DC TWO LIMITED

ABN 30 155 473 304

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Corporate Information

Directors
Shane Wee (Non-Executive Chairman – appointed 31 August 2021)
Blake Burton (Managing Director – appointed 1 September 2020)
Justin Thomas (Executive Director - appointed 2 February 2012)

Company Secretary
Kyla Garic

Registered Office
27 Aspiration Circuit
Bibra Lake WA 6163

Principal Place of Business
27 Aspiration Circuit
Bibra Lake WA 6163

Telephone: +1300 331 888
Email: investors@dctwo.com.au
Website: 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
Hamilton Locke
Level 27, 152-158 St Georges Tce
Perth WA 6000

Contents

Letter from the Chairman

Dear Shareholders,

FY22 has been a time of growth and consolidation for the company. Despite being affected by the challenges posed by the COVID-19 pandemic and the many disruptions to supply chains, we have focussed on our growth and consolidation strategy and as a result we have achieved a number of important milestones.

With limited capital and resources, DC Two has achieved six consecutive quarters of recurring revenue growth, with our most recent quarter increasing 14.7% to a record A$1,014,110. We see this trend continuing into the future as we grow our revenue base and work tirelessly to achieve cash flow positive status. Importantly, the Company's customer retention rate remains high, and continues to provide stable, predictable income with a high customer lifetime value.

Our flagship Bibra Lake facility is now fully operational, secure and underpinning the company's future growth. We are now the only data centre provider in Western Australia with its own Tier III design accredited data centre and ISO 27001 ISMS multi-tenant cloud platforms. This is matched with a strong pipeline of potential SME and local government customer contracts.

The amount of capital invested into the Bibra Lake facility by DC Two and its previous owner, is almost three times as large as the Company's market capitalisation. The importance and significance of this asset to deliver future revenue growth cannot be understated, and resources are now being transitioned from development into commercial activities aimed to onboard enterprise customers.

DC Two's eco-friendly, regional data centres have been an absolute success, with our Mid-West location becoming the first modular Australian data centre deployed 'behind the meter' at a renewable wind farm. Approximately 2MW of data centre capacity is currently being utilised by customers at the Mid-West site.

Our first regional data centre to run off 100% renewable energy was also commissioned at a biogas facility located in Victoria. The site is now fully operational and will generate approximately A$1,000,000 per year for DC Two. We expect our regional data centres to continue seeing strong and increasing demand from customers for hosting cryptocurrency mining equipment.

In May 2022, DC Two announced a strategic shift in operations that focused on improving cost efficiencies, bolstering and incentivising teams, identifying margin rich revenue opportunities, and maximising revenue from current assets. Many of the objectives relating to these measures have been achieved, including a management transition and re-structure, along with identifying a number of cost efficiencies that reduce unnecessary expenditure.

Despite FY22 being a successful year for the business, the current share price does not reflect this and we believe the stock is significantly undervalued and trading at an extreme discount to peers across the industry. The share price has also been affected by weak overall market conditions due to a number of factors shareholders will be familiar with.

However, the future prospects and outlook for DC Two could not be stronger. We have communicated our aspirations and strategy to become a national data centre, cloud and professional service provider and have made positive progress in this regard. Our recent successful funding has also ensured DC Two has a strong commercial foundation to support growth initiatives for a significant period of time.

I would like to highlight that we operate in an exciting, resilient and growing sector. Data centres offer reliable income via long term contracts, and have become increasingly sought after by investors seeking exposure and upside as the world adopts digital technology. According to a report from CBRE titled 'Capturing the Cloud', data centres have seen the sharpest increase in demand of any alternative investment sector during 2022.

Lastly, I would like to take this opportunity to thank all our shareholders that have supported us since we listed. We are focused on bringing shareholder value over the next 6-12 months and look forward to keeping you up to date on our developments.

Shane Wee
Chairman – DC Two Limited

Directors Report

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 2022.

Directors

The names and details of the Directors of the Company during or since the end of the financial year and until the date of this report are set out below:

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

On July 1, 2022 Justin Thomas was appointed Chief Technology Officer and Blake Burton transitioned from Non-Executive Director to Managing Director.

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

During the year the company raised $2.5m as part of its secondary 2:1 capital raising and provided details on the use of these funds to the market in the announcement dated 27 September 2021. DC Two's directors participated in this capital raise.

Additionally, on 2 May 2022 the company announced a $1.75m convertible note offering, with $502,500 of this received in Tranche 1 on 5 May 2022. The company cancelled Tranche 2 of the convertible note arrangement.

Review of Operations

Bibra Lake Development Progression

During the period DC Two achieved Tier III Design certification confirming that Bibra Lake has been designed to meet one of the highest standards for infrastructure functionality and capacity. The certification is an important part of running a world-class data centre facility and demonstrates to customers that Bibra Lake is a reliable, effective and secure facility.

In addition DC Two also achieved VMWare cloud verified status. The Cloud Verified designation indicates that a provider offers the complete VMWare-based software defined data centre infrastructure, delivered as a service which builds confidence that the service provided by DC Two is based on the most advanced VMWare cloud technologies.

These ongoing improvements puts DC Two in a strong position to offer whole-of-business solutions to larger enterprises.

Business & Corporate Update

Demand for DC Two cloud and data centre services remains strong. The Company continues to work with the existing 40+ channel partners already promoting and selling our extensive range of data centre and cloud products. DC Two's focus on growing it's business includes training its sales team to focus on the mid-level enterprise businesses. The strategic alliance between DC2 and Attained Group has already identified multiple synergies. Recently, the strategic alliance resulted in the first joint customer, whereby DC Two provides the customer with cloud services out of its flagship Bibra Lake facility, and Attained Group provides ongoing managed services. While the deal is immaterial for DC Two, we expect the partnership to grow moving forward as both companies jointly target customers.

Marketing efforts to sell additional services to drive revenue growth are underway, either through partnerships, or by selling directly to customers. These include professional services, network services and cyber security. These services are complementary to DC Two's existing offering of data centre co-location and cloud services, with the benefit of offering a new revenue stream and also further enabling the growth of DC Two existing service offering.

DC Modular

The company has fully commissioned its Mid-West regional data centre with a maximum capacity of 2MW, and recently commissioned the Werribee Victoria regional data centre. These regional data centres are the first of their kind in Australia utilising in-house developed modular data centres that are deployed 'behind the meter' at a wind farm and a bio-gas facility. This allows the company to offer a "green-powered" service to customers seeking more eco-credentials across their business, whilst providing access to globally competitive power prices.

DC Soft

DC Two continues to enhance it's automated software reporting tool called DC Portal to accurately report customers monthly usage of Microsoft products - reducing compliance risk and optimising license utilisation to reduce ongoing costs. This has been extended to work with the modular data centre business to accurately record customer usage and billings.

Corporate

Likely Developments and Expected Results of Operations

The Company continues to achieve its data centre and cloud platform growth strategies directed toward accelerating and increasing revenue and extending its platforms into new markets using its existing products. The DC Modular and DC Soft business units. 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.

Review of Results

The net loss for the year ended 30 June 2022 was $4,443,119 (30 June 2021: $3,555,722). The Company had a net asset position as at 30 June 2022 of $2,221,968 (30 June 2021: $2,939,678). Net operating cash outflows were $1,494,677 (30 June 2021: $1,373,177). DC Two ends the financial year with a cash balance of $600,675 (30 June 2021: $1,891,595).

The Company confirms that during the financial year ended 30 June 2022, it used its cash and assets in a form readily convertible to cash, in a manner consistent with its business objectives.

Environmental regulation

DC 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. The company confirms that during the year it has not breached any state, territory or federal environmental regulations.

