) are subject to the Company's "General Terms of Service", which include standard terms in respect of payment, performance, intellectual property, confidentiality, repairs, access and indemnity. Either party may terminate the Service Agreement by giving the other party 30 days written notice.

The Service Agreements between the Company and each channel partner (Partner) are subject to the Company's "Partner Terms", a summary of the key terms of which are as follows:

- (a) (**Partner Obligations**): The Partner will (among other things):
 - (i) undertake to use DC Two as their preferred third party supplier for;
 - (A) cloud and hosted virtual servers and virtual data centre solutions (b) cloud and hosted storage solutions (c) colocation and other data centre hosting services (d) data centre and hosted dedicated server solutions (e) cloud and hosted server replication solutions;
 - (B) off-site, hosted and cloud based backup solutions;
 - (C) products and services delivered as "Disaster Recovery as a Service" (DRaaS)
 - (D) products and services delivered as "Infrastructure as a Service" (IaaS);
 - (E) products and services delivered as "Platform as a Service" (PaaS);
 - (F) Microsoft Office 365 and equivalent services delivered as "Software as a Service" (SaaS);
 - (ii) display a DC Two logo and internet link on their website and promote DC Two as a "Supplier Partner"; and
 - (iii) at all times use its best endeavours to promote and extend sales of the services to existing and prospective customers of the Partner.
- (b) (**DC Two's Obligations**): DC Two will:
 - (i) display the Partner's logo and internet link on the DC Two website to promote the Partner as a 'Preferred Reseller' of DC Two products and services;
 - (ii) provide the Partner with priority access to DC Two's technical pre-sales engineers for the express purpose of designing enterprise level private, hybrid or public cloud solutions utilising the DC Two products and services, including on-site and off-site visits and meeting with the Partner and the Partner's customers as required;
 - (iii) provide the Partner with priority access to support staff to ensure the Partner's customers always receive the highest possible levels of service;
 - (iv) make available to the Partner on an as required basis, DC Two support engineers specialising in networking and virtualisation, for the express purpose of assisting with any technical issues;

- (v) provide and make staff available for regular Technical and Sales training to the Customer focused on data centre and cloud services design and delivery.
- (vi) make available to the Partner a variety of other technical services, solutions and products from time to time in recognition of the relationship between the Partner and DC Two;
- (vii) make available to the Partner a variety of marketing materials and collateral to assist in sales and promotion of cloud and hosted services;
- (viii) discount purchases billed directly to the Partner; and
- (ix) pay the Partner a commission for any sales billed directly to a customer of the Partner when those products and/or services are sold by the Partner.

The particular scope of services and consideration for the provision for such services is specific to each Service Agreement for each end user or channel partner.

7.11 GRANT AGREEMENT

The Company entered into an agreement with the State of Western Australia via the Department of Primary Industries and Regional Development (**State**) (**Grant Agreement**) pursuant to which the State provided the Company a grant of \$200,000 (excluding GST) (**Grant Funding**) for the purpose of developing and constructing a new modular, transportable and relocatable data centre in Collie (**Approved Purpose or Project**). The Grant Agreement was extended pursuant to letters of variation dated 8 April 2019 and 23 September 2020.

The Grant Funds were paid to the Company on 1 October 2018. As at the date of this Prospectus, the Company has spent approximately \$108,000 of the Grant Funds in accordance with the Grant Agreement.

A summary of the key terms and conditions of the Grant Agreement (as varied) is set out below:

- (a) The Company will use the Grant Funds solely for the Approved Purpose in accordance with the budget approved by the State (**Approved Budget**) and expend the Grant Funds by 30 December 2020 (**Completion Date**).
- (b) The Company will carry out all its responsibilities for the Project and fulfil its obligations to a high standard in a competent, diligent, satisfactory and professional manner. In carrying out the Project, the Company must comply with and meet all milestones as outlined in the Grant Agreement, including (but not limited to):
 - (i) completing the Project by the Completion Date; and
 - (ii) provide the State an acquittal report by 30 March 2021 (**Acquittal Reporting Date**) showing how and to what extent the Grant Funds were spent and the extent to which outcomes were achieved (**Acquittal Report**).

The Company must also meet certain performance measures and outcomes in respect of the development and construction of the Project, as well provide written confirmation that the Company has been admitted to the Official List of ASX, by no later than 30 November 2020. In the event that these performance measure and outcomes are not satisfied by the relevant timeframe, a review of the Project will be conducted by the South West Development Commission in accordance with the Grant Agreement.

- (c) Any interest earned on the Grant Funds must be used for the Approved Purpose, or returned to the State.
- (d) Payment of the Grant to the Grantee shall be subject to:
 - (i) the financial and in-kind contributions being provided by the Company;
 - (ii) milestones and reporting requirements having been met;
 - (iii) any Special Conditions (as set out below) having been met; and
 - (iv) the Company not being, in the opinion of the State, in breach of any of the term and conditions of the Grant Agreement.
- (e) Where the Company purchases equipment with the Grant Funds (**Property**), such Property must not be disposed of within three (3) years of the end date of the Grant Agreement (**End Date**) without the written consent of the State.
- (f) The Company must keep the Property in good, clean, tidy and secure order, state, repair and condition.

