

# **DC TWO LIMITED**

**ABN 30 155 473 304**

**ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021**

## **CORPORATE INFORMATION**

### **Directors**

Shane Wee (Non-Executive Chairman – appointed 31 August 2021)  
Blake Burton (Non-Executive Director – appointed 1 September 2020)  
Justin Thomas (Managing Director)

### **Company Secretary**

Deborah Ho

### **Registered Office**

27 Aspiration Circuit  
Bibra Lake WA 6163

### **Principal Place of Business**

27 Aspiration Circuit  
Bibra Lake WA 6163

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Email: [investors@dctwo.com.au](mailto:investors@dctwo.com.au)  
Website: [www.dctwo.com.au](http://www.dctwo.com.au)

### **Share Register**

Link Market Services Limited  
QV1 Buildings  
Level 12, 250 St Georges Terrace  
Perth WA 6000

Telephone: +61 1300 554 474

### **Auditor**

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

### **Solicitors**

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

| <b>CONTENTS</b>                                            | <b>PAGE</b> |
|------------------------------------------------------------|-------------|
| Letter from the Chairman                                   | 3           |
| Directors' Report                                          | 4           |
| Auditor's Independence Declaration                         | 20          |
| Statement of Profit or Loss and Other Comprehensive Income | 21          |
| Statement of Financial Position                            | 22          |
| Statement of Changes in Equity                             | 23          |
| Statement of Cash Flows                                    | 24          |
| Notes to the Financial Statements                          | 25          |
| Directors' Declaration                                     | 56          |
| Independent Auditor's Report                               | 57          |
| Additional ASX Information                                 | 61          |

**DC Two Limited**  
**Letter from the Chairman**

Dear Shareholders,

FY21 has been a time of unprecedented challenge for many Australians. The health and economic effects of the COVID-19 pandemic have been clear, and disruptions to supply chains still remain an issue for many businesses. Despite this rapidly changing landscape, DC Two's focus has remained clear and the Company has achieved a number of important milestones that have set the business up for future growth.

First and foremost, since listing on the ASX the Company has increased quarterly cash receipts in conjunction with bringing two data centres online. We have expanded the sales team, secured a number of new re-seller partners and developed additional DC Modular data centre projects.

Our recurring revenue business model has proven resilient, and we maintain a robust financial position from which to increase the performance of our data centre assets, and to invest in new growth opportunities. Testament to the Company's highly skilled and experienced management team, DC Two provided uninterrupted and secure services to its customer base during the 2021 financial year.

Progress towards developing our hero data centre project, Bibra Lake, advanced rapidly over the financial year and is now nearing Tier III design and construction accreditation. Completing the data centre and achieving Tier III accreditation will be the biggest milestone in DC Two's history, and will put the business in a very strong position when competing for large-scale enterprise contracts.

DC Two's modular data centres were initially being worked on in the background to service a smaller customer base and develop the potential market opportunity with lesser capital needs. As global markets changed during this year, the Company became flooded with enquiries and opportunity. An immense amount of work has gone into capturing these opportunities which resulted in a number of significant contract wins.

In terms of the road ahead, the demand for digital infrastructure has never been stronger. COVID-19 has pushed more users online and increased reliance on digital tools for remote working, remote learning, video conferencing and online shopping. This has led to a surge in demand for Australian data centre capacity and cloud services.

DC Two has a clear set of priorities that will enable the Company to take advantage of this demand. We will focus on scaling the business to drive long term growth while maintaining our high customer experience rating and retention. Once Tier III accreditation is achieved, the Company will reinforce this competitive advantage in the market to secure large enterprise customers.

Lastly, I would like to thank all shareholders for your support. Our systemic growth strategy to increase revenue across all areas of the business is geared towards generating sustained shareholder value.

Shane Wee  
Chairman – DC Two Limited

**DC Two Limited**  
**Directors' Report**  
**For the year ended 30 June 2021**

The Directors present their report, together with the financial report for DC Two Limited ("DC Two" or the "Company") for the year ended 30 June 2021.

**Directors**

The names and particulars of the Director of the Company during or since the end of the financial year are:

| <b>Name</b>    | <b>Position</b>        | <b>Date Appointed</b> | <b>Date Resigned</b> |
|----------------|------------------------|-----------------------|----------------------|
| Justin Thomas  | Managing Director      | 2 February 2012       | -                    |
| Cameron McLean | Non-Executive Chairman | 1 September 2020      | 31 August 2021       |
| Blake Burton   | Non-Executive Director | 1 September 2020      | -                    |
| Shane Wee      | Non-Executive Chairman | 31 August 2021        | -                    |

**Principal Activities**

DC Two Limited is a vertically integrated revenue generating data centre, cloud and software business that 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.

**Significant Changes in State of Affairs**

In November 2020, the Company listed on the Australian Securities Exchange ("ASX") with the issue of 27,500,000 fully paid ordinary shares at \$0.20 per share as part of its Initial Public Offer ("IPO") for a total consideration of \$5.5 million.

*Initial Public Offer ("IPO")*

On 28 September 2020, the Company issued a Prospectus for an initial public offer of 27,500,000 share at an issue price of \$0.20 to raise \$5,500,000 (before costs) ("Public Offer"). The Prospectus also incorporated an offer of 7,000,000 shares to the Noteholders (or their nominees) upon conversion of the Convertible Notes ("Noteholder Offer"). The Company entered into a number of convertible note agreements with seed investors ("Noteholders") pursuant to which the Company issued convertible notes to raise a total of \$424,000 (before costs).

Following the completion of the Public Offer, the Company issued the following securities on the 30 October 2020 and was admitted to the official list of the Australian Securities Exchange (ASX) on the 6 November 2020:

- 27,500,000 fully paid ordinary shares at a price of \$0.20 per share pursuant to the Public Offer; and
- 3,000,000 fully paid ordinary shares at a price of \$0.008 per share to the Noteholders (or their nominees) pursuant to the Noteholder Offer; and
- 4,000,000 fully paid ordinary shares at a price of \$0.10 per share to the Noteholders (or their nominees) pursuant to the Noteholder Offer.

**Review of Operations**

*Bibra Lake data centre became operational*

In early May, the Bibra Lake data centre became fully operational in Stage 1 configuration, with all major components being installed and successfully tested. Testing also illustrated that the data centre maintained ideal environmental conditions suitable for continuous and reliable operations.

Following Stage 1 completion, demand for DC Two cloud and data centre services within Bibra Lake was positive. In June, DC Two secured its first co-location customers, installed its ISO 27001 Cloud Platform and successfully began to migrate existing customers from the Osborne Park Data Centre.

## **Review of Operations (Continued)**

Encouraging progress towards Tier III accreditation was also made. The Company is anticipating to complete the Tier III design accreditation process by the end of the 2021 calendar year, following which, final construction budgets and timetables can be prepared with the intention to have construction accreditation completed during 2022.

### *Mid-West data centre secured initial revenue*

FY21 saw DC Two develop and launch its eco-friendly, transportable and modular data centre located 'behind the meter' at an operational wind farm in WA. In June, DC Two signed a Fixed Term Agreement to provide co-location services estimated to be worth a minimum of \$926,376 including GST over the 5-year term.

Under the Fixed Term Agreement, DC Two will provide the data centres floor space, empty racks, power, cooling, internet connectivity and day to day equipment, hardware and remote hands support. The customer will provide and manage their own servers and mining equipment.

Having data centres located 'behind the meter' at renewable power sites provides future clients with access to globally competitive power prices, which could decrease the operational costs of mining. It also provides a turnkey solution for miners seeking to lower their environmental impact.

### **Collie Data Centre entered into the next phase of development**

During the year, DC Two made a number of positive developments which advanced its Collie Data Centre closer towards potential future commercialisation. The Company signed a non-binding Memorandum of Understanding ("MOU") with Cannaponics Limited to explore the potential deployment of its modular data centres at the Cannaponics cannabis facility which is currently under construction.

The execution of the MOU with Cannaponics reiterates DC Two's ESG focus and commitment to sustainable and renewable power generation. The collaboration will also explore the possibility to re-use the low-grade waste heat produced by the data centre modules to heat the greenhouses as needed, effectively using the electrical power energy twice, firstly to power the data centre and secondly to heat the greenhouses.

### *DC Soft*

Development of the Microsoft SPLA automated reporting tool and commercial release was paused during the later months of the financial year. The Company decided to allocate further resources towards further self-service and automation of its cloud and data centre platforms and systems as demand from customers increased over the quarter. DC Two sees this as a positive step, as resources were fully directed towards revenue generation activities. The Company still aims to develop **the** SPLA reporting system and believes there is large potential commercial opportunity for the reporting tool in the future.

### *Likely Developments and Expected Results of Operations*

The Company remains focused on implementing its data centre and cloud platform growth strategies to accelerate and increase revenue and extend our platforms into new markets with our existing products, as well as bringing additional revenues online for our modular, regional data centres. DC Two is also undertaking ongoing improvements in its self-service and automation software platforms and systems, in order to be able to meet increased product demand from existing customers and new markets as they arise.

**DC Two Limited  
Directors' Report  
For the year ended 30 June 2021**

**Review of Operations (Continued)**

**Review of Results**

The net loss for the year ended 30 June 2021 was \$3,555,722 (30 June 2020: \$208,991). The Company had a net asset position as at 30 June 2021 of \$2,939,678 (30 June 2020: \$163,682). Net operating cash outflows were \$1,373,177 (30 June 2020: Net operating cash inflows \$11,892). DC Two ends the financial year with a cash balance of \$1,891,595 (30 June 2020: \$237,081).

The Company confirms that during the financial year ended 30 June 2021, it used its cash and assets in a form readily convertible to cash, in a manner consistent with its business objectives.

**Environmental regulation**

D.C. Two's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

**Directors' Details**

**Cameron McLean**

**Non-Executive Chairman (Appointed 1 September 2020, resigned 31 August 2021)**

Experience: -

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.

Interest in Shares & Options

87,500 fully paid ordinary shares  
1,200,000 unlisted options exercisable at \$0.25 per option, expiring 10 November 2024 (escrowed to 10 November 2022)

Other Listed Entity  
Directorships

*Current*  
Managing Director of Great Northern Minerals Limited (ASX:GNM)  
Non-Executive Director of Queensland Pacific Metals Limited (ASX:QPM)

*Previous*  
Non-Executive Director of Pure Minerals Limited (ASX: PM1)

**Blake Burton**

**Non-Executive Director (Appointed 1 September 2020)**

Experience: BCom.

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.

Interest in Shares & Options

125,000 fully paid ordinary shares  
1,000,000 unlisted options exercisable at \$0.25 per option, expiring 10 November 2024 (escrowed to 10 November 2022)

Other Listed Entity  
Directorships

*Current*  
None.

*Previous*  
None.

**Directors' Details (Continued)**

**Justin Thomas**

Experience: -

**Managing Director (Appointed 2 February 2012)**

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.

|                              |                                                                                 |
|------------------------------|---------------------------------------------------------------------------------|
| Interest in Shares & Options | 14,325,825 fully paid ordinary shares (14,175,058 escrowed to 10 November 2022) |
|------------------------------|---------------------------------------------------------------------------------|

Other Listed Entity  
 Directorships

*Current*  
 None.

*Previous*  
 None.

**Directors' Details (Continued)**

**Shane Wee**

Experience: -

**Non-Executive Chairman (Appointed 31 August 2021)**

Shane retired as a founding director of Alto Capital after 28 years in the financial services industry in July 2021 to take on the role of CEO of The Magic Coat for Kids and other opportunities.

Over the years, he has built close relationships with a number of business leaders in Perth's business community. His focus has always been on building long term relationships with strategic partners and continuously value add to Alto's local network of clients and contacts throughout South East Asia.

His network is enriched through his philanthropic activities which sees him apply his skills as a business builder to help others. Notably, he is a board member of The Magic Coat for Kids, an organisation led by Diane Wilcox, a parenting and youth mental health expert. The social enterprise has books, workshops and programs to empower children while also equipping them with powerful psychological tools to maintain strong mental health. Shane is also an active member of the Rotary Club of Crawley.

|                              |                                                                                                                        |
|------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Interest in Shares & Options | 110,000 fully paid ordinary shares<br>1,300,000 unlisted options exercisable at \$0.50 per option, expiring 7 May 2024 |
|------------------------------|------------------------------------------------------------------------------------------------------------------------|

|                     |                |
|---------------------|----------------|
| Other Listed Entity | <i>Current</i> |
| Directorships       | None           |

*Previous*  
None

Other current directorships' quoted on the preceding pages are current directorships for listed entities only and exclude directorships of all other types of entities, unless otherwise stated. Former directorships (last 3 years) quoted on the preceding pages are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company Secretary**

Ms Deborah Ho is an Associate Member of the Governance Institute of Australia. Ms Ho has over seven years of experience in company secretarial, corporate compliance and financial accounting matters. She has acted as Company Secretary to a number of ASX listed and private companies.