Directors' Details

Shane Wee	**Non-Executive Chairman**
Experience	Shane retired as a founding director of Alto Capital after 28 years in the financial services industry in July 2022 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	443,333 fully paid ordinary shares 166,666 listed options exercisable at $0.30 expiring 26 November 2023 1,300,000 unlisted options exercisable at $0.50 per option, expiring 7 May 2024 1,000,000 unlisted options exercisable at $0.60 per option, expiring 26 November 2025. 50% of the options will vest and become exercisable on the 1 January 2022 and the remaining 50% of the options will vest and become exercisable on 1 January 2023.
Other Listed Entity Directorships	My Foodie Box Limited
Blake Burton	**Managing Director**
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	708,333 fully paid ordinary shares 166,666 listed options exercisable at $0.30 expiring 26 November 2023 1,000,000 unlisted options exercisable at $0.25 per option, expiring 10 November 2024 (escrowed to 10 November 2022)
Other Listed Entity Directorships	-
Justin Thomas	**Executive Director & Chief Technology Officer**

Experience	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 in 2007.
Interest in Shares & Options	14,578,396 fully paid ordinary shares (14,175,058 escrowed to 10 November 2022)
Other Listed Entity Directorships	-

Other current directorships' are current directorships for listed entities only and exclude directorships of all other types of entities. Currently no Directors of DC Two have had directorships within the preceding three years.

Kyla Garic	**Company secretary**
Experience *B Com, MAcc, CA, FGIA, FGIS*	Ms Garic is a Chartered Accountant and Director of Onyx Corporate. Onyx Corporate provides financial reporting, accounting, company secretarial and other services primarily to ASX listed companies. Ms Garic acts as Company Secretary for a number of ASX listed companies.

Meetings of Directors

During the financial year 11 meetings of Directors were held. Attendances by each Directors are stated in the table below.

	Board Meeting	
	Eligible to Attend	Attended
Shane Wee	10	9
Blake Burton	11	11
Justin Thomas	11	11
Cameron McLean	2	2

The Board also approved eight (8) circular resolutions during the year ended 30 June 2022 which were signed by all Directors of the Company.

Matters Subsequent to The End of The Financial Year

On 1 July 2022 Mr Blake Burton transitioned to the position of Managing Director with Mr Justin Thomas transitioning to Executive Director and Chief Technology Officer.

As announced on 29 September 2022 the company received binding commitments for a placement through two tranches to raise $1,000,000. Tranche 1 placement under existing capacity to raise $293,150 and Tranche Two to raise $706,850.

Further the Company will offer existing shareholders an offer to participate in a Share Purchase Plan (the record date for participants is 28 September 2022) with the SPP expecting to be completed in November 2022. The SPP provides the Company with the ability to raise an additional $1,000,000.

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:

- Blake Burton (Managing Director)
- Justin Thomas (Executive Director)
- Michael Travis (General Manager – Cloud)
- James Mercer (Data Centre Manager)
- Bradley Goodsell (Chief Financial Officer)

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. An Employee Securities Incentive Plan is in operation having been 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.

Service Agreements

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

Blake Burton *Managing Director*	Commenced employment: 6 October 2021 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 $70,000 per annum (exclusive of superannuation)

Justin Thomas *Chief Technology Officer*	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)
Michael Travis *General Manager - Cloud*	Commenced employment: 13 January 2020 Term: Indefinite term until terminated Remuneration: Rate of $72 / hour based on hours worked. Commission will be paid on sales made at an agreed rate.
James Mercer *Data Centre Manager*	Commenced employment: 14 June 2021 Term: Indefinite term until terminated Remuneration: Base salary of $150,000 per annum (exclusive of superannuation).
Bradley Goodsell *Chief Financial Officer*	Commenced employment: 4 October 2021 Term: Indefinite term until terminated Remuneration: Base salary of $145,000 FTE (exclusive of superannuation).

All remuneration for directors and KMP are 100% fixed.

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

	Short-term benefits		**Post-employment benefits**	**Long Term Benefits**	**Share-based payments**	
2022	**Salary and fees** **$**	**Annual Leave Provision** **$**	**Super-annuation** **$**	**Other Long Term Benefits** **$**	**Equity-settled options** **$**	**Total** **$**
Directors						
Shane Wee	36,923	-	3,692	-	69,290[1]	109,905
Blake Burton	64,755	7,416	6,476	1,071	-	79,718
Justin Thomas	177,757	3,781	16,000	2,600	515,000[2]	715,139
Cameron McLean[3]	5,206	-	521	-	-	5,727
Key Management Personnel						
Michael Travis	103,666	142	10,367	1,460	-	115,634
James Mercer	150,577	5,760	15,058	-	-	171,395
Bradley Goodsell	98,990	4,471	9,899	1,429	-	114,789
	637,874	**21,570**	**62,013**	**6,560**	**584,290**	**1,312,307**

[1] 1,000,000 unlisted options exercisable at $0.60 per option, expiring 26 November 2025. 50% of the options were vested and exercisable on the 1 January 2022 and the remaining 50% of the options will vest and become exercisable on the 1 January 2023.
[2] 1,250,000 Performance rights A and 1,250,000 performance rights B were granted on the 25 August 2021. The rights were forfeited on 2 May 2022 and fully expensed in accordance with applicable accounting standards. Refer to note 22 for full terms and conditions of rights.
[3] Resigned on 31 August 2021

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

[1]Resigned on 31 August 2021

[2] Appointed on 1 September 2020

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.

2022	**Number of Options Granted**	**Grant Date**	**Vesting Date**	**Expiry Date**	**Exercise Price ($)**	**Fair Value per Option ($)**
Directors						
Shane Wee	500,000	26/11/2021	01/01/2022	26/11/2025	$0.60	$0.0693
Shane Wee	500,000	26/11/2021	01/01/2023	26/11/2025	$0.60	$0.0693

On 26 November 2021 1,000,000 unlisted director appointment options exercisable at $0.60 and expiring on 20 December 2025 were issued to Mr Shane Wee. 50% of options vested on 1 January 2022 and the other 50% vest on 1 January 2023

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.

DC TWO

Additional Disclosures Relating to Key Management Personnel

Shareholding

The number of shares in the Company held during the financial years ended 30 June 2022 by each director and other members of key management personnel of the Company, including their related parties, is set out below:

2022	Balance at 1 July 2021	Granted as remuneration	On exercise of options	Net other changes	Balance at 30 June 2022
Directors					
Shane Wee	-	-	-	443,333	443,333
Blake Burton	125,000	-	-	583,333	708,333
Justin Thomas[1]	14,325,825	-	-	252,571	14,578,396[1]
Cameron McLean	87,500	-	-	(87,500)[2]	-
Key Management Personnel					
Michael Travis	125,000	-	-	-	125,000
James Mercer	-	-	-	-	-
Bradley Goodsell	-	-	-	127,500	127,500
	14,663,325	**-**	**-**	**1,319,237**	**15,982,562**

[1] These shares are registered and held in the name of a family trust.
[2] Resigned 31 August 2021

Option holding

The number of options over ordinary shares in the company held during the financial years ended 30 June 2022 by each director and other members of key management personnel of the Company, including their related parties, is set out below:

2022	Balance at 1 July 2021	Granted as remuneration	Options Exercised	Net other changes	Balance at 30 June 2022 / Resignation
Directors					
Shane Wee	1,300,000	1,000,000	-	166,666	2,466,666
Blake Burton	1,000,000		-	166,666	1,166,666
Justin Thomas	-	-	-	-	-
Cameron McLean	1,200,000	-	-	-	1,200,000[1]
Key Management Personnel					
Michael Travis	100,000	-	-	-	100,000
James Mercer	-	-	-	-	-
Bradley Goodsell	-	-	-	250,000	250,000
	3,600,000	**1,000,000**	**-**	**583,332**	**5,183,332**

[1] Resigned 31 August 2021

Other Equity-related Key Management Personnel Transactions

1,250,000 Performance rights A and 1,250,000 performance rights B were granted on the 25 August 2021 to Director Justin Thomas and his related party. The rights were forfeited on 2 May 2022 and fully expensed in accordance with applicable accounting standards, no rights were outstanding or owing at the end of the reporting period (2020: nil).

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.