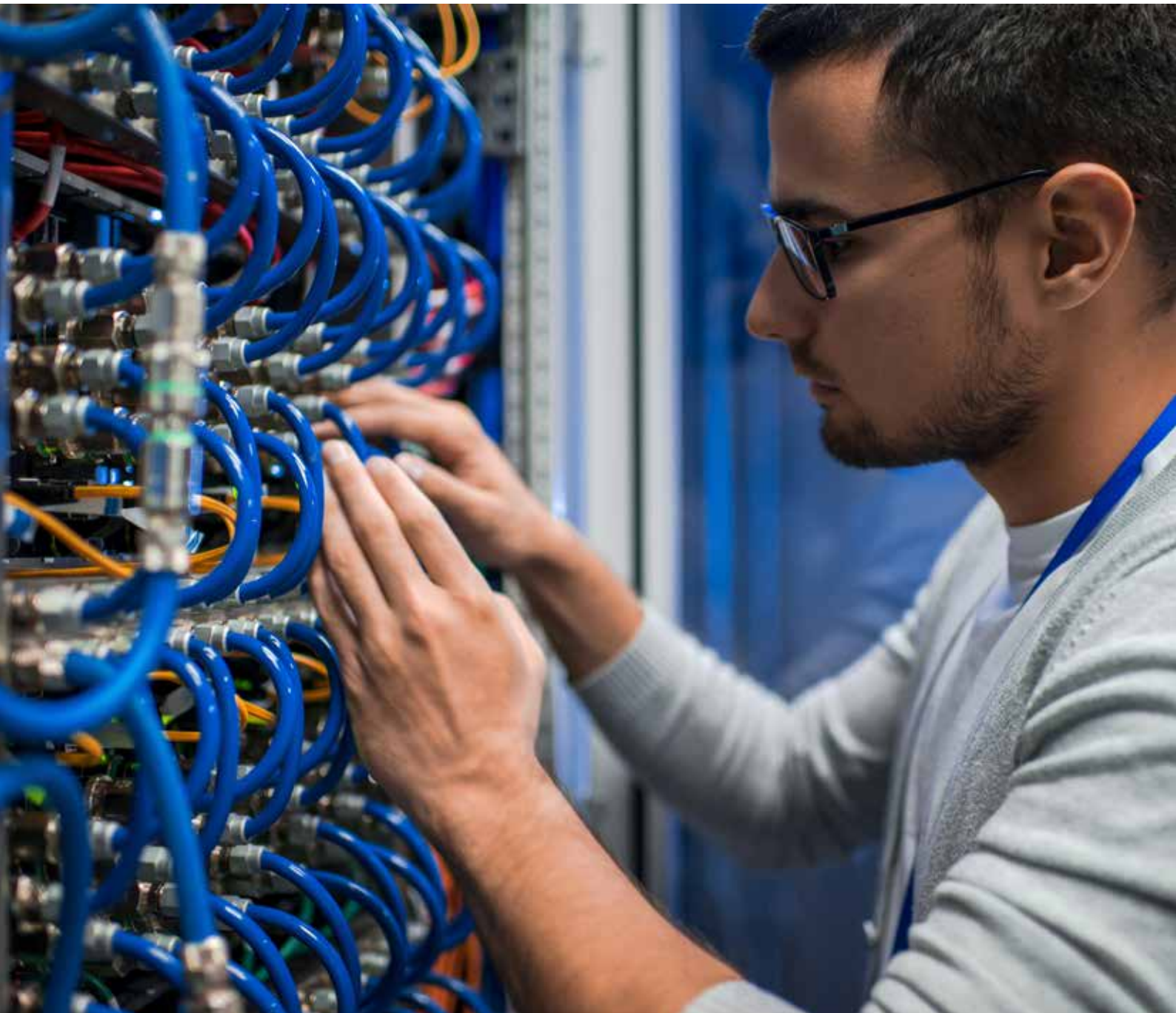
7. MATERIAL CONTRACTS | 7.11 GRANT AGREEMENT

- (g) The Company must not make any changes to the Project or the Approved Budget without the prior written consent of the State, which consent may be withheld in the State's absolute discretion.
- (h) If the State requires from the Company information or documentation relating in any way to the Grant Agreement, the Grant Funds, or the Property, the Company must promptly oblige. All information and documentation so provided must be accurate, complete, up-to-date and in no way misleading or deceptive.
- (i) The Company must keep accurate, complete and up-to-date written records of all expenditure made, income received (including other grants) and liabilities incurred (including loans incurred) in respect of the Grant Agreement or the Property. Such records must be made available to the State upon request.
- (j) Within twelve (12) weeks of the End Date, the Company must provide to the State:
 - (i) a financial statement of income and expenditure for the Project, signed by the CEO/Managing Director of the Company and certified by an auditor, and include details of how the Grant Funds were expended; and
 - (ii) the Acquittal Report signed by the CEO/Managing Director.
- (k) The Company agrees to be bound by and comply with the special conditions (**Special Conditions**), including:
 - (i) securing additional cash funding for the Project of \$688,000, which must be applied to the Project;
 - (ii) as part of the Acquittal Report, providing evidence of the indirect (social, community, flow on economic input) benefit to the Collie community;
 - (iii) if the Grant Agreement involves the supply of services to the public, then the Company will, to the extent practicable, implement the State 'Disability Access and Inclusion Plan' prepared under the Disability Services Act 1993;
 - (iv) using products and services from within a 50km radius of Collie for the Project wherever reasonably practicable using an open and competitive process to the satisfaction of the State;
 - (v) where the Company purchases, constructs or renovates real estate (including building, land and associated infrastructure) with the Grant Funds, the Company may not dispose of or encumber the Property (within 5 years) without the State's prior written consent which may be given conditionally; and
 - (vi) if the Company becomes entitled to receive a rebate for other financial assistance or headworks for which the Grant has been approved and paid, the Company agrees to refund to the State the amount of the rebate or the amount of financial assistance provided under that other agreement.
- (l) The Company must repay to the State within forty (40) Business Days any and all part/s of the Grant Funds that the State has paid which are not used in accordance with the Grant Agreement or that remain unspent at the End Date unless there has been prior written agreement between the parties stating otherwise.
- (m) The Company must take out and maintain throughout the term of the Grant Agreement adequate insurance to provide cover for the Project undertaken by the Company, including Public Liability and Workers' Compensation insurances.
- (n) An event of default (**Event of Default**) occurs in relation to the Company if (among other things) an insolvency event occurs in respect of the Company, the Company fails to submit the Acquittal Report by Acquittal Reporting Date, or the State is of the opinion that the Company is unwilling or will be unable to comply with its obligations under the Grant Agreement. If an Event of Default occurs, the State may do one, some or all of the following:
 - (i) terminate the Grant Agreement by providing a further ten (10) Business Days' notice in writing to the Company of the Event of Default; or
 - (ii) suspend payment of the Grant Funds until the Event of Default is remedied; and
 - (iii) request that the Company reimburse the State within forty (40) Business Days for any Grant Funds that were not used exclusively for the Project in accordance with the Approved Budget and the Grant Agreement, in which case the Company must immediately comply.
- (o) Unless earlier terminated, the Grant Agreement will terminate upon submission and acceptance of the Acquittal Report.
- (p) If the Company is unable to properly use the Grant Funds in accordance with the Grant Agreement, the Company must advise the State as soon as it becomes aware of this and the State may require that any unused portion of Grant Funds be returned within forty (40) Business Days.