**DC Two Limited**  
**Directors' Report**  
**For the year ended 30 June 2021**

**Meetings of Directors**

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the financial year ended 30 June 2021 and the number of meetings attended by each director were:

|                | <b>Board Meeting</b>          |                 | <b>Audit &amp; Risk Management /<br/>Remuneration and Nomination<br/>Committee Meetings*</b> |                 |
|----------------|-------------------------------|-----------------|----------------------------------------------------------------------------------------------|-----------------|
|                | <b>Eligible to<br/>Attend</b> | <b>Attended</b> | <b>Eligible to<br/>Attend</b>                                                                | <b>Attended</b> |
| Cameron McLean | 7                             | 6               | -                                                                                            | -               |
| Blake Burton   | 7                             | 7               | -                                                                                            | -               |
| Justin Thomas  | 7                             | 7               | -                                                                                            | -               |

\* these are conducted by the Board as a whole, as part of board meetings.

The Board also approved ten (10) circular resolutions during the year ended 30 June 2021 which were signed by all Directors of the Company.

**Matters Subsequent to The End of The Financial Year**

On 6 August 2021, the Company announced the appointment of Shane Wee as Non-Executive Chairman effective 31 August 2021 following the resignation of Non-Executive Chairman Cameron McLean effective 31 August 2021.

On 23 August 2021, the Company announced it had signed a number of Fixed Term Agreements with multiple parties to supply data centre co-location services worth a combined estimated \$1,775,358 (incl. GST) over a 36-month period.

On 25 August 2021, shareholders approved the granting of 2,500,000 Performance Rights (1,250,000 Class A and 1,250,000 Class B) to Justin Thomas and of 2,500,000 Performance Rights (1,250,000 Class A and 1,250,000 Class B) to Rebecca Thomas. The Performance Rights will vest subject to meeting specified milestones by the applicable expiry date (Class A by 30 November 2023, Class B by 30 November 2025). The Performance Rights were subsequently issued on 24 September 2021.

On 3 September 2021, the Company announced the purchase of an individual modular data centre unit for \$482,396 (incl. GST) as part of the next stage of commercialisation of its Victorian data centre site.

On 27 September 2021, the Company announced that it had received firm commitments to raise \$2.5 million (before costs) from institutional and sophisticated investors via a placement. The Placement will see the Company issue a total of 16,666,666 new fully paid ordinary shares at an issue price of \$0.15 per share, with a 1:2 free attaching option exercisable at \$0.30 per share expiring 2 years from the date of issue. The Company will issue 8,775,000 fully paid ordinary shares at \$0.15 per share on 4 October 2021. A further 7,891,666 shares and 8,333,333 free-attaching options exercisable at \$0.30 per share, will be issued subject to shareholder approval at the 2021 Annual General Meeting to be held in November 2021.

The Directors are not aware of any other matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future financial years, the operations of the Company, the results of those operations or the Company's state of affairs.

## **REMUNERATION REPORT (AUDITED)**

The remuneration report details the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the Corporations Act 2001 and the Corporation Regulations 2001. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including all directors.

The key management personnel of DC Two Limited for the financial year consists of:

- Cameron McLean (Non-Executive Chairman – appointed 1 September 2020, resigned 31 August 2021)
- Blake Burton (Non-Executive Director – appointed 1 September 2020)
- Justin Thomas (Managing Director)
- Rebecca Thomas (Operations Manager)
- Michael Travis (General Manager – Cloud)

### **Principles used to Determine the Nature and Amount of Remuneration**

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.

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds where applicable.

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.

Options may be granted as determined by the Board and with the approval of shareholders as applicable. Subsequent to 30 June 2021, an Employee Securities Incentive Plan was approved by shareholders at the Company's General Meeting of 25 August 2021.

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.

**DC Two Limited**  
**Directors' Report**  
**For the year ended 30 June 2021**

*Service Agreements*

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

**Justin Thomas**  
*Managing Director*

Commenced employment: 2 February 2012  
Term: Indefinite term until terminated  
Remuneration: Base salary of \$160,000 (exclusive of superannuation). Bonus as determined by the Board from time to time (cash, shares, options, performance rights or other securities) with due consideration of share price performance relative to peers.  
Prior to the current service agreement: base salary of \$96,000 per annum (exclusive of superannuation)

**Rebecca Thomas**  
*Operations Manager*

Commenced employment: 1 February 2018  
Term: Indefinite term until terminated  
Remuneration: base salary of \$120,000 per annum (exclusive of superannuation). Commission will be paid on sales made at an agreed rate.  
Prior to the current service agreement: base salary of \$84,000 per annum (exclusive of superannuation)

**Michael Travis**  
*General Manager - Cloud*

Commenced employment: 13 January 2020  
Term: Indefinite term until terminated  
Remuneration: Rate of \$60 / hour based on hours worked. Commission will be paid on sales made at an agreed rate.

**Details of Remuneration**

|                                 | <b>Fixed Remuneration</b> |             | <b>At Risk – STI</b> |             | <b>At Risk – LTI</b> |             |
|---------------------------------|---------------------------|-------------|----------------------|-------------|----------------------|-------------|
|                                 | <b>2021</b>               | <b>2020</b> | <b>2021</b>          | <b>2020</b> | <b>2021</b>          | <b>2020</b> |
| <i>Directors</i>                |                           |             |                      |             |                      |             |
| Cameron McLean <sup>1</sup>     | 100%                      | -           | -                    | -           | -                    | -           |
| Blake Burton <sup>1</sup>       | 100%                      | -           | -                    | -           | -                    | -           |
| Justin Thomas                   | 100%                      | 100%        | -                    | -           | -                    | -           |
| <i>Key Management Personnel</i> |                           |             |                      |             |                      |             |
| Rebecca Thomas                  | 100%                      | 100%        | -                    | -           | -                    | -           |
| Michael Travis                  | 100%                      | -           |                      |             |                      |             |

<sup>1</sup> Appointed on 1 September 2020

**DC Two Limited**  
**Directors' Report**  
**For the year ended 30 June 2021**

**Details of Remuneration (Continued)**

Details of the remuneration of key management personnel of the Company are set out in the following tables.

|                                 |                    | Short-term benefits |                  | Post-employment<br>benefits | Share-based payments     |                           |                |
|---------------------------------|--------------------|---------------------|------------------|-----------------------------|--------------------------|---------------------------|----------------|
|                                 | Salary<br>and fees | Cash<br>bonus       | Non-<br>monetary | Super-<br>annuation         | Equity-settled<br>shares | Equity-settled<br>options | Total          |
| <b>2021</b>                     | \$                 | \$                  | \$               | \$                          | \$                       | \$                        | \$             |
| <i>Directors</i>                |                    |                     |                  |                             |                          |                           |                |
| Cameron McLean <sup>1</sup>     | 21,918             | -                   | -                | 2,082                       | -                        | 123,229                   | 147,229        |
| Blake Burton <sup>1</sup>       | 26,957             | -                   | -                | 2,561                       | -                        | 102,690                   | 132,208        |
| Justin Thomas                   | 155,929            | -                   | -                | 14,299                      | -                        | -                         | 170,228        |
| <i>Key Management Personnel</i> |                    |                     |                  |                             |                          |                           |                |
| Rebecca Thomas                  | 91,769             | -                   | -                | 8,718                       | -                        | -                         | 100,487        |
| Michael Travis                  | 92,076             | -                   | -                | 8,747                       | -                        | 10,269                    | 111,092        |
|                                 | <b>388,649</b>     | <b>-</b>            | <b>-</b>         | <b>36,407</b>               | <b>-</b>                 | <b>236,188</b>            | <b>661,244</b> |

<sup>1</sup> Appointed on 1 September 2020

DC Two Limited  
 Directors' Report  
 For the year ended 30 June 2021

Details of Remuneration (Continued)

|                                 |                    | Short-term benefits |                  |                     | Post-employment<br>benefits | Share-based payments      |        |    |
|---------------------------------|--------------------|---------------------|------------------|---------------------|-----------------------------|---------------------------|--------|----|
|                                 | Salary<br>and fees | Cash<br>bonus       | Non-<br>monetary | Super-<br>annuation | Equity-settled<br>shares    | Equity-settled<br>options | Total  |    |
| 2020                            | \$                 | \$                  | \$               | \$                  | \$                          | \$                        | \$     | \$ |
| <i>Directors</i>                |                    |                     |                  |                     |                             |                           |        |    |
| Justin Thomas                   | 91,183             | -                   | -                | 8,662               | -                           | -                         | 99,845 |    |
| <i>Key Management Personnel</i> |                    |                     |                  |                     |                             |                           |        |    |
| None                            |                    | -                   | -                |                     |                             | -                         |        |    |
|                                 | 91,183             |                     |                  | 8,662               |                             |                           | 99,845 |    |

**DC Two Limited**  
**Directors' Report**  
**For the year ended 30 June 2021**

**Share-based Compensation**

*Options Issued as Remuneration*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or past reporting years are as follows.

| <b>2021</b>                     | <b>Number of Options Granted</b> | <b>Grant Date</b> | <b>Vesting Date</b> | <b>Expiry Date</b> | <b>Exercise Price (\$)</b> | <b>Fair Value per Option (\$)</b> |
|---------------------------------|----------------------------------|-------------------|---------------------|--------------------|----------------------------|-----------------------------------|
| <i>Directors</i>                |                                  |                   |                     |                    |                            |                                   |
| Cameron McLean                  | 600,000                          | 15/09/2020        | 01/01/2021          | 06/11/2024         | \$0.25                     | \$0.1318                          |
|                                 | 600,000                          | 15/09/2020        | 01/01/2022          | 06/11/2024         | \$0.25                     | \$0.1318                          |
| Blake Burton                    | 500,000                          | 15/09/2020        | 01/01/2021          | 06/11/2024         | \$0.25                     | \$0.1318                          |
|                                 | 500,000                          | 15/09/2020        | 01/01/2022          | 06/11/2024         | \$0.25                     | \$0.1318                          |
| Justin Thomas                   | -                                | -                 | -                   | -                  | -                          | -                                 |
| <i>Key Management Personnel</i> |                                  |                   |                     |                    |                            |                                   |
| Rebecca Thomas                  | -                                | -                 | -                   | -                  | -                          | -                                 |
| Michael Travis                  | 50,000                           | 15/09/2020        | 01/01/2021          | 06/11/2024         | \$0.25                     | \$0.1318                          |
| Michael Travis                  | 50,000                           | 15/09/2020        | 01/01/2021          | 06/11/2024         | \$0.25                     | \$0.1318                          |

On 15 September 2020, 2,200,000 unlisted options exercisable at \$0.25 expiring on 6 November 2024, were granted to Directors and 2,200,000 unlisted options exercisable at \$0.25 expiring on 6 November 2024 were granted to staff upon successful listing on ASX. 50% of options vest on 1 January 2021 and the other 50% vest on 1 January 2022. The options are escrowed until 10 November 2022.

Options granted carry no dividend or voting rights. All options were granted over unissued fully paid ordinary shares in the company. Options vest based on the provision of service over the vesting period whereby the director or employee becomes beneficially entitled to the option on vesting date. Options are only exercisable by the holder after the escrow date (which is after the second tranche vesting date). There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation are set out below:

|                                 | <b>Value of options granted/vested during the period</b> | <b>Value of options exercised during the period</b> | <b>Value of options lapsed during the period</b> | <b>Remuneration consisting of options for the period</b> |
|---------------------------------|----------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------|----------------------------------------------------------|
|                                 | <b>\$</b>                                                | <b>\$</b>                                           | <b>\$</b>                                        | <b>%</b>                                                 |
| <i>Directors</i>                |                                                          |                                                     |                                                  |                                                          |
| Cameron McLean                  | 123,229                                                  | -                                                   | -                                                | 84%                                                      |
| Blake Burton                    | 102,690                                                  | -                                                   | -                                                | 78%                                                      |
| Justin Thomas                   | -                                                        | -                                                   | -                                                | -                                                        |
| <i>Key Management Personnel</i> |                                                          |                                                     |                                                  |                                                          |
| Rebecca Thomas                  | -                                                        | -                                                   | -                                                | -                                                        |
| Michael Travis                  | 10,269                                                   | -                                                   | -                                                | 9%                                                       |

There were no options granted in the financial year ended 30 June 2020.