	30 June 2022 $	30 June 2021 $
DCoin Pty Ltd (director related entity of Mr Thomas) – hardware purchase		112,184
Trevor Thomas – employee (gross salary plus super) [2]	26,400	16,593
Linley Thomas – employee (gross salary plus super) [2]	13,200	13,056
Rebecca Thomas - employee (gross salary plus super) [3]	132,462	-
	172,061	**141,833**

[1] As at 30 June 2021, this amount was outstanding as a trade receivable

[2] The related parties are the parents of Executive Director, Justin Thomas.

[3] The related party is the spouse of Executive Director, Justin Thomas who was designated as Key Management Personnel in the current financial year.

Loans to/from related parties

	30 June 2022 $	30 June 2021 $
Blake Burton	181,000	-
Justin Thomas	120,000	-
Shane Wee	60,000	-
Total loans from related parties	**361,000**	-

The amount due to related party is non-trade, unsecured and repayable by 1 October 2024.

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.

Number of Options Granted	Grant Date	Expiry Date	Exercise Price ($)	Fair Value per Option ($)
4,150,000	15/09/2021	06/11/2024	$0.25	$0.1318
2,000,000	15/09/2021	31/07/2024	$0.30	$0.1217
4,000,000	21/04/2021	07/05/2024	$0.50	$0.1540
8,333,333	26/11/2021	25/11/2023	$0.30	$0.0477
4,000,000	26/11/2021	25/11/2023	$0.30	$0.0477
1,000,000	20/12/2021	20/12/2025	$0.60	$0.0693

Convertible Notes

At the date of this report, the unissued ordinary shares of the Company under convertible note options at the floor exercise price of $0.05 is 9,925,000.

Performance Rights

During the financial year, 2,500,000 Class A and 2,500,000 Class B Performance Rights were issued evenly to Justin Thomas and Rebecca Thomas. The total of 5,000,000 Performance Rights were cancelled in April 2022.

At the date of this report, there are no unissued ordinary shares of the Company under Performance Rights.

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 24.

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 24 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 2022.

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 4th 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.

Blake Burton
Managing Director
30 September 2022

Grant Thornton

Grant Thornton Audit Pty Ltd
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000

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 of DC Two Limited for the year ended 30 June 2022, 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 30 September 2022

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	30 Jun 2022 $	30 Jun 2021 $
Sales revenue	2	4,243,217	1,740,063
Cost of goods sold	6	(2,932,302)	(1,126,669)
		1,310,915	**613,394**
Other income	3	156,870	187,217
Selling and distribution expenses	4.1	(313,153)	(136,228)
Administrative expenses	4.3	(1,895,226)	(1,545,735)
Other operating expenses	4.2	(3,490,655)	(2,577,886)
Finance costs	5	(211,870)	(96,484)
		(5,910,904)	**(4,356,333)**
Loss before income tax		**(4,443,119)**	**(3,555,722)**
Income tax expense	7	-	-
Loss after income tax		**(4,443,119)**	**(3,555,722)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Other comprehensive loss (net of income tax)		-	-
Total comprehensive loss		**(4,443,119)**	**(3,555,722)**
Basic and diluted loss per share	23	(6.42)	(7.07)

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

Statement of Financial Position

As at 30 June 2022

	Note	30 Jun 2022 $	30 Jun 2021 $
Assets			
Current Assets			
Cash and cash equivalents	8.1	600,675	1,891,595
Trade and other receivables	9	403,375	134,592
Inventory	10	123,438	406,384
Other assets	11	34,813	78,725
Total Current Assets		**1,162,301**	**2,511,296**
Non-Current Assets			
Plant and equipment	12	3,637,541	1,495,812
Right-of-use asset	13	2,989,796	2,967,502
Intangible assets	14	263,635	108,460
Other non-current assets	11	112,267	112,267
Total Non-Current Assets		**7,003,239**	**4,684,041**
Total Assets		**8,165,540**	**7,195,337**
Liabilities			
Current Liabilities			
Trade and other payables	15	1,405,849	733,181
Contract liabilities		44,567	363,195
Lease liabilities	18	726,096	459,926
Provisions	16	267,534	285,290
Total Current Liabilities		**2,444,046**	**1,841,592**
Non-Current Liabilities			
Borrowings	17	361,000	-
Other financial liabilities	19	543,091	-
Lease liabilities	18	2,580,608	2,398,452
Provisions	16	14,827	15,615
Total Non-Current Liabilities		**3,499,526**	**2,414,067**
Total Liabilities		**5,943,572**	**4,255,659**
Net Assets		**2,221,968**	**2,939,678**
Equity			
Issued capital	20	8,072,098	5,733,952
Reserves	21	2,679,978	1,292,715
Accumulated losses		(8,530,108)	(4,086,989)
Total Equity		**2,221,968**	**2,939,678**

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

Statement of Changes in Equity

For the year ended 30 June 2022

	Issued Capital $	Share Based Payment Reserve $	Convertible Notes $	Accumulated Losses $	Total Equity $
Balance at 30 June 2020	**314,568**	**-**	**380,381**	**(531,267)**	**163,682**
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
Balance at 30 June 2021	**5,733,952**	**1,292,715**	**-**	**(4,086,989)**	**2,939,678**
Loss after income tax	-	-	-	(4,443,119)	(4,443,120)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(4,443,119)	(4,443,120)
Share Issue - Public offer	2,500,000	-	-	-	2,500,000
Share issue costs	(161,854)	-	-	-	(161,854)
Options issued to Directors and employees	-	1,387,263	-	-	1,387,263
Balance at 30 June 2022	**8,072,098**	**2,679,978**	**-**	**(8,530,108)**	**2,221,968**

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

Statement of Cash Flows

For the year ended 30 June 2022

	Note	30 Jun 2022 $	30 Jun 2021 $
Cash flows from operating activities			
Receipts from customers		3,655,704	2,160,275
Payments to suppliers and employees		(5,095,483)	(3,613,573)
Receipts from other income		156,971	176,605
Interest paid		(211,869)	(96,484)
Net cash used in by operating activities	8.2	**(1,494,677)**	**(1,373,177)**
Cash flows from investing activities			
Payments for purchase of plant and equipment		(2,557,302)	(1,405,829)
Payments for development costs		(227,469)	(108,460)
Net cash used in investing activities		**(2,784,771)**	**(1,514,289)**
Cash flows from financing activities			
Proceeds from issue of shares		2,500,000	5,501,200
Share issue costs		(131,703)	(462,197)
Proceeds from issue of options		-	40
Payment of lease principal		(253,710)	(265,454)
Proceeds from borrowings		361,000	(126,009)
Payments for leased asset deposits		-	(105,600)
Proceeds from issue of convertible note		512,941	-
Net cash provided by financing activities		**2,988,528**	**4,541,980**
Net (decrease)/increase in cash and cash equivalents		(1,290,920)	1,654,514
Cash and cash equivalents at the beginning of the year		1,891,595	237,081
Cash and cash equivalents at the end of the year	8.1	**600,675**	**1,891,595**

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 2022.

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 $4,443,119 (2021: $3,555,722) and had net cash outflows from operating and investing activities of $1,494,677 (2021: $1,373,177) and $2,784,771 (2021: $1,514,289) respectively for the year ended 30 June 2022. As at that date, the Company had net current liabilities of $1,281,745 (2021: net current assets $669,704). 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 Company has the ability to reduce forecast expenditure if required and it is anticipated that additional capital can be raised in the future if required. The financial report has been prepared on a going concern basis which assumes that the Company will continue to pay its debts as and when they fall due. The validity of this assumption depends on:

- The $2m Capital raise to be finalised by November 2022
- The Company's ability to raise additional capital as required; and
- The Company's ability to generate cash flows from the successful operations of its primary activities

Should the Company be unable to maintain sufficient funding as outlined above, there is material uncertainty whether or not the Company will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

The Directors believe that the Company will be successful in the above matters and accordingly, have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2022

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 2022 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 2022 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. These services are billed to customers monthly.

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. All equipment sales are billed to customers monthly.

Interest

Interest income is recognised on an accrual basis.