7.12 ESCROW AGREEMENTS

Refer to Section 1.9 for details of the Shares and Options which the Company anticipates will be subject to escrow.

The Company proposes to issue restriction notices and/or enter into restriction deeds with each of the relevant holders of the Shares and Options (**Escrow Agreements**) which will be subject to ASX imposed escrow in accordance with the ASX Listing Rules. The Escrow Agreements will be on ASX's standard terms and conditions as set out in Appendix 9B of the ASX Listing Rules.





■ 8. RISK FACTORS

8. RISK FACTORS

8.1 INTRODUCTION

The Shares offered under this Prospectus are considered highly speculative.

An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company are exposed.

8.2 COMPANY SPECIFIC RISKS

8.2.1 SOFTWARE, TECHNOLOGY AND SYSTEM RELATED RISKS

DC Two and its clients rely on the performance and availability of data centres (both company owned and third party data centres) and software. The ongoing availability of the data centres and software is key to the Company's service delivery to clients and therefore its ability to generate revenue. A cyber-attack or failure of either the software or the technology that underpins DC Two, could result in it being unable to meet contractual and service level obligations, unauthorised system use, data integrity issues or data loss, integration issues with other systems and third parties, and increased costs.

DC Two mitigates the potential impact of technology failures or interruptions to its availability by having established business continuity and disaster recovery plans in place. In relation to software, all proprietary software is subject to regular internal upgrades and scheduled works. Where third party software is used by the Company, it is subject to strict security protocols and regular internal upgrades as they are released by the relevant software vendor. In addition, DC Two operates a risk management program to identify risks and tolerance levels for potential mitigation strategies. However, there remains a risk that a system failure may result in a loss of an existing client and/or the ability to attract new clients.

8.2.2 SUPPLYING AND PRICING OF ELECTRICAL POWER

The Company will rely on third parties for the supply of electrical power to its data centres. It cannot be guaranteed that these third parties will be able to consistently provide sufficient levels of electrical power, or will have the necessary infrastructure to deliver any additional power that the Company may require.

The Company's data centres will be fitted with back-up power generation capability at each site as required to cover temporary power outage, however this may be unable to provide ongoing service to the extent outages last beyond backup and alternative power arrangements. Inability to satisfy customer obligations by these means may materially adversely impact the financial position of the Company.

8.2.3 OPERATIONAL RISKS

The Company has or may hold a number of detailed discussions with potential partners. Failure to finalise these partnership arrangements may have a negative impact on the ability of the business to perform its services.

8.2.4 RELIANCE ON KEY PERSONNEL

The Company employs or proposes to engage as consultants, a number of key members of its management and team. The loss of any of these people's services could materially and adversely affect the Company and may impede the achievements of its objectives.

8.2.5 CUSTOMER RELATIONSHIPS

The growth of the Company depends in part on increasing the number of its customers. The Company's ability to maintain levels of customer numbers, or to increase the number of customers further, in applicable business units and geographical areas is likely to be subject to limits.

There is a risk that one or more customers may terminate their contracts early or that, upon expiration of their existing contracts, they may choose not to renew arrangements with DC Two or that the subsequent terms may be less favourable to DC Two. Failure to maintain customer relationships or renew agreements could result in DC Two's revenues declining and operating results being materially and adversely affected.

8.2.6 PARTNERSHIP ARRANGEMENTS

The Company has or may hold a number of detailed discussions with potential partners. Failure to finalise these partnership arrangements may have a negative impact on the ability of the business to perform its services.

8.2.7 BUSINESS FAILURE

There is no guarantee that the Company's business to date, future acquisitions or the development and marketing campaigns will be successful. If these events are not successful, this would likely have an adverse impact on the Company's potential profitability. There is a risk the Company will not achieve a commercial return. There is a risk of business failure, including

failure to attract new clients, failure to retain existing clients, or that sufficient revenue will otherwise not be achieved. In event of business failure there is also a risk the Company will need to raise additional capital which will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or suspend its operations to reduce costs.

8.2.8 SUPPLIER AND MANUFACTURER RISK

Any material changes in the trading terms and or supply from third-party providers may impact the Company's ability to provide the current suite of services to its customers at the current pricing and gross margin.

8.2.9 COMPETITION RISK

The industry in which the Company is involved is subject to domestic and global competition. Although the Company will undertake reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company.

8.2.10 CONSTRUCTION RISK

The Company intends to build new data centres, with a number of risks including:

- (a) the risk that suitable sites or required planning consents and regulatory approvals are not obtained or, if obtained, are received later than expected, or are adverse to the Company's interests, or are not properly adhered to;
- (b) the escalation of development costs beyond those originally expected;
- (c) unforeseeable project delays beyond the control of the Company; and
- (d) non-performance/breach of contract by a contractor or sub-contractor. Increases in supply or falls in demand could influence the acquisition of sites, the timing and value of sales and carrying value of project.