**DC Two Limited**  
**Directors' Report**  
**For the year ended 30 June 2021**

**Additional Disclosures Relating to Key Management Personnel**

*Shareholding*

The number of shares in the Company held during the financial years ended 30 June 2021 and 2020 by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

|                                 | <b>Balance at<br/>the start of<br/>the year</b> | <b>Balance at<br/>appointment</b> | <b>Additions<sup>1</sup></b> | <b>Other</b>            | <b>Balance at<br/>the end of<br/>the year / at<br/>resignation</b> |
|---------------------------------|-------------------------------------------------|-----------------------------------|------------------------------|-------------------------|--------------------------------------------------------------------|
| <b>2021</b>                     |                                                 |                                   |                              |                         |                                                                    |
| <i>Directors</i>                |                                                 |                                   |                              |                         |                                                                    |
| Cameron McLean                  | -                                               | -                                 | 87,500                       | -                       | 87,500                                                             |
| Blake Burton                    | -                                               | -                                 | 125,000                      | -                       | 125,000                                                            |
| Justin Thomas                   | 1,954,397                                       | -                                 | 150,567                      | 12,220,861 <sup>2</sup> | 14,325,825 <sup>3</sup>                                            |
| <i>Key Management Personnel</i> |                                                 |                                   |                              |                         |                                                                    |
| Rebecca Thomas <sup>3</sup>     | -                                               | -                                 | -                            | -                       | -                                                                  |
| Michael Travis                  | -                                               | -                                 | 125,000                      | -                       | 125,000                                                            |
|                                 | <b>1,954,397</b>                                | <b>-</b>                          | <b>488,067</b>               | <b>12,220,861</b>       | <b>14,663,325</b>                                                  |

<sup>1</sup> Acquired through Initial Public Offer or on-market

<sup>2</sup> Share split of 1:7.253

<sup>3</sup> These shares are registered and held in the name of a family trust. Rebecca Thomas has a relevant interest in these shares.

|                                 | <b>Balance at<br/>the start of<br/>the year</b> | <b>Balance at<br/>appointment</b> | <b>Additions</b>       | <b>Other</b> | <b>Balance at<br/>the end of<br/>the year / at<br/>resignation</b> |
|---------------------------------|-------------------------------------------------|-----------------------------------|------------------------|--------------|--------------------------------------------------------------------|
| <b>2020</b>                     |                                                 |                                   |                        |              |                                                                    |
| <i>Directors</i>                |                                                 |                                   |                        |              |                                                                    |
| Justin Thomas                   | 400                                             | -                                 | 1,953,997 <sup>4</sup> | -            | 1,954,397                                                          |
| <i>Key Management Personnel</i> |                                                 |                                   |                        |              |                                                                    |
| None                            | -                                               | -                                 | -                      | -            | -                                                                  |
|                                 | <b>400</b>                                      | <b>-</b>                          | <b>1,953,997</b>       | <b>-</b>     | <b>1,954,397</b>                                                   |

<sup>4</sup> Share split

**Additional Disclosures Relating to Key Management Personnel (Continued)**

*Option holding*

The number of options over ordinary shares in the company held during the financial years ended 30 June 2021 and 2020 by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

| <b>2021</b>                     | <b>Balance at<br/>the start of<br/>the year</b> | <b>Granted</b>   | <b>Exercised</b> | <b>Expired /<br/>Forfeited /<br/>Other</b> | <b>Balance at<br/>the end of<br/>the year<sup>1</sup></b> |
|---------------------------------|-------------------------------------------------|------------------|------------------|--------------------------------------------|-----------------------------------------------------------|
| <i>Directors</i>                |                                                 |                  |                  |                                            |                                                           |
| Cameron McLean                  | -                                               | 1,200,000        | -                | -                                          | 1,200,000                                                 |
| Blake Burton                    | -                                               | 1,000,000        | -                | -                                          | 1,000,000                                                 |
| Justin Thomas                   | -                                               | -                | -                | -                                          | -                                                         |
| <i>Key Management Personnel</i> |                                                 |                  |                  |                                            |                                                           |
| Rebecca Thomas                  | -                                               | -                | -                | -                                          | -                                                         |
| Michael Travis                  | -                                               | 100,000          | -                | -                                          | 100,000                                                   |
|                                 | -                                               | <b>2,300,000</b> | -                | -                                          | <b>2,300,000</b>                                          |

<sup>1</sup> 50% of these options had vested by the end of the year but were not exercisable as they are under escrow until 10 November 2022

**2020**

*Directors*

|               |   |   |   |   |   |
|---------------|---|---|---|---|---|
| Justin Thomas | - | - | - | - | - |
|---------------|---|---|---|---|---|

*Key Management Personnel*

|      |   |   |   |   |   |
|------|---|---|---|---|---|
| None | - | - | - | - | - |
|      | - | - | - | - | - |

*Other Equity-related Key Management Personnel Transactions*

There have been no other transactions involving equity instruments apart from those described in the tables above relating to shareholdings and options.

**Other Transactions with Key Management Personnel and/or their Related Parties**

There were no other transactions conducted between the Company and Key Management Personnel or their related parties, apart from those disclosed above and below, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

**DC Two Limited**  
**Directors' Report**  
**For the year ended 30 June 2021**

**Additional Disclosures Relating to Key Management Personnel (Continued)**

|                                                                           | <b>30 June<br/>2021</b> | <b>30 June<br/>2020</b> |
|---------------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                           | <b>\$</b>               | <b>\$</b>               |
| DCoin Pty Ltd (director related entity of Mr Thomas) – hardware purchases | 112,184                 | -                       |
| DCoin Pty Ltd (director related entity of Mr Thomas) – sales revenue      | -                       | (28,364)                |
| 3 Commas Pty Ltd (director related entity of Mr Thomas) – : sales revenue | -                       | (14,250) <sup>1</sup>   |
| Trevor Thomas – employee (gross salary plus super) <sup>2</sup>           | 16,593                  | 10,403                  |
| Linley Thomas – employee (gross salary plus super) <sup>2</sup>           | 13,056                  | 10,403                  |
| Rebecca Thomas - employee (gross salary plus super) <sup>3</sup>          | -                       | 74,271                  |
|                                                                           | <b>141,833</b>          | <b>52,463</b>           |

<sup>1</sup> As at 30 June 2020, this amount was outstanding as a trade receivable

<sup>2</sup> The related parties are the parents of Managing Director, Justin Thomas.

<sup>3</sup> The related party is the spouse of Managing Director, Justin Thomas and was designated as Key Management Personnel in the current financial year.

*Loans to/from related parties*

|                                              | <b>30 June<br/>2021</b> | <b>30 June<br/>2020</b> |
|----------------------------------------------|-------------------------|-------------------------|
|                                              | <b>\$</b>               | <b>\$</b>               |
| Amount due to related parties – T & L Thomas | -                       | 126,009                 |

The related parties are the parents of Managing Director, Justin Thomas. The amount due to related party is non-trade, unsecured and repayable on demand. Interest has been charged at 6.29%. The loan was repaid in full during the current financial year.

**End of Remuneration Report (Audited)**

**Share Options**

At the date of this report, the unissued ordinary shares of the Company under option are as follows.

| <b>Number of<br/>Options Granted</b> | <b>Grant Date</b> | <b>Expiry Date</b> | <b>Exercise Price (\$)</b> | <b>Fair Value per<br/>Option (\$)</b> |
|--------------------------------------|-------------------|--------------------|----------------------------|---------------------------------------|
| 4,150,000                            | 15/09/2020        | 06/11/2024         | \$0.25                     | \$0.1318                              |
| 2,000,000                            | 15/09/2020        | 31/07/2024         | \$0.30                     | \$0.1217                              |
| 4,000,000                            | 21/04/2021        | 07/05/2024         | \$0.50                     | \$0.1540                              |

**Performance Rights**

At the date of this report, the unissued ordinary shares of the Company under Performance Rights are as follows.

| <b>Number of<br/>Performance<br/>Rights Granted</b> | <b>Grant Date</b> | <b>Expiry Date</b> | <b>Exercise Price (\$)</b> | <b>Fair Value per<br/>Performance<br/>Rights (\$)</b> |
|-----------------------------------------------------|-------------------|--------------------|----------------------------|-------------------------------------------------------|
| 2,5000,000                                          | 25/08/2021        | 30/11/2023         | -                          | \$0.205                                               |
| 2,5000,000                                          | 25/08/2021        | 30/11/2025         | -                          | \$0.205                                               |

**DC Two Limited**  
**Directors' Report**  
**For the year ended 30 June 2021**

**Non-Audit Services**

Details of the amounts paid to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 23.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 23 do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Indemnification of Officers and Auditors**

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

**Proceedings of Behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Auditor's Independence Declaration**

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 has been received and immediately follows the Directors' Report.

**Dividends Paid or Recommended**

No dividends were paid or recommended during the year ended 30 June 2021.

**Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to principles of sound corporate governance. The Company continued to follow best practice recommendations as set out by the 4<sup>th</sup> edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website.

Signed in accordance with a resolution of the Directors.



Justin Thomas  
Managing Director  
30 September 2021

## Auditor's Independence Declaration

### To the Directors of DC Two Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit DC Two Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



L A Stella  
Partner – Audit & Assurance

Perth, 30 September 2021

**DC Two Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2021**

|                                                                      | <b>Note</b> | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|----------------------------------------------------------------------|-------------|--------------------|--------------------|
|                                                                      |             | <b>\$</b>          | <b>\$</b>          |
| Sales revenue                                                        | 2           | 1,740,063          | 1,856,029          |
| Cost of goods sold                                                   |             | (117,650)          | -                  |
|                                                                      |             | <b>1,622,413</b>   | <b>1,856,029</b>   |
| Other income                                                         | 3           | 187,217            | 50,000             |
| Advertising and marketing costs                                      |             | (120,083)          | (20,568)           |
| Colocation costs                                                     |             | (155,128)          | (100,225)          |
| Computer expenses                                                    |             | (12,721)           | (16,946)           |
| Consultancy fees                                                     |             | (279,787)          | (26,008)           |
| Depreciation and amortisation expenses                               |             | (539,770)          | (229,918)          |
| Employment costs                                                     | 4           | (1,736,574)        | (698,406)          |
| Insurance fees                                                       |             | (39,141)           | (8,719)            |
| Interest expense                                                     |             | (96,484)           | (29,367)           |
| Loss on sale of assets                                               |             | -                  | (14,704)           |
| Listing costs                                                        |             | (233,125)          | (5,000)            |
| Other expenses                                                       | 5           | (523,865)          | (423,068)          |
| Repairs and maintenance costs                                        |             | (15,027)           | (4,996)            |
| Share based payment expenses                                         | 21          | (1,049,236)        | -                  |
| Subscriptions and licenses fees                                      | 6           | (564,411)          | (537,095)          |
|                                                                      |             | <b>(5,365,352)</b> | <b>(2,115,020)</b> |
| <b>Loss before income tax</b>                                        |             | <b>(3,555,722)</b> | <b>(208,991)</b>   |
| Income tax expense                                                   | 7           | -                  | -                  |
| <b>Loss after income tax</b>                                         |             | <b>(3,555,722)</b> | <b>(208,991)</b>   |
| <b>Other comprehensive income</b>                                    |             |                    |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i> |             |                    |                    |
| Other comprehensive loss (net of income tax)                         |             | -                  | -                  |
| <b>Total comprehensive loss</b>                                      |             | <b>(3,555,722)</b> | <b>(208,991)</b>   |
| Basic and diluted loss per share                                     | 22          | (7.07)             | (0.12)             |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**DC Two Limited**  
**Statement of Financial Position**  
**As at 30 June 2021**

|                                      | <b>Note</b> | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|--------------------------------------|-------------|--------------------|--------------------|
|                                      |             | <b>\$</b>          | <b>\$</b>          |
| <b>Assets</b>                        |             |                    |                    |
| <b>Current Assets</b>                |             |                    |                    |
| Cash and cash equivalents            | 8           | 1,891,595          | 237,081            |
| Trade and other receivables          | 9           | 134,592            | 226,899            |
| Inventory                            | 10          | 406,384            | -                  |
| Other assets                         | 11          | 78,725             | 6,667              |
| <b>Total Current Assets</b>          |             | <b>2,511,296</b>   | <b>470,647</b>     |
| <b>Non-Current Assets</b>            |             |                    |                    |
| Property, plant and equipment        | 12          | 1,495,812          | 159,330            |
| Right-of-use asset                   | 13          | 2,967,502          | 283,064            |
| Intangible assets                    | 14          | 108,460            | -                  |
| Other assets                         | 11          | 112,267            | -                  |
| <b>Total Non-Current Assets</b>      |             | <b>4,684,041</b>   | <b>442,394</b>     |
| <b>Total Assets</b>                  |             | <b>7,195,337</b>   | <b>913,041</b>     |
| <b>Liabilities</b>                   |             |                    |                    |
| <b>Current Liabilities</b>           |             |                    |                    |
| Trade and other payables             | 15          | 733,181            | 215,143            |
| Contract liabilities                 |             | 363,195            | 45,771             |
| Borrowings                           | 17          | -                  | 126,009            |
| Lease liabilities                    | 18          | 459,926            | 85,104             |
| Provisions                           | 16          | 285,290            | 135,984            |
| <b>Total Current Liabilities</b>     |             | <b>1,841,592</b>   | <b>608,011</b>     |
| <b>Non-Current Liabilities</b>       |             |                    |                    |
| Lease liabilities                    | 18          | 2,398,452          | 127,304            |
| Provisions                           | 16          | 15,615             | 14,044             |
| <b>Total Non-Current Liabilities</b> |             | <b>2,414,067</b>   | <b>141,348</b>     |
| <b>Total Liabilities</b>             |             | <b>4,255,659</b>   | <b>749,359</b>     |
| <b>Net Assets</b>                    |             | <b>2,939,678</b>   | <b>163,682</b>     |
| <b>Equity</b>                        |             |                    |                    |
| Issued capital                       | 19          | 5,733,952          | 314,568            |
| Reserves                             | 20          | 1,292,715          | 380,381            |
| Accumulated losses                   |             | (4,086,989)        | (531,267)          |
| <b>Total Equity</b>                  |             | <b>2,939,678</b>   | <b>163,682</b>     |

