

DC TWO REPORTS 20% QUARTER ON QUARTER RECURRING REVENUE GROWTH

Highlights;

- Record A\$847,274 revenue for Q1 FY22 with recurring revenue increasing 20% to A\$568,264.
- Revenue growth driven by new customers secured for Bibra Lake as it nears Tier III design accreditation. The migration of exiting cloud customers into Bibra Lake, first rack sales and initial revenue being recognised from Fixed Term Agreements also added to growth.
- Successfully received binding commitments for a \$2.5m capital raise (before costs) to drive growth agenda.
- DC Two's Cloud Platform and the Bibra Lake data centre awarded ISO 27001 certification for data security.
- Mid-west data centre contract win of approximately \$1,775,358 inc GST over a 36-month period. Revenue to be recognised in Q2 FY22.
- Mid-west data centre capacity set to significantly increase from ~600kw by the end of October 2021 to 2MW by the end of 2021. DC Two is in the process of selling this additional capacity to customers.
- A\$482,396 contract of modular data centre build advances DC Two's Victoria project.
- Strengthened board and management team to execute strategic growth ambitions.

27 October 2021: DC Two Limited (ASX: DC2) ("DC Two" or the "Company"), a vertically integrated revenue generating data centre, cloud and software business, is pleased to provide its quarterly report and Appendix 4C cash flow statement for the period ending 30 September 2021.

Record revenue performance

DC Two achieved record revenue of A\$847,274 for Q1 FY22, as demand for our cloud and data centre services expanded. Recurring revenue increased 20% to A\$568,264 over Q4 FY21 results and represents a significant increase over the previous year sales for the corresponding period.

Recurring revenue growth was driven by the continued migration of existing cloud customers into the new Bibra Lake data centre, along with successful first rack sales at the facility. In June, DC Two signed a 5-year Fixed Term Agreement for approximately A\$926k and initial revenue from this agreement started to be recognised during the quarter.

Non-recurring revenue consisted of A\$279,010 for Q1 FY22. Much of this relates to hardware sales directly related to digital currency mining equipment that had been prepaid for by customers in prior quarters. DC Two also received prepayments for additional digital currency mining hardware during Q1 FY22, which is expected to be online during Q2 FY22.

20% QUARTER ON QUARTER RECURRING REVENUE GROWTH



DC Two Managing Director, Justin Thomas, said; “It is clear that our Bibra Lake facility is fast becoming a high value asset for the company. Our recurring revenue business model is also proving resilient, and we maintain a robust financial position from which to increase the performance of our data centre assets.”

New customers secured for Bibra Lake as it nears Tier III design accreditation

In conjunction with migrating existing cloud customers into Bibra Lake, DC Two has also secured a number of new cloud and co-location customers that are now located in the facility. ~400kw of customer workload is now online and being billed from Bibra Lake, and the data centre has the initial potential capacity to house up to 400 racks, which can be bought online in a staged approach and in line with future customer contracts.

In late July, the Bibra Lake data centre and DC Two’s Cloud Platform were awarded ISO 27001 certification for data security. ISO 27001 certification is the most widely recognised international standard for data security and confirms that DC Two has considered controls to ensure that all organisational assets including technical and physical are managed under a secure framework using risk management.

Progress towards Tier III design accreditation is advancing and the Company remains on track to complete the accreditation process by the end of the 2021 calendar year. When complete, DC Two will become the

only provider in Western Australia with their own Tier III accredited data centre and ISO 27001 ISMS accredited cloud platform. This provides DC Two with a competitive edge when tendering for mid-market and enterprise customers requiring Tier III compliance, security and access accreditations.



Data halls of Bibra Lake

Mid-west data centre contract wins and capacity set grow significantly

Demand for DC Two's regionally located modular data centres continues to grow. Multiple Fixed Term Agreements were signed in August to supply co-location services worth approximately \$1,775,358 inc GST over a 36-month period. Initial revenues from these contracts are expected to be recognised in Q2 FY22.