8.2.11 TECHNOLOGICAL DEVELOPMENTS

If DC Two fails to adapt to technological changes, this could have an adverse effect on DC Two's business, operating results and financial position. The ability to improve DC Two's existing products and develop new products is subject to risks inherent in the development process. DC Two's products may be shown to be ineffective, not capable for adaptation to its customer's business, or unable to compete with superior or cheaper products or services marketed by third parties. There is no assurance that DC Two will be successful in maintaining its market share or that it will be able to develop and introduce competitive technological advances in a timely and cost effective way.

8.2.12 INTELLECTUAL PROPERTY RISK

Whilst the Company protects its intellectual property through trade secrets, a trademark application, contractual arrangements and data security policies and measures, there can be no guarantee that there will not be any unauthorised use or misuse of its intellectual property or reverse engineering of its software by competitors.

The commercial value of intellectual property assets is dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Company's intellectual property or commercially sensitive information, or that competitors will not be able to produce non-infringing competitive products. There can be no assurance that any intellectual property which the Company (or entities it deals with) may have an interest in now or in the future will afford the Company commercially significant protection of technologies, or that any of the products that may arise from technologies will have commercial applications.

It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against the Company under copyright, trade secret, patent, or other laws. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has or will acquire an interest, such claims, if made, may harm, directly or indirectly, the Company's business. If the Company is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Company's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations.

8.3 INDUSTRY SPECIFIC RISKS

8.3.1 CHANGES TO LAWS OR REGULATIONS

DC Two is subject to local laws and regulations in each jurisdiction in which it provides its services. Future laws or regulations may be introduced concerning various aspects of DC Two's business, all of which may impact its operations. Changes in or extensions of laws and regulations affecting DC Two's business could restrict or complicate DC Two's business and significantly increase its compliance costs. For example, DC Two will need to consider and respond to ongoing changes to data retention laws and the impact these laws may have on DC Two's business.

8.3.2 CATASTROPHIC LOSS

Computer viruses, fire and other natural disasters, break-ins, or a failure of power supply, information systems, hardware, software or telecommunication systems or other catastrophic events could lead to interruption, delays or cessation in service to DC Two's customers. This may result in actual or consequential loss to DC Two. DC Two may be unable to operate its business, potentially putting DC Two in breach of its contractual obligations, damaging its reputation and adversely affecting its ability to generate revenue.

DC Two may not have adequate disaster recovery plans to prevent or minimise loss. DC Two also cannot guarantee that it will be able to obtain sufficient insurance to cover loss arising from a catastrophic event, the result of which could have a material adverse effect on DC Two's business and financial performance.

8.3.3 COMPETITION AND LOSS OF REPUTATION

DC Two will operate in an intensely competitive landscape that is subject to rapid and significant change alongside a number of other telecommunications and IT service providers with competing offerings. If DC Two is significantly slower than its competitors to adapt to technological change, it could lead to a reduction in the use of its products and services.

Competition may arise from a number of sources, both in Australia and abroad. It may include companies that have greater capital resources and closer customer relationships than DC Two. Competition may also arise from companies with developed processes, systems and technology, or customers may seek to develop their own equivalent products.

Any significant competition or failure to keep pace with technological change may adversely affect DC Two's ability to attract customers or meet its business objectives.

8.4 GENERAL RISKS

8.4.1 SHARE MARKET RISKS

Prior to the Offers, there has been no public market for Shares in DC Two. Share prices, as quoted on ASX, are volatile in that they might rise and/or fall and might trade at prices below or above \$0.20 or any subsequent purchase price or the underlying value of DC Two's assets. The Shares offered pursuant to the Offers carry no guarantee with respect to a return on capital, dividends or the price at which the Shares will trade, nor can there be any assurances given that an active trading market will develop for the Shares over time. If you are in any doubt as to whether you should invest in Shares in DC Two you should seek advice from your stockbroker, accountant or other professional financial adviser.

8.4.2 ECONOMIC

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company, as well as on its ability to fund its operations.

8.4.3 GOVERNMENT POLICY CHANGES

Adverse changes in government policies or legislation may affect the activities of the Company.

8.4.4 SECURITY RISK

Security risks, including physical threats, loss of power, flooding, fire, explosion, aircraft impact, terrorism, malicious damage and external hacking and/ or the malfunction of response equipment may have sustained and adverse impacts on the Company's business viability through the loss of future revenues or payment of damages (not otherwise insured).

8.4.5 LITIGATION RISKS

The Company is exposed to possible litigation risks including maintenance of Company records, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

8.4.6 INSURANCE

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. Insurance of all risks associated with the Company's business may not always be available and where available the costs may be prohibitive.



8. RISK FACTORS

8.5 INVESTMENT SPECULATIVE

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

A close-up photograph of network cables and connectors, with a dark purple overlay at the bottom. The cables are blue and orange, and the connectors are orange. A network diagram overlay is visible in the top right corner.

9. ADDITIONAL INFORMATION

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9.1 CONTINUOUS DISCLOSURE

The Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. Copies of announcements made by the Company to ASX may be obtained from www.asx.com.au.

The Company has adopted a continuous disclosure policy so as to comply with its continuous disclosure obligations.

Those obligations include being required to notify ASX immediately of any information concerning the Company of which it is, or becomes, aware of and which a reasonable person would expect to have a

material effect on the price or value of the Company's Securities. Exceptions apply for certain information which does not have to be disclosed.

Other documents that are required to be lodged include:

- (a) quarterly activities and cash-flow reports, to be provided to ASX within a specified time after the end of each quarter;
- (b) half yearly reports and preliminary financial statements, to be provided to ASX within a specified time after the end of each half and full year accounting period respectively; and
- (c) financial statements, to be lodged with ASX within a specified time after the end of each accounting period.

9.2 PRIVACY DISCLOSURE

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Securities held) in its public

register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments, corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirement.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

9. ADDITIONAL INFORMATION

9.3 TAXATION IMPLICATIONS

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor.