*The above statement of financial position should be read in conjunction with the accompanying notes*

**DC Two Limited**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2021**

|                                           | Issued Capital<br>\$ | Share Based<br>Payment Reserve<br>\$ | Convertible<br>Notes<br>\$ | Accumulated<br>Losses<br>\$ | Total Equity<br>\$ |
|-------------------------------------------|----------------------|--------------------------------------|----------------------------|-----------------------------|--------------------|
| <b>Balance at 30 June 2019</b>            | <b>171,045</b>       | -                                    | -                          | <b>(322,275)</b>            | <b>(151,230)</b>   |
| Loss after income tax                     | -                    | -                                    | -                          | (208,991)                   | (208,991)          |
| Other comprehensive loss                  | -                    | -                                    | -                          | -                           | -                  |
| Total comprehensive loss for the year     | -                    | -                                    | -                          | (208,991)                   | (208,991)          |
| Conversion of related party loans         | 143,523              | -                                    | -                          | -                           | 143,523            |
| Issue of convertible notes                | -                    | -                                    | 424,000                    | -                           | 424,000            |
| Issue costs of convertible notes          | -                    | -                                    | (43,619)                   | -                           | (43,619)           |
| <b>Balance at 30 June 2020</b>            | <b>314,568</b>       | -                                    | <b>380,381</b>             | <b>(531,267)</b>            | <b>163,682</b>     |
| Loss after income tax                     | -                    | -                                    | -                          | (3,555,722)                 | (3,555,722)        |
| Other comprehensive loss                  | -                    | -                                    | -                          | -                           | -                  |
| Total comprehensive loss for the year     | -                    | -                                    | -                          | (3,555,722)                 | (3,555,722)        |
| Subscription offer                        | 1,200                | -                                    | -                          | -                           | 1,200              |
| Public offer                              | 5,500,000            | -                                    | -                          | -                           | 5,500,000          |
| Share issue costs                         | (462,197)            | -                                    | -                          | -                           | (462,197)          |
| Conversion of convertible notes           | 380,381              | -                                    | (380,381)                  | -                           | -                  |
| Options issued to Directors and employees | -                    | 433,433                              | -                          | -                           | 433,433            |
| Options issued to lessor                  | -                    | 243,439                              | -                          | -                           | 243,439            |
| Options issued to corporate advisor       | -                    | 615,843                              | -                          | -                           | 615,843            |
| <b>Balance at 30 June 2021</b>            | <b>5,733,952</b>     | <b>1,292,715</b>                     | -                          | <b>(4,086,989)</b>          | <b>2,939,678</b>   |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**DC Two Limited**  
**Statement of Cash Flows**  
**For the year ended 30 June 2021**

|                                                              | <b>Note</b> | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|--------------------------------------------------------------|-------------|--------------------|--------------------|
|                                                              |             | <b>\$</b>          | <b>\$</b>          |
| <b>Cash flows from operating activities</b>                  |             |                    |                    |
| Receipts from customers                                      |             | 2,160,275          | 1,620,850          |
| Payments to suppliers and employees                          |             | (3,613,573)        | (1,629,331)        |
| Receipts from other income                                   |             | 176,605            | 50,000             |
| Interest paid                                                |             | (96,484)           | (29,627)           |
| <b>Net cash (used in) / provided by operating activities</b> | <b>27</b>   | <b>(1,373,177)</b> | <b>11,892</b>      |
| <b>Cash flows from investing activities</b>                  |             |                    |                    |
| Payments for purchase of plant and equipment                 |             | (1,405,829)        | (70,070)           |
| Payments for development costs                               |             | (108,460)          | -                  |
| <b>Net cash (used in) investing activities</b>               |             | <b>(1,514,289)</b> | <b>(70,070)</b>    |
| <b>Cash flows from financing activities</b>                  |             |                    |                    |
| Proceeds from issue of shares (net)                          |             | 5,039,003          | -                  |
| Proceeds from issue of options                               |             | 40                 | -                  |
| Payment of lease principal                                   |             | (265,454)          | -                  |
| Payment of borrowings                                        |             | (126,009)          | (98,982)           |
| Deposits paid for leased asset                               |             | (105,600)          | -                  |
| Proceeds from issue of convertible note                      |             | -                  | 380,381            |
| <b>Net cash provided by financing activities</b>             |             | <b>4,541,980</b>   | <b>281,399</b>     |
| Net increase in cash and cash equivalents                    |             | 1,654,514          | 223,221            |
| Cash and cash equivalents at the beginning of the year       |             | 237,081            | 13,860             |
| <b>Cash and cash equivalents at the end of the year</b>      | <b>8</b>    | <b>1,891,595</b>   | <b>237,081</b>     |

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## **Note 1. Significant Accounting Policies**

### **General**

These financial statements and notes represent those of DC Two Limited (the "Company". The financial report was authorised for issue by the Board on 30 September 2021.

### **Basis of Preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. DC Two Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements have been presented in Australian dollars (AUD), which is the functional currency of the Company.

### **Going Concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Company incurred a loss of \$3,555,722 (2020: \$208,991) and had net cash outflows from operating and investing activities of \$1,373,177 (2020: inflows \$11,892) and \$1,514,289 (2020: \$70,070) respectively for the year ended 30 June 2021. As at that date, the Company had net current assets of \$669,704 (2020: net current liabilities \$137,364). The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising additional capital from equity markets and managing cash flows in line with available funds.

The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- On 27 September 2021, the Company announced that it had received firm commitments to raise \$2.5 million (before costs) from institutional and sophisticated investors via a placement. The Company will issue 8,775,000 fully paid ordinary shares at \$0.15 per share on 4 October 2021. A further 7,891,666 shares will be issued subject to shareholder approval at the 2021 Annual General Meeting to be held in November 2021; and
- The Company has the ability to curtail administrative, discretionary exploration and overhead cash outflows as and when required.

If the Company is unable to continue as a going concern, it may be required to realise its assets and or settle its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report.

## **Note 1. Significant Accounting Policies (Continued)**

### **New or Amended Accounting Standards and Interpretations Adopted**

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Accounting pronouncements which have become effective from 1 January 2021 and that have been adopted, do not have a significant impact on the Company's financial results or position.

### **New Accounting Standards and Interpretations Not Yet Mandatory**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### **Revenue Recognition**

Revenue arises mainly from the provision of data centre and cloud services, hosting services and hardware sales.

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.

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.

#### *Provision of data centre services, cloud services and hosting services*

Revenue from a contract to provide services is recognised as the services are rendered. These services are rendered and billed to customers monthly.

#### *Sale of goods and associated bundled services*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, being when the goods have been shipped to the specific location agreed with the customer or when any associated agreed performance obligations attached to the sale of goods have been satisfied (where applicable). For example, the set-up and commissioning of equipment.

#### *Interest*

Interest revenue is recognised on an accrual basis.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

## **Note 1. Significant Accounting Policies (Continued)**

### **Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited

### **Income Tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

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

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

## **Note 1. Significant Accounting Policies (Continued)**

### **Segment Reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Company aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

### **Current and Non-Current Classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### **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.

## **Note 1. Significant Accounting Policies (Continued)**

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. Cost of inventories comprises of cost of purchase and other costs incurred in bringing them to their respective present location and condition.

When necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

### **Property, Plant and Equipment**

Property, plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### *Depreciation*

The depreciable amount of all fixed assets is depreciated over its useful life commencing from the time the asset is held ready for use. Depreciation is computed using the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and where adjusted, shall be accounted for as a change in accounting estimate. Where depreciation rates or method are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are available for their intended use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

### **Intangible assets**

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

## **Note 1. Significant Accounting Policies (Continued)**

### **Intangible assets (continued)**

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

### **Impairment of Non-Financial Assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **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.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

#### *Classification and subsequent measurement of financial assets*

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

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

## **Note 1. Significant Accounting Policies (Continued)**

### **Financial Instruments (Continued)**

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

#### *Financial assets at amortised cost*

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

- 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 most other receivables fall into this category of financial instruments as well as government bonds.

There are no FVPL and FVOCI instruments for the Company.

#### *Impairment of Financial assets*

AASB 9's impairment requirements use more forward-looking information to recognize 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.

## **Note 1. Significant Accounting Policies (continued)**

### **Financial Instruments (Continued)**

#### *Trade and other receivables*

The Company makes use of a simplified approach in accounting for trade and other receivables 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, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

#### *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. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include borrowings, trade payables 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). The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The Company does not hold any financial liabilities classified as fair value through profit or loss measurement category.

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.

### **Leases**

#### ***The Company as a lessee***

For any new contracts, 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.

#### *Measurement and recognition of leases as a lessee*

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).

## **Note 1. Significant Accounting Policies (Continued)**

### **Leases (Continued)**

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 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 finance cost. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Company's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

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 (except those meeting the definition of investment property) and lease liabilities have been included in trade and other payables.

### *Measurement and recognition of leases as a lessor*

As a lessor, the Company classifies its leases as either operating or finance leases. A finance lease is where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, is transferred to entities in the Company.

## **Note 1. Significant Accounting Policies (Continued)**

### **Leases (Continued)**

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### **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.

#### *Borrowing costs*

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred.

### **Employee Benefits**

#### *Short-Term Benefits*

Short-term employee benefit obligations, including accumulated compensated absences, are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### *Defined Contribution plans*

The Company participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

#### *Other Employee Entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. Accruals are made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

## **Note 1. Significant Accounting Policies (Continued)**

### **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.

### **Fair Value Measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an

asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **Share-Based Payments**

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

## **Note 1. Significant Accounting Policies (Continued)**

### **Share-Based Payments (Continued)**

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired option of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### **Issued Capital**

Ordinary shares are classified as equity. Issued and paid up capital is recognised at 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.

Basic loss per share is determined by dividing the operating profit / (loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year

Diluted loss per share adjusts the amounts used in the determination of basic loss per share by taking into account unpaid amounts on ordinary shares and any reduction in loss per share that will probably arise from the exercise of options outstanding during the financial year.

## **Note 1. Significant Accounting Policies (Continued)**

### **Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Estimation of useful lives of assets*

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property and plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### *Income tax*

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on The Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### *Share-Based Payments*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### *Allowance for Expected Credit Losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each Company. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

#### *Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

**DC Two Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**Note 2. Revenue**

|                             | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|-----------------------------|--------------------|--------------------|
|                             | <b>\$</b>          | <b>\$</b>          |
| <u>Sales Revenue</u>        |                    |                    |
| Services provided over time | <b>1,740,063</b>   | 1,856,029          |

**Note 3. Other Income**

|                               | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|-------------------------------|--------------------|--------------------|
|                               | <b>\$</b>          | <b>\$</b>          |
| Government grant              | 125,954            | -                  |
| Other grants – cashflow boost | 50,000             | 50,000             |
| Sundry income                 | 11,263             | -                  |
|                               | <b>187,217</b>     | <b>50,000</b>      |

<sup>1</sup> Government grant relates to funds received for Research and Development Tax Incentive Claims for the years ended 30 June 2019 and 30 June 2020.