Positive progress has also been made towards increasing capacity at the site. The data centre is beginning to add noticeable revenue to the bottom line and currently has an estimated ~300kw of capacity online. The Company expects capacity to grow to ~600kw by the end of October to fulfil the \$1.7m Fixed Term Agreement and increase to 2MW by the end of 2021. Importantly, DC Two is in the process of selling this additional capacity to customers.

DC Two also developed a proprietary Power Distribution Unit (PDU) that successfully passed EMC compliance testing. The PDU units are being installed in the Company's mid-west modular data centres for increased power distribution management and control which could assist in reducing power costs. Plans are currently under way to double the capacity of these units from 63 amps to 125 amps which will require minimal modifications to achieve and will enable the company to host more higher-powered devices for a lower capital investment.



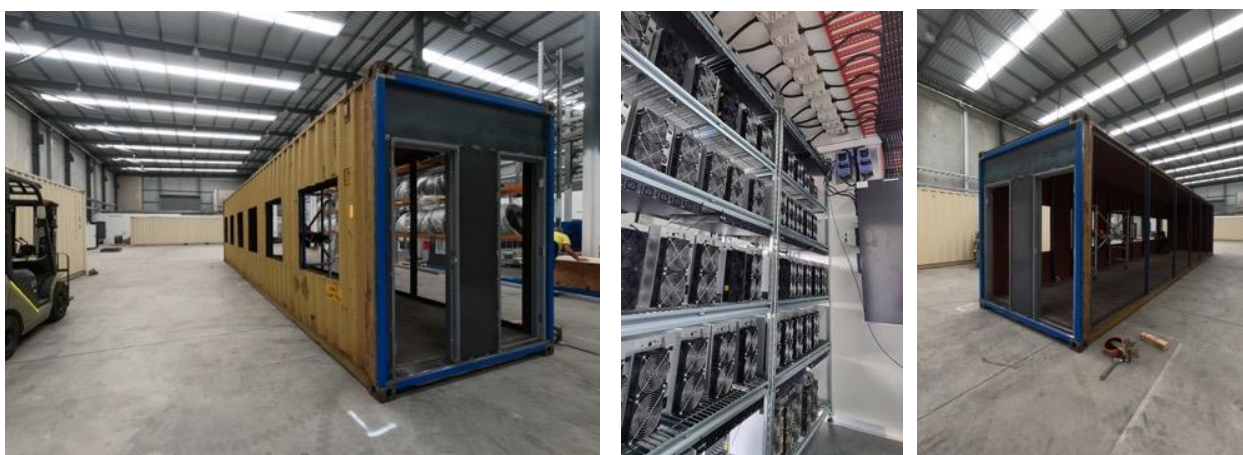
DC Two's in-house developed PDU unit

Contract for modular unit advances Victoria data centre project

DC Two's data centre site located in Western Melbourne, Victoria, advanced into its next stage of commercialisation, with project partner Joule Energy Pty Ltd purchasing an individual modular data centre unit from DC Two for \$482,396 inc GST. Onsite delivery is expected by mid-January 2022.

DC Two will deliver Joule Energy one fully integrated and operational Data Centre Module (DCM) and is also in discussions to provide additional services to Joule for the ongoing management of the data centre, IT servers and equipment – potentially resulting in future recurring revenue.

Both companies are also working towards formal agreements relating to property access for multiple DC Two owned and operated data centre modules to be installed at the site, along with finalising power purchase agreements (the price DC Two pays for access to power at the site).



Unpainted modular, transportable and eco-friendly data centre being constructed.

Increased balance sheet to support growth agenda

In late September 2021, DC Two successfully received firm commitments for a \$2.5 million capital raise (before costs) at \$0.15 per share. The capital raise was strongly supported by a number of the Company's existing shareholders who increased their percentage holding of the Company, along with a number of new quality institutional and high net-worth investors joining the register. DC Two's directors also participated in the raise, subject to Shareholder approval.

The funding will enable DC Two to complete the Tier III design accreditation of its Bibra Lake data centre, together with an improved balance sheet to accelerate and expand its enterprise customer base. Funding will also be utilised for the fulfillment and execution of an estimated \$2.7m in DC Modular contracts and the expansion of DC Two's management and sales team.