Note 1. Significant Accounting Policies (Continued)

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

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 entity recognises liabilities for anticipated tax audit issues based on the 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.
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.

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

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

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 3 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 3 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 3 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 three 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 de recognised 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.

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.

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.

Note 1. Significant Accounting Policies (continued)

Financial Instruments (Continued)

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. 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.

Convertible Notes
Convertible notes are classified as *compound financial instruments* where they contain both debt and equity components. Where options are tied to the original host contract (liability) these options are required to be valued and disclosed as an additional embedded derivative to the host contract. The host debt contract is subsequently measured at amortised cost with the interest expense recognised using the effective interest method. The conversion features are accounted for at FVTPL where it meets the definition of a derivative.

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).

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.

Note 1. Significant Accounting Policies (Continued)

Leases (Continued)

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.

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.

Note 1. Significant Accounting Policies (Continued)

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 is made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

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, considering 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.

Note 1. Significant Accounting Policies (Continued)

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.

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.

Note 1. Significant Accounting Policies (Continued)

Share-Based Payments (Continued)

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)

Share-Based Payments (Continued)

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds are allocated to the conversion rights that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not re-measured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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 otherevent. 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.

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.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 1. Significant Accounting Policies (Continued)

Share-Based Payments (Continued)

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.

Note 2. Revenue

	30 Jun 2022 $	30 Jun 2021 $
Disaggregated revenue information		
Set out below is the disaggregation of the company's revenue from contracts with customers:		
Data centre and cloud services	1,830,277	1,718,448
Modular hosting services	1,439,180	17,632
Modular sales	644,640	3,983
Mining equipment sales	329,120	-
	4,243,217	**1,740,063**

Segment Reporting
The company disaggregates revenue based on the type of services provided to customers distinguishing between data centre and cloud activities, modular hosting (crypto mining hosting) activities and modular product mining equipment sales in line with the internal management reporting procedures.

Note 3. Other Income

	30 Jun 2022 $	30 Jun 2021 $
Government grant	150,709	125,954
Other grants – cashflow boost	-	50,000
Sundry income	6,161	11,263
	156,870	187,217

Note 4.1 Selling and Distribution Expenses

	30 Jun 2022 $	30 Jun 2021 $
Marketing Expenses	297,022	120,083
Commissions and bonus paid	16,131	16,145
	313,153	136,228

Note 4.2. Other Operating Expenses

	30 Jun 2022 $	30 Jun 2021 $
Salaries and wages	1,644,931	1,475,195
Superannuation	203,120	124,034
Depreciation	1,095,314	539,770
Amortisation	72,294	-
Data Centre Operating expenses	73,429	40,980
Insurance and ISO Expenses	113,319	49,834
Utilities and rates	49,163	33,065
Office administration expenses	34,003	22,554
Telecommunications	25,150	29,549
Travel	15,222	14,062
Training and recruitment costs	20,500	70,937
Other expenses	144,210	177,906
	3,490,655	2,577,886

Note 4.3. Administrative expenses

	30 Jun 2022 $	30 Jun 2021 $
Share based payment expense (note 21)	1,387,263	1,049,236
Accounting, auditing and ASX Fees	177,238	211,626
Company Secretarial and other consulting fees	215,549	139,395
Capital raising and prospectus fees	44,922	129,258
Legal fees	43,880	16,220
Other expenses	26,374	-
	1,895,226	1,545,735

Note 5. Finance Costs

	30 Jun 2022 $	30 Jun 2021 $
Interest Expense	47,823	4,127
Interest – Leased Assets	164,047	92,357
	211,870	96,484

Note 6. Cost of Goods Sold

	30 Jun 2022 $	30 Jun 2021 $
Cost of sales comprise the following:		
Software and Licencing	687,894	551,503
Purchase of miners and modular	757,067	110,019
Colocation and other expenses	163,364	171,272
Telecommunication	153,644	136,112
Electricity	1,170,335	173,907
	2,932,302	1,142,813

Note 7. Income Tax	**30 Jun 2022 $**	**30 Jun 2021 $**

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of 25% (2021: 26%) and the reported tax expense in profit or loss are as follows:

(a) Tax expense comprises:

	30 Jun 2022 $	30 Jun 2021 $
Current tax	-	-
Deferred income tax relating to origination and reversal of temporary differences	66,940	(125,735)
Deferred income tax relating to origination and reversal of tax losses	(892,587)	(594,090)
Non-recognition of deferred tax assets	825,647	719,825
Tax expense	**-**	**-**

	30 Jun 2022 $	30 Jun 2021 $
(b) Accounting profit / (loss) before tax	(4,443,120)	(3,555,722)
Domestic tax rate for DC Two Limited of 25% (2021: 26%)	(1,110,779)	(924,488)
Non-deductible entertainment	-	1,643
Non-assessable R&D Income	(37,677)	(32,748)
Non-assessable Cashflow boost	-	(13,000)
Share based payments	346,816	272,801
Tax deduction for capital raising costs (equity)	(26,581)	(24,034)
Deferred Tax Assets not brought to account	828,221	719,826
	-	-

(c) Deferred tax assets and liabilities

Recognised DTA/(DTL)	30 Jun 2022 $	30 Jun 2021 $
Provisions	75,673	-
Accruals	50,437	-
Plant and equipment	(338,483)	-
Capital raising costs – P&L	46,284	-
Tax Losses	166,089	-
Unrecognised deferred tax assets and liabilities	**-**	**-**

	30 Jun 2022 $	30 Jun 2021 $
Provisions	-	108,794
Accruals	-	78,392
Capital raising costs - P&L	-	48,490
Capital raising costs – Equity	106,322	96,137
Tax Losses	1,540,767	594,090
Unrecognised deferred tax assets and liabilities	**1,647,089**	925,903

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 2022 $	30 Jun 2021 $
Note 8.1. Cash and Cash Equivalents		
Cash in bank and on hand	**600,675**	1,891,595
Note 8.2. Cashflow Information		
Loss for the year	(4,443,120)	(3,555,722)
Depreciation of property, plant and equipment and right of use assets	1,167,608	539,770
Loss on sale of asset	-	-
Share based payment expense	1,387,263	1,049,236
Depreciation of right of use asset	-	-
Change in operating assets and liabilities:		
(Increase) / Decrease in trade and other receivables	(268,783)	92,175
Decrease / (Increase) in inventory	282,946	(406,384)
Decrease / (Increase) in other current assets	43,912	(78,592)
Increase in trade and other payables	672,668	518,038
(Decrease) / increase in contract liabilities	(318,628)	317,424
(Decrease) / Increase / in provisions	(18,543)	150,878
Cash flows (used in) / from operations	**(1,494,677)**	(1,373,177)

Note 9. Trade and Other Receivables

	30 Jun 2022 $	30 Jun 2021 $
Trade receivables	422,579	212,665
Less expected credit losses	(20,333)	(117,533)
	402,246	95,132
GST receivable	-	31,634
Sundry debtors	1,129	7,826
	403,375	134,592

Trade receivables are non-interest bearing and generally on 7 or 15 days term (2021: 7 or 15 days). For allowance for expected credit losses analysis at the end of the reporting period, please refer to Note 27.