All prospective investors in the Company are urged to take independent financial advice about the taxation and any other consequences of investing in the Company. To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

9.4 LITIGATION

Legal proceedings may arise from time to time in the course of the Company's business.

As at the date of this Prospectus, the Company is not involved in any legal proceedings, nor so far as the Directors are aware, are any legal proceedings pending or threatened against the Company, the outcome of which will have a material adverse effect on the business or financial position of the Company.

9.5 DIRECTORS' INTERESTS

Other than as set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Securities or otherwise) and no benefits have been given or agreed to be given to any Director:

- (d) to induce him to become, or to qualify him as, a Director; or
- (e) for services rendered by him in connection with the formation or promotion of the Company or the Offer.

The interests of the Directors in the Securities of the Company as at the date of this Prospectus are set out in Section 1.14.2.

9. ADDITIONAL INFORMATION

9.6 EXPENSES OF THE OFFERS

The total expenses of the Offers (excluding GST) are estimated to be approximately \$574,117 for Minimum Subscription or \$604,666 for Maximum Subscription and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Minimum Subscription (\$5,000,000)	Maximum Subscription (\$5,500,000)
ASIC Fees	3,206	3,206
ASX Fees	78,161	78,710
Capital Raising Fees ¹	350,000	380,000
Legal Fees	70,000	70,000
Advisory and Professional Fees	35,000	35,000
Investigating Accountant's Fees	15,000	15,000
Printing and Distribution	7,500	7,500
Other Associated Fees	15,250	15,250
Total	574,117	604,666

1. Refer to Section 7.2 for details of the payments to be made to the Lead Manager in accordance with the Lead Manager Mandate.

9.7 INTERESTS AND CONSENTS OF EXPERTS AND ADVISORS

Other than as set out below or elsewhere in this Prospectus, no underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or has held within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or

distribution of this Prospectus, for services rendered by that person in connection with the formation or promotion of the Company or the Offers.

Each of the parties referred to in this section:

- (a) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below;
- (b) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to its name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that party;

- (c) has given and has not, before the date of lodgement of this Prospectus, with ASIC, withdrawn its written consent:
- (i) to be named in this Prospectus in the form and context which it is named; and
 - (ii) to the inclusion in this Prospectus of the statement(s) and/or report(s) (if any) by that person in the form and context in which it appears in this Prospectus.

Grant Thornton Audit Pty Ltd (**Grant Thornton Audit**) has acted as auditor to the Company. The Company estimates it will pay Grant Thornton Audit a total of \$10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Grant Thornton Audit has not received fees from the Company for any other services. Grant Thornton Audit has given its written consent to being named as audit to the Company in this Prospectus. Grant Thornton Audit has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. Grant Thornton Audit has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

Grant Thornton Corporate Finance Pty Ltd (**Grant Thornton Corporate Finance**) has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Annexure A of this Prospectus. The Company estimates it will pay Grant Thornton Corporate Finance a total of \$10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Grant Thornton Corporate Finance has not received fees from the Company for any other services. Grant Thornton Corporate Finance has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Annexure A of this Prospectus in the form and context in which the information and report is included. Grant Thornton Corporate Finance has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. Grant Thornton Corporate Finance has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

Nova Legal has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay Nova Legal a total of \$70,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months

preceding lodgement of this Prospectus with ASIC, Nova Legal has received fees of \$17,261.95 (inclusive of GST) in respect of legal services provided to the Company. Nova Legal has given its written consent to being named as the solicitors to the Company in this Prospectus. Nova Legal has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC. Nova Legal has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

Alto Capital has acted as Lead Manager to the Public Offer and will be paid fees for Lead Manager services in relation to this Prospectus. Alto Capital have provided lead manager services to the Company under the Lead Manager Mandate described in Section 7.2. During the 24 months preceding lodgement of this Prospectus with ASIC, Alto Capital has received \$13,200 (inclusive of GST) from the Company for services provided. Alto Capital has given, and has not withdrawn its consent to being named as Lead Manager to the Company in this Prospectus. Alto Capital has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

Ventnor Capital has acted as Compliance Manager to the Company in relation to the Offers. Ventnor Capital have provided corporate advisory services to the Company under the Ventnor Compliance Mandate described in Section 7.3. During the 24 months preceding lodgement of this Prospectus with ASIC, Ventnor Capital has received \$38,917.85 (inclusive of GST) from the Company for services provided. Ventnor Capital has given, and has not withdrawn its consent to being named as Compliance Manager to the Company in this Prospectus. Ventnor Capital has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

Link Market Services Limited (**Link Market**) has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions. Link Market has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to being named in this Prospectus as Share Registry of the Company in the form and context in which it is named.

9.8 RIGHTS AND RESTRICTIONS ATTACHING TO SHARES

A summary of the rights attaching to Shares in the Company is set out below.

This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

The Shares to be issued under this Prospectus will rank equally with the existing Shares.

- (a) At the date of this Prospectus all Shares are of the same class and rank equally in all respects.
- (b) Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.
- (c) Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.
- (d) The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares of the affected class, or with the sanction of a special resolution passed at a meeting of the holders of the Shares of the affected class.
- (e) Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Directors may refuse to register a transfer of Shares only in limited circumstances, such as where the Company has a lien on those Shares.
- (f) Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.
- (g) If the Company is wound up, the liquidator may, with the sanction of a special resolution:
 - (i) divide among the Shareholders the whole or any part of the Company's property; and
 - (ii) decide how the division is to be carried out between the Shareholders.
- (h) Subject to any special rights (at present there are none), any surplus assets on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them and in proportion to the amounts paid or credited as paid.

9.9 TERMS AND CONDITIONS OF DIRECTOR OPTIONS AND STAFF OPTIONS

(a) Entitlement

Subject to paragraph (p), each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) Exercise Price

Subject to paragraphs (l), (m) and (n), the amount payable upon exercise of each Option will be \$0.25 (**Exercise Price**).