**Note 4. Employment Costs**

|                    | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|--------------------|--------------------|--------------------|
|                    | <b>\$</b>          | <b>\$</b>          |
| Salaries and Wages | 1,475,195          | 641,921            |
| Superannuation     | 124,034            | 56,485             |
| Other              | 137,345            | -                  |
|                    | <b>1,736,574</b>   | <b>698,406</b>     |

**Note 5. Other Expenses**

|                                          | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|------------------------------------------|--------------------|--------------------|
|                                          | <b>\$</b>          | <b>\$</b>          |
| Allowance for impairments of receivables | 10,612             | 86,160             |
| Other                                    | 108,741            | 29,248             |
| Pod expenses                             | 16,973             | 34,212             |
| Telecommunications                       | 165,571            | 162,482            |
| Travel                                   | 14,996             | 3,730              |
| Utilities                                | 206,972            | 107,236            |
|                                          | <b>523,865</b>     | <b>423,068</b>     |

**Note 6. Subscriptions and licenses**

**30 Jun 2021**      **30 Jun 2020**  
**\$**                      **\$**

A significant component of operating expenditure relates to subscriptions and licences provided by distributors for the following subscription licencing products:

|                |                |                |
|----------------|----------------|----------------|
| Datacore       | 9,459          | 23,335         |
| Microsoft SPLA | 261,608        | 257,287        |
| Other          | 50,832         | 23,265         |
| Veeam          | 87,350         | 81,500         |
| VMWare VSPP    | 155,162        | 151,708        |
|                | <b>564,411</b> | <b>537,095</b> |

**Note 7. Income Tax**

**30 Jun 2021**      **30 Jun 2020**  
**\$**                      **\$**

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of 26% (2020: 27.5%) and the reported tax expense in profit or loss are as follows:

(a) Tax expense comprises:

|                                                                                   |           |          |
|-----------------------------------------------------------------------------------|-----------|----------|
| Current tax                                                                       | -         | -        |
| Deferred income tax relating to origination and reversal of temporary differences | (125,735) | (71,223) |
| Deferred income tax relating to origination and reversal of tax losses            | (594,090) | -        |
| Non-recognition of deferred tax assets                                            | 719,825   | 71,223   |
| <b>Tax expense</b>                                                                | <b>-</b>  | <b>-</b> |

(b) Accounting profit / (loss) before tax (3,555,722) (208,991)

|                                                           |           |          |
|-----------------------------------------------------------|-----------|----------|
| Domestic tax rate for DC Two Limited of 26% (2020: 27.5%) | (924,488) | (57,472) |
| Non-deductible entertainment                              | 1,643     | -        |
| Non-assessable R&D Income                                 | (32,748)  | -        |
| Non-assessable Cashflow boost                             | (13,000)  | (13,750) |
| Share based payments                                      | 272,801   | -        |
| Tax deduction for capital raising costs (equity)          | (24,034)  | -        |
| Deferred Tax Assets not brought to account                | 719,826   | 71,223   |
|                                                           | <b>-</b>  | <b>-</b> |

(c) Deferred tax assets and liabilities

|                                                         |                |          |
|---------------------------------------------------------|----------------|----------|
| Provisions                                              | 108,794        | 64,952   |
| Accruals                                                | 78,392         | 4,302    |
| Capital raising costs - P&L                             | 48,490         | -        |
| Capital raising costs - Equity                          | 96,137         | -        |
| Tax Losses                                              | 594,090        | -        |
| <b>Unrecognised deferred tax assets and liabilities</b> | <b>925,903</b> | <b>-</b> |

**Note 7. Income Tax (Continued)**

The Company has tax losses that are available indefinitely to be offset against the future taxable profits of the Company. The potential deferred tax assets, arising from tax losses (as disclosed above) are not brought to account as management is of the view that there is uncertainty in the realisation of the related tax benefits through future taxable profits. The amount of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

**Note 8. Cash and Cash Equivalents**

|                          | 30 Jun 2021      | 30 Jun 2020 |
|--------------------------|------------------|-------------|
|                          | \$               | \$          |
| Cash in bank and on hand | <b>1,891,595</b> | 237,081     |

**Note 9. Trade and Other Receivables**

|                             | 30 Jun 2021    | 30 Jun 2020 |
|-----------------------------|----------------|-------------|
|                             | \$             | \$          |
| Trade receivables           | 212,665        | 332,851     |
| Less expected credit losses | (117,533)      | (106,921)   |
|                             | 95,132         | 225,930     |
| GST receivable              | 31,634         | -           |
| Sundry debtors              | 7,826          | 837         |
| Prepayments                 | -              | 132         |
|                             | <b>134,592</b> | 226,899     |

Trade receivables are non-interest bearing and generally on 7 or 15 days term (2020: 7 or 15 days). For allowance for expected credit losses analysis at the end of the reporting period, please refer to Note 26.

|                         | Expected credit loss |      | Carrying Amount (\$) |                | Allowance of expected credit losses (\$) |                |
|-------------------------|----------------------|------|----------------------|----------------|------------------------------------------|----------------|
|                         | rate (%)             |      |                      |                |                                          |                |
|                         | 2021                 | 2020 | 2021                 | 2020           | 2021                                     | 2020           |
| Current                 | -                    | -    | 50,401               | 222,192        | -                                        | -              |
| Past due 31 – 60 days   | -                    | -    | 31,277               | 24,713         | -                                        | -              |
| Past due 60 – 180 days  | -                    | -    | 13,454               | 39,022         | -                                        | -              |
| Past due 180 – 360 days | -                    | -    | -                    | 26,163         | -                                        | -              |
| Past due over 360 days  | 100%                 | 100% | 117,533              | 20,761         | 117,533                                  | 106,921        |
|                         |                      |      | <b>212,665</b>       | <b>332,851</b> | <b>117,533</b>                           | <b>106,921</b> |

Expected credit losses recognised relate to long outstanding amounts that pre-date the listing of the Company in November 2020. Customer payment history and the Company's collection procedures since listing indicate that credit risk in relation to existing and new customer is low. In addition, the company typically requires advance payments from customer in relation to significant hardware sales in order to minimise the credit risk. Therefore, no expected credit losses are foreseen for trade receivable amounts aged up to 180 days.

## Note 9. Trade Receivables (Continued)

Movements in the allowance for expected credit losses are as follows:

|                                  | 30 Jun 2021    | 30 Jun 2020    |
|----------------------------------|----------------|----------------|
|                                  | \$             | \$             |
| Opening balance                  | 106,921        | 20,761         |
| Additional provisions recognised | 10,612         | 99,225         |
| Unused amounts reversed          | -              | (13,065)       |
| <b>Closing balance</b>           | <b>117,533</b> | <b>106,921</b> |

## Note 10. Inventory

|                  | 30 Jun 2021 | 30 Jun 2020 |
|------------------|-------------|-------------|
|                  | \$          | \$          |
| Goods-in-transit | 406,384     | -           |

Goods-in-transit comprises imported hardware equipment (mainly miners) purchased on behalf of customers and shipped by overseas suppliers prior to the balance date, that will either be delivered to and / or set-up and commissioned at the customer premises or delivered to and / or set-up and commissioned at the Company's premises.

## Note 11. Other Assets

|                    | 30 Jun 2021 | 30 Jun 2020 |
|--------------------|-------------|-------------|
|                    | \$          | \$          |
| <i>Current</i>     |             |             |
| Prepayments        | 78,725      | 6,667       |
| <i>Non-Current</i> |             |             |
| Deposits           | 112,267     | -           |

**DC Two Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**Note 12. Property, Plant and Equipment**

|                                         | <b>Property<br/>Improvements<br/>\$</b> | <b>Plant &amp;<br/>Equipment<br/>\$</b> | <b>Capital Work in<br/>Progress<br/>\$</b> | <b>Total<br/>\$</b> |
|-----------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------|---------------------|
| Cost                                    | 293,652                                 | 986,614                                 | 418,724                                    | 1,698,990           |
| Less accumulated depreciation           | (28,547)                                | (174,631)                               | -                                          | (203,178)           |
|                                         | <b>265,105</b>                          | <b>811,983</b>                          | <b>418,724</b>                             | <b>1,495,812</b>    |
| <i>Cost</i>                             |                                         |                                         |                                            |                     |
| Balance at 30 June 2019                 | 79,982                                  | 838,229                                 | -                                          | 918,221             |
| Additions                               | -                                       | 128,838                                 | -                                          | 128,838             |
| Disposals                               | (5,596)                                 | (291,442)                               | -                                          | (297,038)           |
| Reclassification as Right of Use Assets | -                                       | (456,850)                               | -                                          | (456,850)           |
| Balance at 30 June 2020                 | 74,386                                  | 218,775                                 | -                                          | 293,161             |
| Additions                               | 219,266                                 | 767,839                                 | 418,724                                    | 1,405,829           |
| Disposals                               | -                                       | -                                       | -                                          | -                   |
| Balance at 30 June 2021                 | <b>293,652</b>                          | <b>986,614</b>                          | <b>418,724</b>                             | <b>1,698,990</b>    |
| <i>Accumulated Depreciation</i>         |                                         |                                         |                                            |                     |
| Balance at 30 June 2019                 | 16,762                                  | 501,871                                 | -                                          | 518,633             |
| Depreciation                            | 4,212                                   | 188,889                                 | -                                          | 193,101             |
| Disposals                               | (2,094)                                 | (280,240)                               | -                                          | (282,334)           |
| Reclassification as Right of Use Assets | -                                       | (295,569)                               | -                                          | (295,569)           |
| Balance at 30 June 2020                 | 18,880                                  | 114,951                                 | -                                          | 133,831             |
| Depreciation                            | 9,667                                   | 59,680                                  | -                                          | 69,347              |
| Disposals                               | -                                       | -                                       | -                                          | -                   |
| Balance at 30 June 2021                 | <b>28,547</b>                           | <b>174,631</b>                          | <b>-</b>                                   | <b>203,178</b>      |

**DC Two Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**Note 13. Right-Of-Use Asset**

|                                      | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|--------------------------------------|--------------------|--------------------|
|                                      | <b>\$</b>          | <b>\$</b>          |
| Cost                                 | 3,770,029          | 615,168            |
| Less accumulated depreciation        | (802,527)          | (332,104)          |
|                                      | <b>2,967,502</b>   | 283,064            |
| <i>Cost</i>                          |                    |                    |
| Balance at the beginning of the year | 615,168            | -                  |
| Adjustment on transition to AASB 16  | -                  | 615,168            |
| Additions                            | 3,154,861          | -                  |
| Balance at the end of the year       | <b>3,770,029</b>   | 615,168            |
| <i>Accumulated depreciation</i>      |                    |                    |
| Balance at the beginning of the year | 332,104            | -                  |
| Depreciation                         | 470,423            | 332,104            |
| Balance at the end of the year       | <b>802,527</b>     | 332,104            |

The right-of-use assets relate to the leases for the business premises in Osborne Park and Bibra Lake and various IT equipment leases.

**Note 14. Intangible Asset**

|                                      | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|--------------------------------------|--------------------|--------------------|
|                                      | <b>\$</b>          | <b>\$</b>          |
| Development costs                    | <b>108,460</b>     | -                  |
| Balance at the beginning of the year | -                  | -                  |
| Additions                            | 108,460            | -                  |
| Balance at the end of the year       | <b>108,460</b>     | -                  |

Development costs relate to the development of hardware and interface code for Power Distribution Units (PDU's), development of PDU prototypes and electro-magnetic compatibility (EMC) testing.

**DC Two Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**Note 15. Trade and Other Payables**

|                        | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|------------------------|--------------------|--------------------|
|                        | <b>\$</b>          | <b>\$</b>          |
| Trade payables         | 291,732            | 164,379            |
| Accruals               | 250,006            | -                  |
| PAYG payable           | 116,026            | 10,925             |
| Superannuation payable | 51,503             | 22,282             |
| GST payable            | -                  | 17,557             |
| Other payables         | 23,914             | -                  |
|                        | <b>733,181</b>     | <b>215,143</b>     |

Trade payables are due to third parties, unsecured, interest-free and repayable according to credit terms of 30 days (2020: 30 days). The carrying amounts of trade payables approximate their fair value.

**Note 16. Employee Provisions**

|                              | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|------------------------------|--------------------|--------------------|
|                              | <b>\$</b>          | <b>\$</b>          |
| <i>Current</i>               |                    |                    |
| Annual leave provision       | 229,243            | 135,984            |
| Long service leave provision | 56,047             | -                  |
|                              | <b>285,290</b>     | <b>135,984</b>     |
| <i>Non-Current</i>           |                    |                    |
| Long service leave provision | <b>15,615</b>      | <b>14,044</b>      |

**Note 17. Borrowings**

|                                       | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|---------------------------------------|--------------------|--------------------|
|                                       | <b>\$</b>          | <b>\$</b>          |
| Amount due to related party (Note 24) | -                  | 126,009            |

The amount due to related party is non-trade, unsecured and repayable on demand. Interest has been charged at 6.29%. The loan was repaid in full during the current financial year.

**DC Two Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**Note 18. Lease Liabilities**

|             | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|-------------|--------------------|--------------------|
|             | <b>\$</b>          | <b>\$</b>          |
| Current     | 459,926            | 85,104             |
| Non-Current | 2,398,452          | 127,304            |
|             | <b>2,858,378</b>   | <b>212,408</b>     |

*Amounts recognised in the statement of profit or loss and other comprehensive income*

|                                                      |                |         |
|------------------------------------------------------|----------------|---------|
| Depreciation expense on right of use asset (Note 13) | <b>470,423</b> | 332,104 |
| Interest expense                                     | <b>92,357</b>  | 15,075  |

The Company has leases for the business premises in Osborne Park and Bibra Lake and various IT equipment leases. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June were as follows:

|                   | <b>Within 1 Year</b> | <b>Minimum Lease Payments</b> |                      | <b>Total</b>     |
|-------------------|----------------------|-------------------------------|----------------------|------------------|
|                   |                      | <b>1-5 Years</b>              | <b>After 5 Years</b> |                  |
| <b>2021</b>       |                      |                               |                      |                  |
| Lease payments    | 590,989              | 2,178,752                     | 512,000              | 3,281,741        |
| Finance charges   | (131,063)            | (275,572)                     | (16,728)             | (423,363)        |
| Net present value | <b>459,926</b>       | <b>1,903,180</b>              | <b>495,272</b>       | <b>2,858,378</b> |
| <b>2020</b>       |                      |                               |                      |                  |
| Lease payments    | 95,736               | 135,834                       | -                    | 231,570          |
| Finance charges   | (10,632)             | (8,530)                       | -                    | (19,162)         |
| Net present value | <b>85,104</b>        | <b>127,304</b>                | <b>-</b>             | <b>212,408</b>   |

**Note 19. Issued Capital**

|                            | 2021              |                  | 2020             |         |
|----------------------------|-------------------|------------------|------------------|---------|
|                            | No. of<br>Shares  | \$               | No. of<br>Shares | \$      |
| Fully paid ordinary shares | <b>58,500,000</b> | <b>5,733,952</b> | 3,143,523        | 314,568 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. There is no current on-market share buy-back.