	Expected credit loss rate (%)		Carrying Amount ($)		Allowance of expected credit losses ($)	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Current	-	-	383,865	50,401	-	-
Past due 31 – 60 days	-	-	6,727	31,277	-	-
Past due 60 – 180 days	-	-	17,191	13,454	-	-
Past due 180 – 360 days	-	-	-	-	-	-
Past due over 360 days	100%	100%	14,796	117,533	20,333	117,533
			422,579	**212,665**	**20,333**	117,533

Expected credit losses recognised relate to a single long-outstanding amount which has been handed-over for collection. 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)	30 Jun 2022	30 Jun 2021
Movements in the allowance for expected credit losses are as follows:	$	$
Opening balance	117,533	106,921
Additional provisions recognised	-	10,612
Provision utilised	(97,200)	-
Closing balance	**20,333**	117,533

Note 10. Inventories	30 Jun 2022	30 Jun 2021
	$	$
Modular Supplies	123,438	-
Goods-in-transit	-	406,384
Total	**123,438**	406,384

Note 11. Other Assets	30 Jun 2022	30 Jun 2021
	$	$
Current		
Prepayments	**34,813**	78,725
Non-Current		
Property Bonds	**112,267**	112,267

Note 12. Property, Plant and Equipment

	Property Improvements $	Plant & Equipment $	Capital Work in Progress $	Total $
Cost	308,943	3,947,347	-	4,256,290
Less accumulated depreciation	(66,922)	(551,827)	-	(618,749)
	242,021	**3,395,520**	**-**	**3,637,541**
Cost				
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	293,652	986,614	418,724	1,698,990
Additions	15,291	2,960,733	(418,724)	2,557,300
Disposals	-	-	-	-
Balance at 30 June 2022	**308,943**	**3,947,347**	**-**	**4,256,290**

Note 12. Property, Plant and Equipment (Continued)

	Property Improvements $	Plant & Equipment $	Capital Work in Progress $	Total $
Accumulated Depreciation				
Balance at 30 June 2020	18,880	114,951	-	133,831
Depreciation	9,667	59,680	-	69,347
Disposals	-	-	-	-
Balance at 30 June 2021	28,547	174,631	-	203,178
Depreciation	38,375	377,196	-	415,571
Disposals	-	-	-	-
Balance at 30 June 2022	**66,922**	**551,827**	**-**	**618,749**

Note 13. Right-Of-Use Asset

	30 Jun 2022 $	30 Jun 2021 $
Cost	4,472,065	3,770,029
Less accumulated depreciation	(1,482,269)	(802,527)
	2,989,796	2,967,502
Cost		
Balance at the beginning of the year	3,770,029	615,168
Additions	702,036	3,154,861
Balance at the end of the year	**4,472,065**	3,770,029
Accumulated depreciation		
Balance at the beginning of the year	802,527	332,104
Depreciation	679,742	470,423
Balance at the end of the year	**1,482,269**	802,527

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

	30 Jun 2022 $	30 Jun 2021 $
Development costs	**263,635**	108,460
Balance at the beginning of the year	108,460	-
Additions	227,468	108,460
Amortisation	(72,293)	-
Balance at the end of the year	**263,635**	108,460

Development costs relate to the development of hardware coded interfaces for Power Distribution Units (PDU's), development of PDU prototypes and electro-magnetic compatibility (EMC) testing, as well as the software to monitor and operate the PDU's. PDU's are amortised over 4 years and the software over 3 years.

Note 15. Trade and Other Payables

	30 Jun 2022 $	30 Jun 2021 $
Trade payables	960,405	291,732
Accruals	64,977	250,006
PAYG & GST payable	134,017	116,026
Superannuation payable	96,179	51,503
Funds held on trust	50,000	-
Contract liabilities	81,555	-
Other payables	18,716	23,914
	1,405,849	733,181

Trade payables are due to third parties, unsecured, interest-free and repayable according to credit terms of 30 days (2021: 30 days). The carrying amounts of trade payables approximate their fair value.

Note 16. Provisions

	30 Jun 2022 $	30 Jun 2021 $
Current		
Annual leave provision	240,494	229,243
Long service leave provision	27,040	56,047
	267,534	285,290
Non-Current		
Long service leave provision	**14,827**	15,615

Note 17. Borrowings

	30 Jun 2022 $	30 Jun 2021 $
Director Loans		
- Blake Burton	181,000	-
- Justin Thomas	120,000	-
- Shane Wee	60,000	-
Total	**361,000**	-

Loans are interest free and repayable on 1 October 2024. The directors may also elect to convert loans to share capital subject to shareholder approval.

Note 18. Lease Liabilities

	30 Jun 2022 $	30 Jun 2021 $
Current	726,096	459,926
Non-Current	2,580,608	2,398,452
	3,306,704	2,858,378

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

	30 Jun 2022 $	30 Jun 2021 $
Depreciation expense on right of use asset (Note 13)	**679,742**	470,423
Interest expense	**164,047**	92,357

Note 18. Lease Liabilities (Continued)

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:

	Minimum Lease Payments			
	Within 1 Year	**1-5 Years**	**After 5 Years**	**Total**
2022	$	$	$	$
Lease payments	882,053	2,832,977	-	3,715,030
Finance charges	(155,957)	(252,369)	-	(408,326)
Net present value	**726,096**	**2,580,608**	**-**	**3,306,704**
2021				
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	**459,926**	**1,903,180**	**495,272**	**2,858,378**

Note 19. Other Financial Liabilities	**30 Jun 2022**	**30 Jun 2021**
	$	**$**
Value of embedded derivative recognised in equity	351,613	-
Value of conversion rights recognised in equity	150,887	-
Face value of convertible notes issued – Tranche 1	502,500	-
Capitalised borrowing costs	40,591	-
	543,091	-

As disclosed in Note 1, the Company raised from sophisticated investors $1.75 million (before costs) via a convertible note offering in two tranches. The first $502,500 (before costs) has been raised under a Tranche 1. The convertible notes will convert into fully paid ordinary shares in DC Two at the higher of $0.05 or a 20% discount to the 20-day VWAP immediately prior to conversion, subject to a maximum price of $0.15. Interest will accrue at the rate of 12% per annum. On conversion of the Notes, and subject to shareholder approval, the Noteholders will receive 1 unquoted options for every 2 shares issued on conversion, with an exercise price of $0.11 expiring 2 years after the date of issue.

Note 20. Issued Capital

	2022		**2021**	
	No. of Shares	**$**	**No. of Shares**	**$**
Fully paid ordinary shares	**75,166,666**	**8,072,098**	**58,500,000**	**5,733,952**

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.

Note 20. Issued Capital (Continued)

Movements in ordinary share capital

	Date	No. of Shares	Issue price ($)	$
Balance at 30 June 2020		**3,143,523**		**314,568**
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[1]	30 Oct 2020	27,500,000	0.20	5,500,000
Share issue costs		-		(462,197)
Conversion of convertible notes[1]	30 Oct 2020	3,000,000	0.008	24,000
Conversion of convertible notes[1]	30 Oct 2020	4,000,000	0.10	400,000
Convertible note costs		-		(43,619)
Balance at 30 June 2021		**58,500,000**		**5,733,952**
Issue of shares [2]	6 Oct 2021	8,774,984	$0.15	1,316,248
Issue of shares [2]	4 Dec 2021	7,891,682	$0.15	1,183,752
Share issue costs		-		(161,854)
Balance at 30 June 2022		**75,166,666**		**8,072,098**

[1] 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 21); 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 21).

[2] On 27 September 2021, the Company announced a $2.5m share placement to be issued at $0.15 per share, raised over two tranches.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 21. Reserves	30 Jun 2022 $	30 Jun 2021 $
Share based payment reserve – beginning of year	1,292,715	243,479
Options issued during the year	357,263	1,049,236
Performance rights Class A & B	1,030,000	-
Total options issued during the year	**1,387,263**	1,049,236
Total options at end of year	**2,679,978**	1,292,715

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.

Options	**No. of Options**	**$**
Balance at 30 June 2020	**-**	-
Options issued to directors (Note 22)	2,200,000	233,187
Options issued to employees (Note 22)	2,200,000	233,187
Options issued to lessor (Note 22)	2,000,000	243,439
Options issued to corporate adviser (Note 22)	4,000,000	615,842
Options cancelled (Note 22)	(250,000)	(32,940)
Balance at 30 June 2021	**10,150,000**	**1,292,715**
Options issued to employees in prior years now fully vested (Note 22)	-	113,376
Options issued to director (Note 22)	1,000,000	53,307
Options issued to corporate adviser (Note 21)	4,000,000	190,580
Options issued to shareholders as part of capital raise	8,000,000	-
Options issued to directors as part of capital raise	333,333	-
Balance at 30 June 2022	**23,483,333**	**1,649,978**
Performance Rights		
Balance at 30 June 2021	**-**	**-**
Performance rights Class A & B issued to (Note 22)	5,000,000	1,030,000
Performance rights Class A & B forfeited (Note 22)	(5,000,000)	-
Balance at 30 June 2022	**-**	**1,030,000**
Total	**23,483,333**	**2,679,978**

Set out below are summaries of options granted under the plan:

	Number of options 30-Jun-22	**Weighted average exercise price 30-Jun-22**	**Number of options 30-Jun-21**	**Weighted average exercise price 30-Jun-21**
Outstanding at the beginning of the financial year	10,150,000	$0.35	-	$0.00
Granted	13,333,333	$0.30	10,400,000	$0.36
Exercised	-	$0.00		
Expired	-	$0.00	(250,000)	($0.01)
Outstanding at the end of the financial year	**23,483,333**	**0.650**	**10,150,000**	**0.35**

Note 22. 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 the lessor of the company's registered place of business 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 2022.