(c) Expiry Date

Each Option will expire at 5:00pm (AWST) on the date that is four (4) years from the date the Company is admitted to the official list of the ASX (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) Vesting Conditions

The Options are subject to the following vesting conditions:

- (i) 50% of the Options will vest on 1 January 2021; and
- (ii) 50% of the Options will vest on 1 January 2022.

(e) Exercise Period

Subject to paragraph (d), the Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(f) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(g) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(h) Timing of issue of Shares on exercise

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) issue the number of Shares required under these terms and conditions in respect of the number of Option specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not

9. ADDITIONAL INFORMATION |

9.9 TERMS AND CONDITIONS OF DIRECTOR OPTIONS AND STAFF OPTIONS

require disclosure to investors; and

- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (h)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(i) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(j) Quotation of Shares issued on exercise

The Company will not apply to ASX for quotation of the Options.

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(k) Cancellation of Options

In the event the Company is not admitted to the official list of the ASX by 31 December 2020, any Options issued to the holder will be automatically cancelled by the Company for no consideration.

(l) Leaver

Where the holder (or the person who is entitled to be registered as the holder) of the Options is no longer employed, or their engagement is discontinued (for whatever reason), with the Company, any unexercised Options will automatically lapse and be forfeited by the holder, unless the Board otherwise determines in its discretion.

(m) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(n) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(o) Adjustment for rights issue

In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(p) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the optionholder would have received if the optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

9.10 TERMS AND CONDITIONS OF LESSOR OPTIONS

(a) Entitlement

Subject to paragraph (m), each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) Exercise Price

Subject to paragraphs (j) and (l), the amount payable upon exercise of each Option will be \$0.30 (**Exercise Price**).

(c) Expiry Date

Each Option will expire at 5:00pm (AWST) on 31 July 2024 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (Notice of Exercise) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) Timing of issue of Shares on exercise

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) issue the number of Shares required under these terms and conditions in respect of the number of Option specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) Quotation of Shares issued on exercise

The Company will not apply to ASX for quotation of the Options.

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) Adjustment for rights issue

In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(m) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the optionholder would have received if the optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

Closeup view of one of the backup diesel generators located at the Osborne Park data centre

10. DIRECTORS' AUTHORISATION

This Prospectus is authorised by each of the Directors of the Company and each has consented to the lodgement of this Prospectus in accordance with section 720 of the Corporations Act 2001.

This Prospectus is signed for and on behalf of the Company by:



Justin Thomas
Managing Director

For and on behalf of DC Two Limited

11. GLOSSARY OF TERMS

Justin Thomas inspecting the modular data centre before deployment on site

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means Australian Dollars.

Alto Capital or **Lead Manager** means ACNS Capital Markets Pty Ltd trading as Alto Capital (ACN 088 503 208) (AFSL: 279099).

Applicant means a person who submits an Application Form.

Application Form(s) or **Form(s)** means an application form provided by the Company for the Shares offered pursuant to this Prospectus.

Application Monies means application monies for Securities received and banked by the Company.

Applications means completed Application Forms submitted to and received by the Company accompanied by Application Monies.

Article means an article of the Company's Constitution.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules or **Listing Rules** means the official listing rules of ASX and any other rules of ASX which are applicable while any Shares are admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Bibra Lake Lease Agreement has the meaning given to it in Section 7.8.

Board means the Directors of the Company as at the date of this Prospectus.

Business Day means a day on which ASX is open for trading.

CAGR means compound annual growth rate.

Chapter means a chapter of either the Listing Rules or the Corporations Act.

CHES means Clearing House Electronic Subregistry System.

Closing Date means the date specified as the closing date for the Offers in the Indicative Timetable of the Offer (or such earlier or later date determined by the Directors).

Convertible Note has the meaning given in Section 7.1.

Company or **DC Two** means DC Two Limited (ACN 155 473 304).

Compliance Mandate means the mandate between the Company and Ventnor Capital.

Conditions of the Offers means the conditions of the Offer defined in Section 5.3.

Constitution means the current constitution of the Company.

Convertible Note Agreements means the convertible note agreements between the Company and the Noteholders.

Corporations Act means the Corporations Act 2001 (Cth).

CSP means Microsoft's Cloud Solution Provider program.

Datacentre means an IT data storage facility.

Director Options means Options issued to certain Directors on the terms and conditions set out in Section 9.9.

Directors means the directors of the Company as at the date of this Prospectus.

Escrow Agreements has the meaning given to it in Section 7.12.

Executive Services Agreement means the executive services agreement between the Company and Justin Thomas.

11. GLOSSARY OF TERMS

Exposure Period means the exposure period in accordance with section 727(3) of the Corporations Act, the period of 7 days (which may be extended by ASIC up to 14 days) after lodgement of this Prospectus with ASIC during which the Company must not process Applications.

Grant Agreement has the meaning given to it in Section 7.11.

GST means Goods and Services Tax.

HIN means Holder Identification Number.

IaaS means Infrastructure as a Services.

Indicative Timetable means the indicative timetable for the Offer set out in this Prospectus.

Investigating Accountant means Grant Thornton Corporate Finance Pty Ltd.

Investigating Accountant's Report means the report in Annexure A prepared by the Investigating Accountant.

Investment Overview means the investment overview contained in Section 1 of this Prospectus.

Issue Date means the date, as determined by the Directors, on which the Securities offered under this Prospectus are issued, which is anticipated to be the date identified in the Indicative Timetable.

Key Advisors means Alto Capital and Ventnor Capital.

Lead Manager Mandate means the mandate between the Company and Alto Capital.

Lessor means Stonegold Enterprises Pty Ltd.

Lessor Options means Options issued to the Lessor in accordance with the Bibra Lake Lease Agreement and on the terms and conditions set out in Section 9.10.

Letters of Appointment mean the letters of appointment between the Company and each of Cameron McLean and Blake Burton.