The Placement will occur over a two-tranche structure. On 5 October 2021, 8,774,984 fully paid ordinary shares under Tranche 1 was issued with the remaining Tranche 2 Shares (and a 1:2 free attaching option exercisable at \$0.30 per share expiring 2 years from the date of issue) to be issued subject to shareholder approval at the Company's Annual General Meeting to be held on 26 November 2021.

Strengthened board and management team

DC Two secured experienced financial services professional, Shane Wee as Non-Executive Chairman during the quarter. Mr Wee has extensive ASX experience, is a shareholder of the Company and has an in-depth understanding of the business, its technology and strategic growth ambitions. Concurrent with the appointment of Mr Wee, DC Two accepted the resignation of non-executive Chairman, Cameron McLean.

Expansion of DC Two's management and sales team is currently underway, with recent funding allowing the Company to secure additional highly credentialed personnel to drive growth and secure new enterprise customers. Recent structural changes were also implemented to enable DC Two's Managing Director and Senior Management Team to directly focus on growing revenue.

These changes include the appointment of Mr Blake Burton into an Executive Director role. Mr Burton will use his in-depth understanding of the DC Two business to focus on facilitating revenue growth and manage the Company's capital market facing responsibilities to ensure sustainable shareholder value is achieved.

DC Two also appointed Mr Bradley Goodsell as Chief Financial Officer (CFO) to oversee all financial operations of DC Two and ensure the company has the financial capability to support its strategic requirements.

Outlook

The road ahead looks promising as 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 and the Company will focus on scaling the business to drive long term growth while maintaining high customer retention.

Key commercial priorities for Q2 FY22 include;

1. Continue to grow recurring revenue
2. Increase mid-west site capacity to ~2MW
3. Achieve Tier III design accreditation at the Bibra Lake data centre

Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 30 September 2021. As at 30 September 2021 the Company had a cash balance of A\$0.95m. The Company's net cash used in operating activities for the quarter amounted to \$319k and included expenditure on product manufacturing and operating costs (A\$493k), advertising and marketing (A\$36k), staff costs (A\$368k), and administration & corporate costs including leased asset expenditure (A\$194k).

Use of Funds and Related Party Transactions

In accordance with ASX Listing Rule 4.7C.2, The Company's use of funds statement is at Annexure A.

In accordance with ASX Listing Rule 4.7C.3, payments in the September quarter to related parties of approximately \$68k included at Item 6 in the attached Appendix 4C comprised salaries and fees paid to executive and non-executive directors and their associated entities.

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

For more information please contact:

Justin Thomas

Managing Director

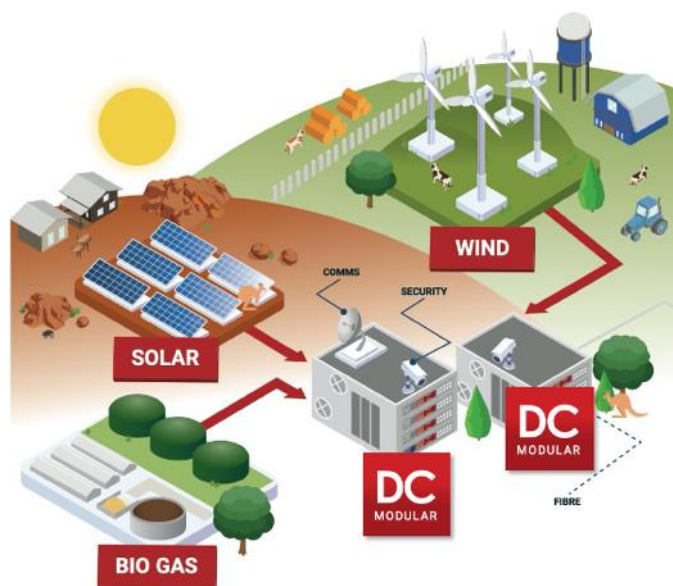
DC Two Limited

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ABOUT DC TWO

Established in 2012, DC Two offers a suite of vertically integrated services covering every part of the data centre and cloud technology stack. The Company offers a number of managed and integrated cloud services delivered from datacentres in Perth and Darwin and is currently rolling out DC Modular - a containerised "data centre in a box" innovation. DC Two also develops software assets to support our internal operations and provide enhanced control and flexibility, through automation and self-service, to our customers and technology partners, wherever they are.