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

On 25 August 2021, 2,500,000 unlisted performance rights A expiring on 30 June 2023, were issued to Justin Thomas and Rebecca Thomas on condition of the company achieving a minimum revenue of A$6m and an EBITDA of A$900k for either of the financial years ending 30 June 2022 or 2023. These rights have since been cancelled on the 2 May 2022. The grant date fair value of these rights of $515,000 has been expensed in full.

On 25 August 2021, 2,500,000 unlisted performance rights B expiring on 30 June 2025, were issued to Directors on condition of the company achieving a minimum revenue of A$12m and an EBITDA of A$1.8m for any of the financial years ending 30 June 2022 – 2025. As with performance rights A above, the performance rights B were cancelled on the 2 May 2022. The grant date fair value of these rights of $512,500 has been expensed in full.

On 26 November 2021 8,000,000 listed options exercisable at $0.30 and expiring on 25 November 2023 were issued as free-attaching options to the share placement. Directors who participated in the placement were also issued with 333,333 free-attaching options.

On 26 November 2021 1,000,000 unlisted director appointment options exercisable at $0.30 and expiring on 25 November 2025 were issued to directors. 50% of options vest on 1 January 2022 and the other 50% vest on 1 January 2023.

On 26 November 2021, 4,000,000 options exercisable at $0.30 expiring on 26 November 2023, were issued to joint lead managers upon the successful share placement on the ASX. All options vest at grant date.

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
26 Nov 2021	25 Nov 2023	$0.30	$0.155	100%	-	0.315%	$0.0477
26 Nov 2021	25 Nov 2025	$0.60	$0.155	100%	-	0.315%	$0.0692

Notes to the Financial Statements

For the year ended 30 June 2022

Note 22. Share Based Payment Expense (Continued)

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

Grant Date	Expiry Date	30 Jun 2022 No. of Options	30 Jun 2021 No. of Options
15/09/2020[1]	10/11/2024	-	-
15/09/2020[2]	31/07/2024	-	-
21/04/2021	07/05/2024	4,000,000	4,000,000
26/11/2021	25/11/2023	4,000,000	-
26/11/2021[3]	25/11/2025	500,000	-
		8,500,000	4,000,000

[1] 50% of these options had vested by the end of the year but were not exercisable as they were under escrow
[2] These options had vested by the end of the year but were not exercisable as they were under escrow
[3] 50% of these options had vested by the end of the year.

Note 23. Loss per Share

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

	30 Jun 2022 No. of Shares	30 Jun 2021 No. of Shares
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	69,255,865	50,266,027
	$	**$**
Loss for the year used in calculating operating basic and diluted loss per share	(4,443,119)	(3,555,722)
Basic and diluted loss per share (cents)	(6.42)	(7.07)

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 23,483,333 share options (2021: 10,400,000) 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.

Note 24. Auditors' Remuneration

	30 Jun 2022	30 Jun 2021
	$	**$**
Audit services – Grant Thornton Audit Pty Ltd		
Audit of the financial statements (year ended 2022 / year ended 2021)	56,805	55,469
Review of the financial statements (half-year ended 31 December 2021)	25,125	17,814
	81,930	73,283
Other services – Grant Thornton Australia Ltd		
Tax services	3,850	6,500
	85,780	79,783

Note 25. Related Parties

	30 Jun 2022 $	30 Jun 2021 $
Key Management Personnel		
Short term employee benefits	659,446	388,649
Post-employment benefits	62,012	36,407
Long-term employee benefits	6,560	-
Share based payment benefits	584,290	236,188
	1,312,307	661,244

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

DCoin Pty Ltd (director related entity of Mr Thomas – Equipment purchase	-	112,184
Trevor Thomas – employee (gross salary plus super) [1]	26,400	16,593
Linley Thomas – employee (gross salary plus super) [1]	13,200	13,056
Rebecca Thomas - employee (gross salary plus super) [2]	132,462	-
	172,062	141,833

[1] The related parties are the parents of Justin Thomas, Director and CTO.
[2] The related party is the spouse of Justin Thomas Director and CTO.

Note 26. Segment Reporting

The Company disaggregates revenue from contracts with customers. 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 27. 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.

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.

Note 27. Financial Instruments (Continued)

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 2022 %	30 Jun 2021 %
Largest customer percentage of trade receivables	-	32
Largest customer percentage of customer sales [1]	-	-

[1] 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 no underperforming or non-performing trade receivables during the year $0.00 (2021: $117,533). 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 it 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.

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.

Note 27. Financial Instruments (Continued)

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					
	Non-Interest Bearing	**< 1 Year**	**1 – 5 Years**	**> 5 years**	**Floating Interest Rate**	**Total**	**Weighted Average Interest Rate**
2022	**$**	**$**	**$**	**$**	**$**	**$**	
Financial assets							
Cash and cash equivalents	600,675	-	-	-	-	600,675	-
Trade receivables	403,375	-	-	-	-	403,375	-
Total	1,004,050					1,004,050	
Financial liabilities							
Lease liabilities	-	726,096	2,580,608	-	-	3,306,704	7.05%
Trade payables	1,405,489	-	-	-	-	1,405,489	-
	1,405,489	**726,096**	**2,580,608**	**-**		**4,712,193**	

Note 27. Financial Instruments (Continued)

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

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 28. Contingent Assets and Liabilities

As disclosed in last year's financial statements, a dispute is ongoing 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 2022 (2021: nil).

Note 29. Commitments

The Company had no capital commitments at 30 June 2022 (2021: $643,039). These commitments relate to tier certification and equipment purchases.

There were no other commitments noted as at 30 June 2022 (2021: nil).

Note 30. Subsequent Events

On 1 July 2022 Mr Blake Burton transitioned to the position of Managing Director with Mr Justin Thomas transitioning to Executive Director and Chief Technology Officer.

As announced on 29 September 2022 the company received binding commitments for a placement through two tranches to raise $1,000,000. Tranche 1 placement under existing capacity to raise $293,150 and Tranche Two to raise $706,850.

Further the Company will offer existing shareholders an offer to participate in a Share Purchase Plan (the record date for participants is 28 September 2022) with the SPP expecting to be completed in November 2022. The SPP provides the Company with the ability to raise an additional $1,000,000.

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.

Directors' Declaration

For the year ended 30 June 2022

In the opinion of the directors:

(a) the financial statements and notes of DC Two Limited for the financial year ended 30 June 2022 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 2022 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

Blake Burton
Managing Director
30 September 2022

Grant Thornton Audit Pty Ltd
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000

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 2022, 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 2022 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 $4,443,119 during the year ended 30 June 2022, and as of that date, the Company's operating cash outflows totalled $1,494,677. 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
Revenue Recognition – Note 2	
The Group recognised $4,243,217 in revenue from contracts with customers for the period ended 30 June 2022 in accordance with AASB 15 "*Revenue from Contracts with Customers*". The Group recognises revenue from the sale of services from its data centres, modular hosting activities and hardware sales. Revenue is recognised both over time and at a point in time depending on the type of service being provided and when products and services are transferred to clients. Revenue recognition is a key audit matter due to the large amounts involved and nature of the Group's contractual arrangements in applying revenue recognition.	Our procedures included, amongst others: • Understanding and documenting the design of internal controls for the Group's revenue streams; • Understanding the Group's contractual arrangements with customers, focusing on the identification of performance obligations for product sales; • Testing on a sample basis revenue transactions to supporting documentation; and • Assessing the adequacy of Group's presentation and disclosures in the financial statements under AASB 15.
Research and development tax incentives – Note 3	

The Group receives a research and development (R&D) refundable tax offset from the Australian government which represents the corporate tax rate plus 18.5 (totalling 43.5) cents in each dollar of eligible annual R&D expenditure, if its turnover is less than $20 million per annum.
 	