Licence Agreements has the meaning given to it in Section 7.9.

Maximum Subscription means \$5,500,000 (before costs).

Minimum Subscription means \$5,000,000 (before costs), as set out in Section 5.4.

Noteholder Offer means the offer of 7,000,000 Shares to the Noteholders (or their nominees) upon conversion of the Convertible Notes under this Prospectus, as set out in Section 5.2.

Noteholder Offer Application Form means the Application Form in respect of the Noteholder Offer.

Noteholders means the seed investors who were issued Convertible Notes.

Offer Period means the period from the Opening Date up to and including the Closing Date.

Offers means the Public Offer and the Noteholder Offer made under this Prospectus.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX of the Securities on the Official List.

Opening Date means the date specified as the opening date in the Indicative Timetable of the Offer.

Option or **Options** means a listed or unlisted option granted by the Company to subscribe for one Share.

Optionholder or **Optionholders** means any person holding Options.

Osborne Park Lease Agreement has the meaning given to it in Section 7.7.

Prospectus means this Prospectus dated 28 September 2020, which was lodged with ASIC on that date.

Public Offer means the public offer of Shares under this Prospectus, as set out in Section 5.1.

Recommendations means the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Related Party has the meaning ascribed to that term as set out in the Corporations Act and the Listing Rules.

Risk Factors refers to the risk factors set out in Section 8.

SAM means Software Asset Management.

Section refers to a section of this Prospectus.

Securities means a security of the Company, being a Share, Convertible Note or Option issued or granted (as the case may be).

Security holder means any person holding Securities.

Service Agreements has the meaning given to it in Section 7.10.

Share or **Shares** means ordinary fully paid shares in the capital of the Company.

Share Registry or **Link Market** means Link Market Services Limited (ACN 083 214 537).

Shareholder(s) means any person holding Shares.

SPLA means Microsoft Services Providers Licence Agreement.

SRN means Shareholder Reference Number.

Staff Options means Options issued to certain employees and consultants of the Company on the terms and conditions set out in Section 9.9.

Ventnor Capital means Ventnor Capital Pty Ltd (ACN 111 543 741).

WST means Western Standard Time, being the time in Perth, Western Australia.

ANNEXURE A. – INVESTIGATING ACCOUNTANT’S REPORT



The Board of Directors

DC Two Ltd
Unit 301
396 Scarborough Beach Road
Osborne Park
WA 6017

28 September 2020

Dear Directors,

**Grant Thornton Corporate
Finance Pty Ltd**
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000

PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000

DC TWO LTD – INVESTIGATING ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION

Introduction

We have been engaged by DC Two Limited (“DC Two”, or the “Company”) to report on the Historical and Pro forma Financial Information of the Company for inclusion in a Prospectus (the “Prospectus”) to be dated on or about 28 September 2020 to be issued by DC Two in respect to the offer of new shares in the Company (“Public Offer”).

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) holds an Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

Scope of this Report

You have requested Grant Thornton Corporate Finance to review the following Historical and Pro Forma Financial Information included in the Prospectus.

The Historical and Pro Forma Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in Australia in accordance with the Corporations Act 2001.

ABN-59 003 265 987 ACN-003 265 987 AFSL-247140

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987 a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127556 389 Holder of Australian Financial Services Licence No. 247140 ‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of Australian Financial Services Licensees).

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ANNEXURE A. – INVESTIGATING ACCOUNTANT’S REPORT

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Historical and Pro Forma Financial Information

The Historical and Pro Forma Financial Information of DC Two, as set out in the Prospectus comprises:

- Summary historical statement of profit or loss and other comprehensive income for DC Two for the 12 months ended 30 June 2019 (“FY2019”), and the 12 months ended 30 June 2020 (“FY2020”);
- Summary historical statements of cash flow for DC Two for FY2019, and FY2020;
- Summary historical statements of financial position for DC Two as at 30 June 2019 and 30 June 2020; and
- The historical pro forma statement of financial position as at 30 June 2020 which assumes completion of the proposed transactions outlined in section 4.2.10 of the ‘Financial Information’ section which includes the Offer (the ‘Pro Forma Transactions’) as though they had occurred on that date.

(Hereafter the “Historical and Pro Forma Financial Information”).

The Historical Financial Information of DC Two has been extracted from the audited financial statements from 1 July 2018 to 30 June 2020. No other pro forma adjustments have been made to the historical financial statements.

The historical financial statements of DC Two for the financial year FY2020 was audited by Grant Thornton Australia Limited. FY2019 was audited by Butler Settineri (Audit) Pty Ltd.

The FY2019 and FY2020 audit reports conclude the financial statements of DC Two presents fairly, in all material respects, the consolidated entity’s financial position as at 30 June 2019 and 2020 and of its performance and cash flows for the years ended 30 June 2019 and 30 June 2020.

The stated basis of preparation is the recognition and measurements principles contained in the financial statement which comply with Australian Accounting Standards and DC Two’s adopted accounting principles applied to the Historical and Pro Forma Financial Information.

This report has been prepared for inclusion in the Prospectus. Grant Thornton Corporate Finance disclaim any assumption of responsibility for any reliance on this report or on the Financial Information to which this report relates for any purpose other than the purposes for which it was prepared. This report should be read in conjunction with the Prospectus.

Directors’ Responsibility

The Directors of DC Two are responsible for the preparation and presentation of the Historical and Pro Forma Financial Information.

This responsibility also includes compliance with applicable laws and regulations and for such internal controls as the Directors determine necessary to enable the preparation of the Historical and Pro Forma Financial Information that are free from material misstatement.

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ANNEXURE A. – INVESTIGATING ACCOUNTANT’S REPORT

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical and Pro Forma Financial Information based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3420: “*Assurance Engagements to Report on the Compilation of Pro Forma Historical Pro Forma Financial Information*” and ASAE 3450: “*Assurance Engagements involving Corporate Fundraisings and/ or Prospective Historical Pro Forma Financial Information*”. Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures applied to the accounting records in support of the Historical and Pro Forma Financial Information.