ABOUT DC MODULAR

DC Two have developed a high density and transportable data centre that enables quick and easy deployment in any location. Based on durable ISO standard sea containers and non-ruggedized insulated variants, the transportable data centre only requires power and data connectivity and is suitable for high performance or supercomputing specific workloads.

FORWARD-LOOKING STATEMENTS

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices, or potential growth of DC

Two Limited, are, or may be, forward-looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward-looking statements depending on various factors.

ANNEXURE A – USE OF FUNDS STATEMENT

DC Two was admitted to the official list of the ASX on 6 November 2020 following completion of an IPO raising of \$5.5m. The September 2021 quarter is included in a period covered by a use of funds statement in the IPO prospectus lodged with ASX under Listing Rule 1.1 condition 3.

A comparison of the Company's actual admission to 30 September 2021 against the estimated expenditure in the use of funds statement is set out below as required by ASX Listing Rule 4.7C.2.

Use of Funds	Prospectus	Actual to Date (6 Nov 2020 – 30 Sept 2021)
Expenses of offers	\$ 604,666	\$ 563,934
Cloud platform expansion	\$ 584,900	\$ 1,596,475
Data centre expansion	\$ 1,800,000	\$ 2,093,790
Growth of DC soft business	\$ 300,000	\$ 129,966
Growth of DC modular business	\$ 800,000	\$ 1,458,341
Loan repayment	\$ 130,000	\$ 126,009
Administration costs	\$ 300,000	\$ 542,565
Working capital	\$ 1,113,205	\$ 898,031
Total Expenditure	\$ 5,632,771	\$ 7,409,112

The Company notes:

1. That since admission, the Company has received total cash receipts of approximately \$2.51m, which include the total cash receipts of approximately \$772k for the September 2021 quarter. Of the total cash received since admission, approximately \$1.6m relate to the cloud platform. Additionally, the Company had received \$447k of share placement subscription funds during the quarter, pursuant to the Company's secondary capital raising of \$2.5m.
2. The unprecedented demand for digital currency mining facilities resulted in the Company's focus on expanding its DC modular regional sites which includes approximately \$1.02m cash expended during this September 2021 quarter. The Company intends to accelerate and expand the deployment of these sites as these opportunities arise.
3. The Company has focussed on its data centre expansion with approximately \$378k cash expended during this September 2021 quarter, which includes existing data centre costs.
4. The Company has also focussed on its cloud platform expansion with approximately \$394k cash expended during this September 2021 quarter, which includes existing cloud platform costs.

[ENDS]

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

DC Two Limited

ABN

30 155 473 304

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	772	772
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(493)	(493)
(c) advertising and marketing	(36)	(36)
(d) leased assets	(94)	(94)
(e) staff costs	¹ (368)	¹ (368)
(f) administration and corporate costs	(100)	(100)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – IPO expenses	-	-
1.9 Net cash from / (used in) operating activities	(319)	(319)

¹ Staff costs for the quarter include \$160 that have been capitalised in accordance with AASB 138 – Intangible Assets.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment ²	² (980)	² (980)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(980)	(980)

² Cash outflow in current quarter mainly relates to data centre and cloud platform expansion.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(90)	(90)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – share placement subscription funds received in advance	³ 447	³ 447
3.10	Net cash from / (used in) financing activities	357	357

³ Share placement subscription funds received in advance during the quarter, pursuant to the Company's secondary capital raising of \$2.5m. These funds formed part of Tranche 1 shares issued on 5th October 2021.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,892	1,892
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(319)	(319)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(980)	(980)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	357	357
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	950	950

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	950	950
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	950	950

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

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter
\$A'000

68

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Relates to Director fees, salary and wages of related parties, and one-off bulk inventory purchase through a director-related entity.

7. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(319)
8.2 Cash and cash equivalents at quarter end (item 4.6)	950
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	950
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

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

N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2021

Authorised by: The Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.