Registration of R&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&D expenditure to estimate the refundable tax offset receivable under the R&D tax incentive legislation.
 	
This is a key audit matter due to the size of the accrual and the degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.
	Our procedures included, amongst others:
	• obtaining through discussions with management, an understanding of the process to estimate the claim;
	• utilising an auditor R&D tax expert to;
	  ○ review the expenditure methodology employed by management for consistency with the R&D tax offset rules; and
	  ○ consider the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate meet the eligibility criteria;
	• comparing the nature of the R&D expenditure included in the current year estimate to the prior year claim;
	• selecting a sample of R&D expenditure and agreeing to supporting documentation to ensure appropriate classification, validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria; and
	• assessing the appropriateness of financial statement disclosures.

Convertible Notes – Note 19

On 2 May 2022 the Company issued $502,500 in convertible notes which have a maturity date on 24 April 2024.

Convertible notes are considered a key audit matter as decisions regarding the appropriate accounting treatment and valuation of these convertible notes are complex and involved the application of significant judgement.

Note 19 of the financial report describe this transaction and the related valuation of the convertible notes and how they have been accounted for.

Our procedures included, amongst others:

- Understanding the terms and conditions of the convertible notes, focusing on the conversion features and key terms;
- Challenging the financial accounting treatment of the convertible notes including the allocation between the various liability components including financial liability and embedded derivatives;
- Assessing the valuation of any embedded derivatives prepared by management experts, including the appropriateness of the discount rate adopted, valuation technique and volatility to determine the fair value of the liability component at inception;
- Evaluating the competence and objectivity of the experts used by management;
- Assessing the appropriateness of financial statement disclosures.

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 report for the year ended 30 June 2022, 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/Group'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/Group 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: http://www.auasb.gov.au/auditors_responsibilities/ar1_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 9 to 13 of the Directors’ report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of DC Two Limited, for the year ended 30 June 2022 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 30 September 2022

ASX Additional Information

The shareholder information set out below was applicable as at 29 September 2022.

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement is included in this Annual Report. Corporate Governance documents are also located on our website at http://https://dctwo.com.au/investors-corporate-governance/

ORDINARY SHARE CAPITAL

75,291,666 fully paid ordinary shares are held by 1,075 holders.

VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representation more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held.

There are no voting rights attached to any of the options that the Company currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Fully Paid Shares

	Name	Ordinary Shares	Percentage
1	Thomas Family Holdings Pty Ltd < Thomas Wealth Trust A/C>	14,175,258	18.83%
2	The Pioneer Development Fund (Aust) Limited	5,396,027	7.17%
3	Mark Francis Dignam	4,492,282	5.97%
4	Ga Skylight Pte Ltd	1,700,000	2.26%
5	Kingston Nominees Pty Ltd	1,490,000	1.98%
6	Mr Dawei Huang	1,079,500	1.43%
7	Koseda Pty Ltd <Koseda A/C>	1,053,334	1.40%
8	Citicorp Nominees Pty Limited	1,046,307	1.39%
9	Appwam Pty Ltd	1,000,000	1.33%
10	Focus Shopfit Pty Ltd	966,667	1.28%
11	Mrs Kelly Danielle Vagg	936,468	1.24%
12	Kalcon Investments Pty Ltd	880,738	1.17%
13	Mr Edwin Edward Bulseco & Mrs Allison Bulseco	845,049	1.12%
14	Papillon Holdings Pty Ltd <Vml No.1 Trust A/C>	720,000	0.96%

15	Mr Steven John Pearce	715,519	0.95%
16	Mrs Allison Maree Bulseco	710,000	0.94%
17	Burton Capital Holdings Pty Ltd	708,333	0.94%
18	Mr Abusad Ahmad	686,157	0.91%
19	Rimoyne Pty Ltd	528,887	0.70%
20	Mr Xinrui Lin	497,834	0.66%
	Total Top 20	39,628,360	52.63%
	Others	35,663,306	47.37%
	Total Ordinary Shares on Issue	**75,291,666**	**100.00%**

SUBSTANTIAL HOLDERS

The Company has three substantial shareholders as at 29 September 2022.

Holder Name	Holding	% IC
Thomas Family Holdings Pty Ltd and Associated Entities	14,578,396	19.39%
The Pioneer Development Fund (Aust) Limited	5,396,027	7.17%
Mark Francis Dignam	4,492,282	5.97%

DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	34	15,777	0.02%
1,001 - 5,000	353	961,629	1.28%
5,001 - 10,000	199	1,625,545	2.16%
10,001 - 100,000	381	14,380,820	19.10%
100,001 – and over	108	58,307,895	77.44%
Totals	**1,082**	**75,291,666**	**100.00%**

UMARKETABLE PARCELS

There were 599 shareholders with less than marketable parcel totaling 2,742,260 shares based on the share price of $0.045 as at close of business on 29 September 2022.

RESTRICTED SECURITIES

As at 29 September 2022, the following restricted securities are on issue:

22,364,273 Fully Paid Ordinary Shares escrowed 24 months from issue, releasing 10/11/2022 – 9 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Thomas Family Holdings Pty Ltd	14,175,058	63.38%

ASX Additional Information

12,333,292 Options expiring 20/12/2023 @ $0.30 – 96 Holders

Holders with more than 20% - nil

LISTED OPTIONS

Name	No of Ordinary Shares Held	Percentage of Issued Shares
Koseda Pty Ltd	1,416,667	11.49%
Kalcon Investments Pty Ltd	1,133,333	9.19%
Illumination Holdings Pty Ltd	800,000	6.49%
Altor Capital Management Pty Ltd	666,666	5.41%
The Pioneer Development Fund (Aust) Limited	583,333	4.73%
Gazump Resources Pty Ltd	432,500	3.51%
Acns Capital Markets Pty Ltd	400,000	3.24%
Djr 29 Pty Ltd	400,000	3.24%
Focus Shopfit Pty Ltd	333,333	2.70%
Mr Luke Kukulj	262,498	2.13%
Mr Brett James Rudd	250,000	2.03%
Mr Bradley Paul Goodsell	250,000	2.03%
Riya Investments Pty Ltd	250,000	2.03%
Lonhro (Wa) Pty Ltd	250,000	2.03%
Stow Court Pty Ltd	200,000	1.62%
Mr Xinrui Lin	200,000	1.62%
Alphabright Capital Asset Management Pty Ltd	166,667	1.35%
Ms Caroline Ranti	166,666	1.35%
Mr Shane Hoehock Wee	166,666	1.35%
Burton Capital Holdings Pty Ltd	166,666	1.35%
Total Top 20	**8,494,995**	**68.89%**
Others	3,838,297	31.11%
Total Options on Issue	**12,333,292**	**100.00%**

SUBSTANTIAL HOLDERS

The Company has three substantial shareholders as at 29 September 2022.