*Movements in ordinary share capital*

|                                              | Date        | No. of Shares     | Issue price (\$) | \$               |
|----------------------------------------------|-------------|-------------------|------------------|------------------|
| <b>Balance at 30 June 2019</b>               |             | <b>614</b>        |                  | <b>171,045</b>   |
| Conversion of related party loans            | 2 Dec 2019  | 3,142,909         | 0.046            | 143,523          |
| <b>Balance at 30 June 2020</b>               |             | <b>3,143,523</b>  |                  | <b>314,568</b>   |
| Share split (1:7.253)                        | 7 Aug 2020  | 19,656,477        | -                | -                |
| Issue of shares                              | 20 Aug 2020 | 1,200,000         | 0.001            | 1,200            |
| Public offer <sup>1</sup>                    | 30 Oct 2020 | 27,500,000        | 0.20             | 5,500,000        |
| Share issue costs                            |             | -                 |                  | (462,197)        |
| Conversion of convertible notes <sup>1</sup> | 30 Oct 2020 | 3,000,000         | 0.008            | 24,000           |
| Conversion of convertible notes <sup>1</sup> | 30 Oct 2020 | 4,000,000         | 0.10             | 400,000          |
| Convertible note costs                       |             | -                 |                  | (43,619)         |
| <b>Balance at 30 June 2021</b>               |             | <b>58,500,000</b> |                  | <b>5,733,952</b> |

<sup>1</sup> On 28 September 2020, the Company issued a Prospectus for an initial public offer of 27,500,000 share at an issue price of \$0.20 to raise \$5,500,000 (before costs) ("Public Offer"). The Prospectus also incorporated an offer of 7,000,000 shares to the Noteholders (or their nominees) upon conversion of the Convertible Notes ("Noteholder Offer"). The Company entered into a number of convertible note agreements with seed investors ("Noteholders") pursuant to which the Company issued convertible notes to raise a total of \$424,000 (before costs).

Following the completion of the Public Offer, the Company issued the following securities on the 30 October 2020 and was admitted to the official list of the Australian Securities Exchange (ASX) on the 6 November 2020:

- 27,500,000 fully paid ordinary shares at a price of \$0.20 per share pursuant to the Public Offer; and
- 3,000,000 fully paid ordinary shares at a price of \$0.008 per share to the Noteholders (or their nominees) pursuant to the Noteholder Offer (Note 20); and
- 4,000,000 fully paid ordinary shares at a price of \$0.10 per share to the Noteholders (or their nominees) pursuant to the Noteholder Offer (Note 20).

**Note 20. Reserves**

|                             | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|-----------------------------|--------------------|--------------------|
|                             | <b>\$</b>          | <b>\$</b>          |
| Share based payment reserve | 1,292,715          | -                  |
| Convertible notes           | -                  | 380,381            |
|                             | <b>1,292,715</b>   | <b>380,381</b>     |

**Share Based Payment Reserve**

The share-based payment reserve arises from share options issued to directors and employees under the terms and conditions set out in the relevant offer letters and share options issued to a corporate adviser under the terms and conditions set out in their mandate letter.

|                                               | <b>No. of Options</b> | <b>\$</b>        |
|-----------------------------------------------|-----------------------|------------------|
| <b>Balance at 30 June 2019</b>                | -                     | -                |
| <b>Balance at 30 June 2020</b>                | -                     | -                |
| Options issued to directors (Note 21)         | 2,200,000             | 233,187          |
| Options issued to employees (Note 21)         | 2,200,000             | 233,187          |
| Options issued to lessor (Note 21)            | 2,000,000             | 243,439          |
| Options issued to corporate adviser (Note 21) | 4,000,000             | 615,842          |
| Options cancelled (Note 21)                   | (250,000)             | (32,940)         |
| <b>Balance at 30 June 2021</b>                | <b>10,150,000</b>     | <b>1,292,715</b> |

**Convertible notes**

|                              | <b>30 Jun 2021</b> | <b>30 Jun 2020</b> |
|------------------------------|--------------------|--------------------|
|                              | <b>\$</b>          | <b>\$</b>          |
| Fully paid convertible notes | -                  | 424,000            |
| Transaction costs            | -                  | (43,619)           |
|                              | -                  | <b>380,381</b>     |

On 30 October 2020, the convertible notes were fully converted to fully paid ordinary shares. With 3,000,000 convertible notes converting at a conversion price of \$0.008 per share, and another 4,000,000 convertible notes converting at \$0.10 per share (Note 19).

**Note 21. Share Based Payments**

On 15 September 2020, 2,200,000 unlisted options exercisable at \$0.25 expiring on 6 November 2024, were granted to Directors and 2,200,000 unlisted options exercisable at \$0.25 expiring on 6 November 2024 were granted to staff upon successful listing on ASX. 50% of options vest on 1 January 2021 and the other 50% vest on 1 January 2022.

On 15 September 2020, 2,000,000 unlisted options exercisable at \$0.30 expiring on 31 July 2024, were granted to lessors upon successful listing on ASX. All options vest at grant date.

On 21 April 2021, 4,000,000 unlisted options exercisable at \$0.50 expiring on 7 May 2024 at an issue price of \$0.00001 were granted to Alto Capital under the Joint Corporate Advisor Mandate. These options were issued on 7 May 2021.

**Note 21. Share Based Payment Expense (Continued)**

On 10 May 2021 and 28 May 2021, 150,000 and 100,000 unvested options respectively, were cancelled as the underlying service condition attached to these options were not met.

The Company has measured the fair value of the options issued estimated at the date of grant using the Black-Scholes option pricing model below:

| Grant Date  | Expiry Date | Exercise Price | Share Price | Volatility | Dividend Yield | Risk Free Rate | Fair Value at Grant Date |
|-------------|-------------|----------------|-------------|------------|----------------|----------------|--------------------------|
| 15 Sep 2020 | 10 Nov 2024 | \$0.25         | \$0.20      | 100%       | -              | 0.315%         | \$0.1318                 |
| 15 Sep 2020 | 31 Jul 2024 | \$0.30         | \$0.20      | 100%       | -              | 0.315%         | \$0.1217                 |
| 21 Apr 2021 | 7 May 2024  | \$0.50         | \$0.325     | 90%        | -              | 0.1%           | \$0.154                  |

Set out below are the options exercisable at the end of the financial year:

| Grant Date              | Expiry Date | 30 Jun 2021<br>No. of Options | 30 Jun 2020<br>No. of Options |
|-------------------------|-------------|-------------------------------|-------------------------------|
| 15/09/2020 <sup>1</sup> | 10/11/2024  | -                             | -                             |
| 15/09/2020 <sup>2</sup> | 31/07/2024  | -                             | -                             |
| 21/04/2021              | 07/05/2024  | 4,000,000                     | -                             |
|                         |             | <b>4,000,000</b>              | <b>-</b>                      |

<sup>1</sup> 50% of these options had vested by the end of the year but were not exercisable as they were under escrow

<sup>2</sup> These options had vested by the end of the year but were not exercisable as they were under escrow

**Note 22. Loss per Share**

The following reflects the loss and data used in the calculations of basic and diluted loss per share:

|                                                                                                 | 30 Jun 2021<br>No. of Shares | 30 Jun 2020<br>No. of Shares |
|-------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Weighted average number of ordinary shares used in calculating basic and diluted loss per share | 50,266,027                   | 1,812,508                    |
|                                                                                                 | \$                           | \$                           |
| Loss for the year used in calculating operating basic and diluted loss per share                | (3,555,722)                  | (208,991)                    |
|                                                                                                 |                              |                              |
| Basic and diluted loss per share (cents)                                                        | (7.01)                       | (0.12)                       |

As the Company incurred a loss for the period, the options on issue have an anti-dilutive effect, therefore the diluted EPS is equal to the basic EPS. A total of 10,400,000 share options (2020: Nil) which could potentially dilute EPS in the future have been excluded from the diluted EPS calculation because they are anti-dilutive for the current year presented.

**DC Two Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**Note 23. Auditors' Remuneration**

|                                                                       | <b>30 Jun 2021</b>   | <b>30 Jun 2020</b>   |
|-----------------------------------------------------------------------|----------------------|----------------------|
|                                                                       | <b>\$</b>            | <b>\$</b>            |
| <i>Audit services – Grant Thornton Audit Pty Ltd</i>                  |                      |                      |
| Audit of the financial statements (year ended 2021 / year ended 2020) | 55,469               | 10,000               |
| Review of the financial statements (half-year ended 31 December 2020) | 17,814               | -                    |
| <i>Audit services – Butler Settineri (Audit) Pty Ltd</i>              |                      |                      |
| Audit of the financial statements (years ended 2017 –2019)            | -                    | 15,208               |
|                                                                       | <u>73,283</u>        | <u>25,208</u>        |
| <i>Other services – Grant Thornton Australia Ltd</i>                  |                      |                      |
| Tax services                                                          | 6,500                | -                    |
| <i>Other services – Butler Settineri</i>                              |                      |                      |
| Preparation of financial statements, tax services                     | 20,000               | 10,800               |
|                                                                       | <u>26,500</u>        | <u>10,800</u>        |
|                                                                       | <b><u>99,783</u></b> | <b><u>36,008</u></b> |

**Note 24. Related Parties**

|                                 | <b>30 Jun 2021</b>    | <b>30 Jun 2020</b>   |
|---------------------------------|-----------------------|----------------------|
|                                 | <b>\$</b>             | <b>\$</b>            |
| <b>Key Management Personnel</b> |                       |                      |
| Short term employee benefits    | 388,649               | 91,183               |
| Post-employment benefits        | 36,407                | 8,662                |
| Share based payment benefits    | 236,188               | -                    |
|                                 | <b><u>661,244</u></b> | <b><u>99,845</u></b> |

Key Management Personnel of the Company comprises the Board and key executive management staff.

**Other Related party disclosures**

*Loans to/from related parties*

|                                            |          |                |
|--------------------------------------------|----------|----------------|
| Amount due to related party – T & L Thomas | <u>-</u> | <u>126,009</u> |
|--------------------------------------------|----------|----------------|

The amount due to related party is non-trade, unsecured and repayable on demand. Interest has been charged at 6.29%. The loan was repaid in full during the current financial year.

*Transactions with related parties*

The transactions conducted between the Company and related parties disclosed below, were conducted in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

**Note 24. Related Parties (Continued)**

|                                                                           | <b>30 June<br/>2021<br/>\$</b> | <b>30 June<br/>2020<br/>\$</b> |
|---------------------------------------------------------------------------|--------------------------------|--------------------------------|
| DCoin Pty Ltd (director related entity of Mr Thomas) – equipment purchase | 112,184                        | -                              |
| DCoin Pty Ltd (director related entity of Mr Thomas) – sales revenue      | -                              | (28,364)                       |
| 3 Commas Pty Ltd (director related entity of Mr Thomas) – sales revenue   | -                              | (14,250) <sup>1</sup>          |
| Trevor Thomas – employee (gross salary plus super) <sup>2</sup>           | 16,593                         | 10,403                         |
| Linley Thomas – employee (gross salary plus super) <sup>2</sup>           | 13,056                         | 10,403                         |
| Rebecca Thomas - employee (gross salary plus super) <sup>3</sup>          | -                              | 74,271                         |
|                                                                           | <b>141,833</b>                 | <b>52,463</b>                  |

<sup>1</sup> As at 30 June 2020, this amount was outstanding as a trade receivable.

<sup>2</sup> The related parties are the parents of Managing Director, Justin Thomas.

<sup>3</sup> The related party is the spouse of Managing Director, Justin Thomas and was designated as Key Management Personnel in the current financial year.

**Note 25. Segment Reporting**

The Company is considered to be one operating segment based on geographical location of operations. The Board has identified its operating segments based on the internal reports that are used by the Board in assessing performance and in determining the allocation of resources. The information presented in the financial statements approximates the information of the operating segment.