These procedures are substantially less in scope than an audit conducted in accordance with Australian Auditing Standards, and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical and Pro Forma Financial Information.

Our engagement did not involve updating or re-issuing any previously issued audit reports on any Historical and Pro Forma Financial Information used as a source of the Historical and Pro Forma Financial Information.

Conclusion

Historical and Pro Forma Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical and Pro Forma Financial Information of DC Two described in the “Financial Information” section of the Prospectus does not present fairly:

- Summary historical statement of profit or loss and other comprehensive income for DC Two for FY2019 and FY2020;
- Summary historical statements of cash flow for DC Two for FY2019, and FY2020;
- Summary historical statements of financial position for DC Two for FY2019 and FY2020; and
- The pro forma transactions and subsequent events set out in paragraph 4.2.11 of the ‘Financial Information’ section are a reasonable basis for the historical pro forma consolidated statement of financial position as at 30 June 2020.

In accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements under the IFRS as if the Pro Forma Transactions set out in in paragraph 4.2.11 of the ‘Financial Information’ section had occurred at 30 June 2020.

We have assumed, and relied on representations from certain members of management of DC Two, that all material information concerning the historical operations of DC Two has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

ANNEXURE A. – INVESTIGATING ACCOUNTANT’S REPORT

Restriction on Use

Without modifying our conclusion, we draw attention to the “Financial Information” section, which describes the purpose of the Historical and Pro Forma Financial Information, being for inclusion in the Prospectus. As a result, the Historical and Pro Forma Financial Information may not be suitable for use for another purpose.

Consent

Grant Thornton Corporate Finance has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



Mitesh Ramji
Partner and Authorised Representative
28 September 2020

ANNEXURE A. – INVESTIGATING ACCOUNTANT’S REPORT



Grant Thornton Corporate Finance Pty Ltd
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000

PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000

Appendix A (Financial Services Guide)

This Financial Services Guide is dated 28 September 2020.

1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987 and Australian Financial Services Licence no 247140) (“Grant Thornton Corporate Finance”) has been engaged by DC Two Ltd (“DC Two” or the “Company”) to provide general financial product advice in the form of an Independent Limited Assurance Report (the “Report”) in relation to the offer of CHESS Depository Interests (“CDIs”) of the Company (the “Offer”). This report is included in the prospectus dated on 28 September 2020 (the “Prospectus”). You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2 This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

ABN-59 003 265 987 ACN-003 265 987 AFSL-247140

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987 a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127556 389 Holder of Australian Financial Services Licence No. 247140 ‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of Australian Financial Services Licensees).

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ANNEXURE A. – INVESTIGATING ACCOUNTANT’S REPORT



4 General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

5 Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including the report. These fees are negotiated and agreed with the entity which engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report, Grant Thornton Corporate Finance will receive from the Company a fee of \$10,000, which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, or its related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd. None of those persons or entities receive non-monetary benefits in respect of, or that is attributable to, the provision of the services described in this FSG.

6 Referrals

Grant Thornton Corporate Finance - including its Partners, Directors, employees, associates and related bodies corporate - does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licenced to provide.

7 Associations with issuers of financial products

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

8 Independence

Grant Thornton Corporate Finance is required to be independent of DC Two in order to provide this report. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

ANNEXURE A. – INVESTIGATING ACCOUNTANT’S REPORT



“Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with DC Two (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Offer.

Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

9 Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority (AFCA) (membership no. 11800). All complaints must be in writing and addressed to the Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to AFCA who can be contacted at:

Australian Financial Complaints Authority

GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287
Email: info@afca.org.au

Grant Thornton Corporate Finance is only responsible for the report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

10 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

11 Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

Head of Corporate Finance
Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent Street
Sydney, NSW, 2000



DC TWO LIMITED
ACN 155 473 304

Broker Code

Adviser Code

Public Offer Application Form

This is an Application Form for Shares in DC Two Limited under the Public Offer on the terms set out in the Prospectus dated 28 September 2020. You may apply for a minimum of A\$2,000. This Application Form and your cheque or bank draft must be received by **5:00pm (WST) on 26 October 2020**.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Shares applied for

Price per Share

Application Monies

A at **A\$0.20** **B** A\$

(minimum of A\$2,000)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names) **+**

Applicant #1

Surname/Company Name

C

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

D

TFN/ABN type – if NOT an individual, please mark the appropriate box

Company

Partnership

Trust

Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

E

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN

F **X** **+**

If you have a Broker Sponsored account and would like your securities to be allocated to this account, it is important that you enter your HIN at this step. Failure to do so will result in your securities being allocated to a new Issuer Sponsored account. You will not be able to change this until after the stock exchange listing takes place and you will need to request your broker to do this for you.

Telephone Number where you can be contacted during Business Hours

Contact Name (PRINT)

G ()

Cheques or bank drafts should be made payable to **"PCPL ITF DC TWO LIMITED IPO"** in Australian currency and crossed "Not Negotiable".

Cheque or Bank Draft Number

BSB

Account Number

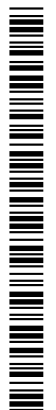
H -

Total Amount **A\$**

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (WST) on 26 October 2020 to:
Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

DC2 IPO001



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are DC Two Limited ("DC2") Shares. Further details about the shares are contained in the Prospectus dated 28 September 2020 issued by DC Two Limited. The Prospectus will expire 13 months after the date of this Prospectus. While the Prospectus is current, DC Two Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of A\$2,000. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, DC Two Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from DC Two Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to DC Two Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B. Make your cheque or bank draft payable to "PCPL ITF DC TWO LIMITED IPO" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected. If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed so that it is received before 5:00pm (WST) on 26 October 2020 at:

Mailing Address

DC Two Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