**Note 26. Financial Instruments**

The Company's activities expose them to credit risk, liquidity risk and market risk – currency, interest rate and price. The Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company. Management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Company's exposure to these financial risks or the way it manages the risk, except for its credit risk. Market risk exposures are measured using sensitivity analysis indicated below.

**Credit Risk**

Credit risk refers to the risk that counterparty will default on its contractual obligation, resulting in financial loss to the Company. A default on a financial asset is when the counterparty fails to make contractual payments as per agreed terms. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

## Note 26. Financial Instruments (Continued)

### Credit Risk (Continued)

#### *Risk Management*

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company do not require collateral from its customers. The Company's major classes of financial assets are trade and other receivables.

Trade receivables that are neither past due nor impaired are substantial companies with good collection track record with the Company. Trade receivables are subjected to credit risk exposure. However, the Company considers there is no significant concentration of credit risks for trade receivables as follows:

|                                                            | 30 Jun 2021<br>% | 30 Jun 2020<br>% |
|------------------------------------------------------------|------------------|------------------|
| Largest customer percentage of trade receivables           | 32               | 32               |
| Largest customer percentage of customer sales <sup>1</sup> | -                | 5                |

<sup>1</sup> There were no sales to the largest customer in trade receivables in the current financial year and movement in the current financial year on the customer account relates only to penalty interest.

#### *Impairment of Financial Asset*

The Company has the following financial assets that are subject to insignificant credit losses where the expected credit loss ('ECL') model has been applied using the following approaches below.

#### **Trade receivables**

The Company identified \$117,533 of underperforming or non-performing trade receivables during the year (2020: \$106,921). The sales comprising this amount all occurred in the previous financial year and the movement in expected credit loss balance in the current financial year relates only to penalty interest charged.

To measure the expected credit losses, trade receivables were grouped based on shared credit risk characteristics. Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company.

The Company has not experienced any instances of non-payment from its customers over the past 12 months and has used their repayment pattern as a basis for estimation to estimate its ECL for the current year. The Company did not determine the default risk of its financial instruments as most of its trade receivables are historical clients that have no bad debt history.

For the purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, the historical default experience and financial position of the counterparties are taken into account, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

## Note 26. Financial Instruments (Continued)

### Market Risk

Market risk is the risk that changes in market price, such as interest rates and foreign exchange rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

### Foreign Currency Risk

The Company's foreign exchange risk results mainly from cash flows from transactions denominated in foreign currencies. At present, the Company does not have any formal policy for hedging against currency risk. The Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances between entities.

The Company's does not hold any foreign currency denominated financial assets and financial liabilities at the reporting date. Typically, importation of inventory or equipment either on behalf of customers or for the Company's own use for which the purchase is denominated in a foreign currency (usually United States Dollar) requires upfront payment by the foreign supplier before the goods are dispatched.

### Interest Rate Risk

The Company's exposure to the risks of changes in market interest rates is insignificant as the Company does not hold short-term deposits with a floating interest rate, the Company's equipment and property leases have fixed rates based on the either the rate implicit in the lease or the incremental borrowing rate at the commencement of the lease and all remaining interest-bearing borrowings were repaid during the current financial year.

All other financial assets and liabilities in the form of cash at bank, receivables and payables are non-interest bearing, with the exception of overdue receivables on a single customer account where interest is being charged on the overdue balance at a rate of 15% per annum. The Company does not engage in any hedging or derivative transactions to manage interest rate risk. The Company has not entered any hedging activities to cover interest rate risk. Regarding its interest rate risk, the Company does not have a formal policy in place to mitigate such risks.

The following table set out the carrying amount by maturity of the Company's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments.

|                              | Fixed Interest Rate Maturing |                |                  |                |                              | Total            | Weighted<br>Average<br>Interest<br>Rate |
|------------------------------|------------------------------|----------------|------------------|----------------|------------------------------|------------------|-----------------------------------------|
|                              | Non-<br>Interest<br>Bearing  | < 1 Year       | 1 – 5<br>Years   | ><br>5 years   | Floating<br>Interest<br>Rate |                  |                                         |
| 2021                         | \$                           | \$             | \$               | \$             | \$                           | \$               |                                         |
| <i>Financial assets</i>      |                              |                |                  |                |                              |                  |                                         |
| Cash and cash equivalents    | 1,891,595                    | -              | -                | -              | -                            | 1,891,595        | -                                       |
| Trade receivables            | 134,592                      | -              | -                | -              | -                            | 134,592          | -                                       |
| <i>Financial liabilities</i> |                              |                |                  |                |                              |                  |                                         |
| Lease liabilities            | -                            | 459,926        | 1,903,180        | 495,272        | -                            | 2,858,378        | 4.88%                                   |
| Trade payables               | 733,181                      | -              | -                | -              | -                            | 733,181          | -                                       |
|                              | <b>2,759,368</b>             | <b>459,926</b> | <b>1,903,180</b> | <b>495,272</b> |                              | <b>5,617,746</b> |                                         |

**Note 26. Financial Instruments (Continued)**

**Market Risk (Continued)**

|                              | Fixed Interest Rate Maturing |               |                |              |                              | Total          | Weighted<br>Average<br>Interest<br>Rate |
|------------------------------|------------------------------|---------------|----------------|--------------|------------------------------|----------------|-----------------------------------------|
|                              | Non-<br>Interest<br>Bearing  | < 1 Year      | 1 – 5<br>Years | ><br>5 years | Floating<br>Interest<br>Rate |                |                                         |
| 2020                         | \$                           | \$            | \$             | \$           | \$                           | \$             |                                         |
| <i>Financial assets</i>      |                              |               |                |              |                              |                |                                         |
| Cash and cash equivalents    | 237,081                      | -             | -              | -            | -                            | 237,081        | -                                       |
| Trade receivables            | 226,899                      | -             | -              | -            | -                            | 226,899        | -                                       |
| <i>Financial liabilities</i> |                              |               |                |              |                              |                |                                         |
| Borrowings                   |                              |               |                |              |                              |                | 6.29%                                   |
| Lease liabilities            | -                            | 85,104        | 127,304        | -            | -                            | 212,408        | 6.14%                                   |
| Trade payables               | 215,143                      | -             | -              | -            | -                            | 215,143        | -                                       |
|                              | <b>679,123</b>               | <b>85,104</b> | <b>127,304</b> | <b>-</b>     | <b>-</b>                     | <b>891,531</b> |                                         |

**Liquidity Risk**

The Company manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows. No liquidity risk has been disclosed for the Company as the Company's financial assets and liabilities are contractually due on demand or within one year, and the undiscounted cash flows approximate the carrying amounts as reported on the statement of financial position.

**Fair Values**

For other assets and liabilities, the net fair value approximates their carrying value. The Company has no financial assets or liabilities that are readily traded on organised markets and has no financial assets where the carrying amount exceeds net fair values at the reporting date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

**Note 27. Reconciliation of cash flow from operations with net loss for the year**

|                                                                       | 30 Jun 2021        | 30 Jun 2020   |
|-----------------------------------------------------------------------|--------------------|---------------|
|                                                                       | \$                 | \$            |
| Loss for the year                                                     | (3,555,722)        | (208,991)     |
| Depreciation of property, plant and equipment and right of use assets | 539,770            | 229,918       |
| Loss on sale of asset                                                 | -                  | 14,704        |
| Share based payment expense                                           | 1,049,236          | -             |
| Depreciation of right of use asset                                    | -                  | (33,175)      |
| Change in operating assets and liabilities:                           |                    |               |
| Decrease / (increase) in trade and other receivables                  | 92,175             | (173,640)     |
| (Increase) in inventory                                               | (406,384)          | -             |
| (Increase) in other current assets                                    | (78,592)           | -             |
| Increase / (decrease) in trade and other payables                     | 518,038            | 146,285       |
| Increase / (decrease) in contract liabilities                         | 317,424            | -             |
| Increase / (decrease) in provisions                                   | 150,878            | 36,791        |
| <b>Cash flows (used in) / from operations</b>                         | <b>(1,373,177)</b> | <b>11,892</b> |

**Note 28. Contingent Assets and Liabilities**

A dispute is on foot with the Company's landlord and the previous tenant of the Bibra Lake data centre. The previous tenant carried out and installed multiple capital works of which the Company is utilising for their operations. At this stage, the Company is not party to any of the claims and the risk of loss is remote.

The Directors of the Company are not aware of any other contingent liabilities which require disclosure in the financial year ended 30 June 2021 (2020: nil).

**Note 29. Commitments**

The Company had capital commitments of \$643,039 at 30 June 2021 (2020: nil). These commitments relate to tier certification and equipment purchases.

There were no other commitments noted as at 30 June 2021 (2020: nil).

**Note 30. Subsequent Events**

On 6 August 2021, the Company announced the appointment of Shane Wee as Non-Executive Chairman effective 31 August 2021 following the resignation of Non-Executive Chairman Cameron McLean effective 31 August 2021.

On 23 August 2021, the Company announced it had signed a number of Fixed Term Agreements with multiple parties to supply data centre co-location services worth a combined estimated \$1,775,358 (incl. GST) over a 36-month period.

**Note 30. Subsequent Events (Continued)**

On 25 August 2021, shareholders approved the granting of 2,500,000 Performance Rights (1,250,000 Class A and 1,250,000 Class B) to Justin Thomas and of 2,500,000 Performance Rights (1,250,000 Class A and 1,250,000 Class B) to Rebecca Thomas. The Performance Rights will vest subject to meeting specified milestones by the applicable expiry date (Class A by 30 November 2023, Class B by 30 November 2025). The Performance Rights were subsequently issued on 24 September 2021.

On 3 September 2021, the Company announced the purchase of an individual modular data centre unit for \$482,396 (incl GST) as part of the next stage of commercialisation of its Victorian data centre site.

On 27 September 2021, the Company announced that it had received firm commitments to raise \$2.5 million (before costs) from institutional and sophisticated investors via a placement. The Placement will see the Company issue a total of 16,666,666 new fully paid ordinary shares at an issue price of \$0.15 per share, with a 1:2 free attaching option exercisable at \$0.30 per share expiring 2 years from the date of issue. The Company will issue 8,775,000 fully paid ordinary shares at \$0.15 per share, on 4 October 2021. A further 7,891,666 shares and 8,333,333 free-attaching options exercisable at \$0.30 per share will be issued subject to shareholder approval at the 2021 Annual General Meeting to be held in November 2021.

The Directors are not aware of any other matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future financial years, the operations of the Company, the results of those operations or the Company's state of affairs.

**DC Two Limited**  
**Directors' Declaration**  
**For the year ended 30 June 2021**

In accordance with a resolution of the directors of DC Two Limited, I state that:

1. In the opinion of the directors:

(a) the financial statements and notes of DC Two Limited for the financial year ended 30 June 2021 are in accordance with the Corporations Act 2001, including:

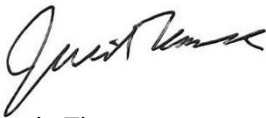
- (i) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the board



Justin Thomas  
Managing Director  
30 September 2021

# Independent Auditor's Report

## To the Members of DC Two Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of DC Two Limited (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$3,555,772 during the year ended 30 June 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue Recognition – Note 2</b><br><p>For the year ended 30 June 2021, the Company recorded \$1,740,063 in revenue from a combination of co-location revenue streams and hardware sales. Revenue is recognised in accordance with <i>AASB 15 Revenue from Contracts with Customers</i>.</p> <p>Revenue is derived from the delivery of services relating to data centre services and cloud based hosting services. The Company offers diverse products and services that give rise to different patterns of revenue recognition based on the contractual terms, which may impact the performance obligations that the Company must satisfy.</p> <p>This area is a key audit matter due to the financial significance to the financial statements and the judgements involved in determining revenue recognition for various services.</p>                                                                                   | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding and documenting the design of internal controls over revenue recognition for revenue streams used by the Company in evaluating contracts for compliance with <i>AASB 15 Revenue from contract with Customers</i>;</li> <li>• Selecting a samples of revenue transactions to supporting documentation to confirm compliance with the recognition criteria of AASB 15;</li> <li>• Testing the accuracy of deferred revenue recorded by the Company during the year: and</li> <li>• Assessing the adequacy of Company's presentation and disclosures in the financial statements.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Research and development tax incentives – Note 3</b><br><p>The Group receives a research and development (R&amp;D) refundable tax offset from the Australian government which represents 43.5 cents in each dollar of eligible annual R&amp;D expenditure, if its turnover is less than \$20 million per annum. Registration of R&amp;D Activities Application if files with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management performed a detailed review of the Group's total R&amp;D expenditure to estimate the refundable tax offset receivable under the R&amp;D tax incentive legislation.</p> <p>This is a key audit matter due to the size of the accrual and the degree of judgement and interpretation of the R&amp;D tax legislation required by management to assess the eligibility of the R&amp;D expenditure under the scheme.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• obtaining through discussions with management, an understanding of the process to estimate the claim;</li> <li>• utilising an internal R&amp;D tax specialist to; <ul style="list-style-type: none"> <li>◦ review the expenditure methodology employed by management for consistency with the R&amp;D tax offset rules; and</li> <li>◦ consider the nature of the expenses against the eligibility criteria of the R&amp;D tax incentive scheme to form a view about whether the expenses included in the estimate meet the eligibility criteria;</li> </ul> </li> <li>• comparing the nature of the R&amp;D expenditure included in the current year estimate to the prior year claim;</li> <li>• selecting a sample of R&amp;D expenditure and agreeing to supporting documentation to ensure appropriate classification, validity of the claimed amount and eligibility against the R&amp;D tax incentive scheme criteria; and</li> <li>• assessing the appropriateness of financial statement disclosures.</li> </ul> |

### **Information other than the financial report and auditor's report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar2\\_2020.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar2_2020.pdf). This description forms part of our auditor's report.

### **Report on the remuneration report**

#### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 11 to 18 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of DC Two Ltd, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



L A Stella  
Partner – Audit & Assurance

Perth, 30 September 2021

**DC Two Limited**  
**ASX Additional Information**

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

**SHAREHOLDINGS**

The issued capital of the Company at 24 September 2021 is 58,500,000 ordinary fully paid shares.

| <b>Shares Range</b> | <b>No. of Holders</b> | <b>No. of Shares</b> |
|---------------------|-----------------------|----------------------|
| 100,001 and Over    | 71                    | 41,600,606           |
| 10,001 to 100,000   | 401                   | 13,740,658           |
| 5,001 to 10,000     | 239                   | 1,928,081            |
| 1,001 to 5,000      | 447                   | 1,215,981            |
| 1 to 1,000          | 29                    | 14,674               |
|                     | <b>1,187</b>          | <b>58,500,000</b>    |

300 shareholders holding less than a marketable parcel

| <b>Shareholders by Location</b> | <b>No. of Holders</b> | <b>No. of Shares</b> |
|---------------------------------|-----------------------|----------------------|
| Australian holders              | 1,171                 | 56,198,249           |
| Overseas holders                | 16                    | 2,301,751            |
|                                 | <b>1,187</b>          | <b>58,500,000</b>    |

**Top 20 Shareholders of Quoted Shares as at 22 September 2021**

|    |                                                                   | <b>No. of Shares Held</b> | <b>% Held</b> |
|----|-------------------------------------------------------------------|---------------------------|---------------|
| 1  | THE PIONEER DEVELOPMENT FUND THE PIONEER DEVELOPMENT FUND LIMITED | 3,034,360                 | 8.40%         |
| 2  | MR STEVEN JOHN PEARCE                                             | 1,534,500                 | 4.25%         |
| 3  | ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>           | 950,000                   | 2.63%         |
| 4  | THE PIONEER DEVELOPMENT FUND (AUST) LIMITED                       | 700,000                   | 1.94%         |
| 5  | MARK FRANCIS DIGNAM                                               | 653,870                   | 1.81%         |
| 6  | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>        | 613,049                   | 1.70%         |
| 7  | MR FERDINAND AZIS & MRS CAROLINE RANTI <F C SUPERFUND A/C>        | 500,000                   | 1.38%         |
| 8  | KALCON INVESTMENTS PTY LTD                                        | 498,570                   | 1.38%         |
| 9  | KINGSTON NOMINEES PTY LTD                                         | 460,000                   | 1.27%         |
| 10 | CITICORP NOMINEES PTY LIMITED                                     | 437,159                   | 1.21%         |
| 11 | RIMOYNE PTY LTD                                                   | 385,000                   | 1.07%         |
| 12 | MILLER INVESTMENTS (NT) PTY LTD MILLER FAMILY TRUST (NT) A/C>     | 354,382                   | 0.98%         |
| 13 | MR MICHAEL JOHN FRENCH                                            | 354,382                   | 0.98%         |
| 14 | MR DAWEI HUANG                                                    | 350,500                   | 0.97%         |
| 15 | SACCO DEVELOPMENTS AUSTRALIA PTY LIMITED <THE SACCO FAMILY A/C>   | 350,000                   | 0.97%         |
| 16 | FOCUS SHOPFIT PTY LTD                                             | 300,000                   | 0.83%         |
| 17 | NIGHTFALL PTY LTD <NIGHTFALL SUPER FUND>                          | 270,000                   | 0.75%         |
| 18 | COUGAR 40 PTY LTD                                                 | 251,801                   | 0.70%         |
| 19 | MR STEVEN JAMES BROWN <BROWN & DEVLIN FAMILY A/C>                 | 250,000                   | 0.69%         |
| 20 | MR KOONG SENG DANIEL CHIEW                                        | 241,740                   | 0.67%         |
|    | <b>TOTAL</b>                                                      | <b>12,489,313</b>         | <b>34.56%</b> |

**DC Two Limited**  
**ASX Additional Information**

**Substantial Shareholders as at 24 September 2021**

|                                                                      | <b>No. of<br/>Shares Held</b> | <b>% Held</b> |
|----------------------------------------------------------------------|-------------------------------|---------------|
| THOMAS FAMILY HOLDINGS PTY LTD < THOMAS WEALTH TRUST<br>A/C>         | 14,175,258                    | 24.23%        |
| MARK FRANCIS DIGNAM                                                  | 4,492,282                     | 7.68%         |
| THE PIONEER DEVELOPMENT FUND THE PIONEER DEVELOPMENT<br>FUND LIMITED | 3,034,360                     | 5.19%         |

**Voting Rights**

The holders of ordinary shares are entitled to one vote per share at meetings of the Group.

**OPTION HOLDINGS**

| <b>Class</b> | <b>Terms</b>                                          | <b>No. of Options</b> |
|--------------|-------------------------------------------------------|-----------------------|
| A            | Exercisable at \$0.25 each, expiring 10 November 2024 | 4,150,000             |
| B            | Exercisable at \$0.30 each, expiring 31 July 2024     | 2,000,000             |
| C            | Exercisable at \$0.50 each, expiring 7 May 2024       | 4,000,000             |
|              |                                                       | <b>10,150,000</b>     |

**Options Range**

|                  | <b>Unlisted Options (Class A)</b> |                       |
|------------------|-----------------------------------|-----------------------|
|                  | <b>No. of Holders</b>             | <b>No. of Options</b> |
| 1 – 1,000        | -                                 | -                     |
| 1,001 – 5,000    | -                                 | -                     |
| 5,001 – 10,000   | -                                 | -                     |
| 10,001 – 100,000 | -                                 | -                     |
| 100,001 and over | 11                                | 4,150,000             |
|                  | <b>11</b>                         | <b>4,150,000</b>      |

The following option holders holds more than 20% of the single class of the Company's Unlisted Options (Class A).

| <b>Holder</b>                                                    | <b>No. of options</b> | <b>%</b> |
|------------------------------------------------------------------|-----------------------|----------|
| CALE CONSULTING PTY LTD                                          | 1,200,000             | 28.92%   |
| BURTON CAPITAL HOLDINGS PTY LTD <BURTON INVESTMENT<br>TRUST A/C> | 1,000,000             | 24.10%   |

**Options Range**

|                  | <b>Unlisted Options (Class B)</b> |                       |
|------------------|-----------------------------------|-----------------------|
|                  | <b>No. of Holders</b>             | <b>No. of Options</b> |
| 1 – 1,000        | -                                 | -                     |
| 1,001 – 5,000    | -                                 | -                     |
| 5,001 – 10,000   | -                                 | -                     |
| 10,001 – 100,000 | -                                 | -                     |
| 100,001 and over | 1                                 | 2,000,000             |
|                  | <b>1</b>                          | <b>2,000,000</b>      |

**DC Two Limited**  
**ASX Additional Information**

The following option holders holds more than 20% of the single class of the Company's Unlisted Options (Class B).

| Holder                    | No. of options | %       |
|---------------------------|----------------|---------|
| STONEGOLD ENTERPRISES P/L | 2,000,000      | 100.00% |

**Unlisted Options (Class C)**

**Options Range**

|                  | No. of Holders | No. of Options   |
|------------------|----------------|------------------|
| 1 – 1,000        | -              | -                |
| 1,001 – 5,000    | -              | -                |
| 5,001 – 10,000   | -              | -                |
| 10,001 – 100,000 | -              | -                |
| 100,001 and over | 4              | 4,000,000        |
|                  | <b>4</b>       | <b>4,000,000</b> |

The following option holders holds more than 20% of the single class of the Company's Unlisted Options (Class C).

| Holder                     | No. of options | %      |
|----------------------------|----------------|--------|
| SHANE HOEHOCK WEE          | 1,300,000      | 32.50% |
| PAPILLON HOLDINGS PTY LTD  | 1,000,000      | 25.00% |
| KALCON INVESTMENTS PTY LTD | 1,000,000      | 25.00% |

**Voting Rights**

Options have no voting rights.

**PERFORMANCE RIGHTS**

| Class | Terms                                                                          | No. of Perf Shares |
|-------|--------------------------------------------------------------------------------|--------------------|
| A     | Converting 1:1 into fully paid ordinary shares on satisfaction of milestone/s* | 2,500,000          |
| B     | Converting 1:1 into fully paid ordinary shares on satisfaction of milestone/s* | 2,500,000          |
|       |                                                                                | <b>5,000,000</b>   |

\*The Performance Shares in the relevant class will convert into Shares upon satisfaction of the milestones as follows:

**DC Two Limited**  
**ASX Additional Information**

| Performance Right Class | Milestone                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Expiry Date      |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Class A                 | The Company achieving a minimum revenue of AUD\$6,000,000 and an EBITDA of \$900,000, for either of the financial years ending 30 June 2022 or 30 June 2023 as independently verified by the Company's auditor based on the audited financial accounts.<br>Only revenue which is earned by the Company's existing business units (and the organic growth of the existing business units) will be taken into consideration. Revenue which may be received from any new businesses which are acquired by the Company prior to the Expiry Date, will not be taken into account.                              | 30 November 2023 |
| Class B                 | The Company achieving a minimum revenue of AUD \$12,000,000 and EBITDA of \$1,800,000, for either of the financial years ending 30 June 2022, 30 June 2023, 30 June 2024 or 30 June 2025 as independently verified by the Company's auditor based on the audited financial accounts.<br>Only revenue which is earned by the Company's existing business units (and the organic growth of the existing business units) will be taken into consideration. Revenue which may be received from any new businesses which are acquired by the Company prior to the Expiry Date, will not be taken into account. | 30 November 2025 |

The following holders hold all of the Company's Performance Rights on issue.

| Holder                                                   | Class A <sup>1</sup> | Class B <sup>2</sup> |
|----------------------------------------------------------|----------------------|----------------------|
| THOMAS FAMILY HOLDINGS PTY LTD <THOMAS WEALTH TRUST A/C> | 2,500,000            | 2,500,000            |

<sup>1</sup> 1,250,000 Class A Performance Rights were issued to Thomas Family Holdings Pty Ltd as nominee of Justin Thomas, as approved by shareholders on 25 August 2021. 1,250,000 Class A Performance Rights were issued to Thomas Family Holdings Pty Ltd as nominee of Rebecca Thomas, as approved by shareholders on 25 August 2021.

<sup>1</sup> 1,250,000 Class B Performance Rights were issued to Thomas Family Holdings Pty Ltd as nominee of Justin Thomas, as approved by shareholders on 25 August 2021. 1,250,000 Class B Performance Rights were issued to Thomas Family Holdings Pty Ltd as nominee of Rebecca Thomas, as approved by shareholders on 25 August 2021.

None of the Performance Rights conversion milestones were met during the year, or subsequently to date.

### **Voting Rights**

Performance rights have no voting rights.

### **RESTRICTED SECURITIES**

The Company's restricted securities (including voluntary restricted securities) are listed below:

| Restricted Securities                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------|
| 22,364,273 ordinary fully paid shares, restricted for 24 months from 10 November 2020.                                               |
| 2,950,000 unquoted options exercisable at \$0.25 each, expiring on 10 November 2024, restricted for 24 months from 10 November 2020. |

## **USE OF PROCEEDS**

In accordance with listing rule 4.10.19, the Company confirms that it has not used its cash and assets in a form readily convertible to cash in a way consistent with its business objectives at the time of admission.

That since admission, the Company has received total cash receipts of approximately \$1.74m, of which includes an approximate \$1.2m that relates to the cloud platform. The Company has focussed on its data centre expansion with approximately \$1m cash expended during this June 2021 quarter, which includes existing data centre costs. The Company has also focussed on its cloud platform expansion with approximately \$0.94m cash expended during this June 2021 quarter, which includes existing cloud platform costs. Additionally, the Company undertook a secondary capital raising of \$2.5m with firm commitments received in September 2021.

## **CORPORATE GOVERNANCE**

The Company's corporate governance statement is found on the Company's website at <https://dctwo.com.au/investors-corporate-governance/>