Holder Name	Holding	% IC
Koseda Pty Ltd	1,416,667	11.49%
Kalcon Investments Pty Ltd	1,133,333	9.19%
Illumination Holdings Pty Ltd	800,000	6.49%

DISTRIBUTION OF EQUITY SECURITIES

Holding Ranges	Holders	Total Units	% Listed Options
1 to 1,000	0	0	0.00%
1,001 to 5,000	0	0	0.00%
5,001 to 10,000	4	39,996	0.32%
10,001 to 100,000	66	2,908,306	23.58%
100,001 and Over	26	9,384,990	76.09%
Totals	**96**	**12,333,292**	**100.00%**

UNQUOTED SECURITIES

As at 29 September 2022, the following unquoted securities are on issue:

	Number on issue	Number of holders
Options expiring 07/05/2024 @ $0.50	4,000,000	5
Options expiring 06/11/2024 @ $0.25	1,200,000	7
Options expiring 31/07/2024 @ $0.30	2,000,000	1
Options expiring 06/11/2024 @ $0.25, escrowed to 30/10/2022	2,950,000	4
Director Options expiring 20/12/2025 @ $0.60	1,000,000	1
Convertible loan	496,250	16

4,000,000 Options expiring 07/05/2024 @ $0.50 – 5 Holders

Holders with more than 20%

Holder Name	Holding	% IC
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%

1,200,000 Options expiring 06/11/2024 @ $0.25 – 7 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Spring Sydney Pty Ltd	300,000	25.00%

2,000,000 Options expiring 31/07/2024 @ $0.30 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Stonegold Enterprises P/L	2,000,000	100.00%

2,950,000 Options expiring 06/11/2024 @ $0.25, escrowed to 30/10/2022 – 4 Holders

Holders with more than 20%

ASX Additional Information

Holder Name	Holding	% IC
Cale Consulting Pty Ltd	1,200,000	40.68%
Burton Capital Holdings Pty Ltd	1,000,000	33.90%

1,000,000 Director Options expiring 20/12/2025 @ $0.60 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Shane Hoehock Wee	1,000,000	100.00%

496,250 Convertible Loan – 16 Holders

Holders with more than 20%

Holder Name	Holding	% IC
GA Skylight Pte Ltd	100,000	20.15%

ON-MARKET BUY BACK

There is currently no on-market buyback program.

ASX LISTING RULE 4.10.19

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 focused on its data centre expansion with approximately $1m cash expended during this June 2022 quarter, which includes existing data centre costs. The Company has also focused on its cloud platform expansion with approximately $0.94m cash expended during this June 2022 quarter, which includes existing cloud platform costs. Additionally, the Company undertook a secondary capital raising of $2.5m with firm commitments received in September 2022.

Corporate Governance Statement

Introduction

DC Two Limited **(Company)** has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company refers to the recommended corporate governance practices for ASX listed entities set out in the ASX Corporate Governance Council Principles and Recommendations **(Principles and Recommendations).** During the period 1 July 2021 to 30 June 2022 **(Reporting Period)**, the Company's governance framework was consistent with reference to the 4th edition of the Principles and Recommendations.

This Corporate Governance Statement discloses the extent to which the Company has followed the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations – 4th Edition **(Recommendations)**. The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons provided for not following them along with what (if any) alternative governance practices the Company intends to adopt in lieu of the recommendation.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. Under the Company's Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees.

The information in the statement is current at 30 September 2022 and was approved by a resolution of the Board on the 30 September 2022.

Corporate governance policies and procedures

The Company has adopted the following suite of corporate governance policies and procedures (together, the Corporate Governance Plan):

Corporate Governance

- Board Charter
- Code of Conduct;
- Audit and Risk Management Committee Charter;
- Remuneration and Nomination Committee Charter;
- Performance Evaluation Policy;
- Risk Management Policy;
- Securities Trading Policy;
- Continuous Disclosure Policy;
- Diversity Policy;
- Shareholder Communication Policy;
- Whistleblower Policy; and
- Anti-bribery and Anti-Corruption Policy.

The Company's Corporate Governance Plan is available on the Company's website at https://dctwo.com.au/investors-corporate-governance/

Recommendations	Comply	Explanation
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which: (a) sets out the respective roles and responsibilities of the board, the chair and management; and (b) includes a description of those matters expressly reserved to the board and those delegated to management.	Yes	The Company has established the respective roles and responsibilities of its Board, Chair and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter. The Board Charter further sets out Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy and is included within the Company Corporate Governance Plan, which is disclosed on the Company's website.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Yes	(a) The Board undertakes appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history (as appropriate) before appointing a person, these checks were undertaken for all Directors appointed. The checks undertaken are set out in the Nomination Committee Charter. In the event of an unsatisfactory check, a Director is required to submit their resignation. (b) Under the Nomination Committee Charter, all material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Nomination Committee Charter outlines the requirement to have a written agreement with each Director and senior executive of the Company which sets out the terms of that Director's or senior executive's appointment. The Company has a written agreement with each of its Directors, and senior executives.
Recommendation 1.4 The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	Yes	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. In accordance with this, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.
Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	No	The Company has a Diversity Policy, which is disclosed on the Company's website, as part of the Corporate Governance Plan. However, the Diversity Policy does not include requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. The Board has not set measurable objectives for achieving gender diversity. Given the Company's stage of development and the number of employees, the Board considers it is not

Recommendations	Comply	Explanation
(b) disclose that policy or a summary or it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Workplace Gender Equality Act.		practical to set measurable objectives for achieving gender diversity at this time. The respective proportions of men and women on the Board, in senior executive positions and across the whole organisations are set out in the following table. Senior executives for these purposes means those person who report directly to the chief executive officer (or equivalent): (see table below)
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	No	(a) The Company's Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is set out in the Company's Corporate Governance Plan which is available on the Company's website. (b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. An evaluation of the Board, its committees and individual directors had not been performed for the year ended 30 June 2022.
Recommendation 1.7 A listed entity should: (a) have and disclose a process evaluating the performance of its senior executives at least once every reporting period; and (b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	No	(a) The Company's Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Company's senior executives on an annual basis. The Company's Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non-executive Director.

	Male	Female	Total
Board of DC Two Limited	3	-	3
Senior executives	1	1	2
Total	4	1	5

Recommendations	Comply	Explanation
		The applicable processes for these evaluations can be found in the Company's Corporate Governance Plan, which is available on the Company's website. (b) The Company's Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. An evaluation of senior executives had not been performed for the year ended 30 June 2022.
Principle 2: Structure the board to be effective and add value		
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.	Yes	(a) The Company did not have a separate Nomination Committee. The Company's Nomination Committee Charter provides for the creation of a Nomination Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director. (b) The Company does not have a Nomination Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Nomination Committee Charter, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively: (i) devoting time at least annually to discuss Board succession matters and updating the Company's Board skills matrix; and (ii) all Board members being involved in the Company's nomination process to the maximum extent permitted under the Corporations Act 2021 and ASX Listing Rules. Details of Director attendance at meetings of the full Board, during the reporting period, will be set out in the Directors' Report in future Annual Reports. Details of director attendance at meetings of the full Board, during the reporting period, are set out in a table in the Directors' Report in the Company's 2022 Annual Report.
Recommendation 2.2 A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Under the Nomination Committee Charter (in the Company's Corporate Governance Plan), the Nomination Committee (or, in its absence, the Board) will be required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve) and to review this at least annually against the Company's Board skills matrix to ensure the appropriate

Recommendations	Comply	Explanation
		mix of skills and expertise is present to facilitate successful strategic direction. The Board has identified the appropriate mix of skills and diversity required of its members to operate efficiently and effectively.
Recommendation 2.3 **A listed entity should disclose:** (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (4th Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director	Yes	The Board Charter requires the disclosure of the names of Directors considered by the Board to be independent. The Board considered the independence of Directors with regards to factors set out in Box 2.3 of the ASX Principle and Recommendations. During the Reporting Period the Company had one independent directors, Mr Shane Wee. Names of Directors during the Reporting Period and their length of service up to the date of this statement is noted below: **Name** — **Length of Service** Shane Wee, Non-Executive Chairman and Non-Executive Director — 1 year[1] Justin Thomas, Managing Director — 10 years and 6 months[2] Blake Burton, Executive Director — 2 years[3]
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	No	The Company's Board Charter requires that, where practical, the majority of the Board should be independent. The Board currently comprises a total of three directors, of whom one is considered to be independent. As such, independent directors currently do not comprise the majority of the Board. The Board recognises the importance of the appropriate balance between independent and non-independent representation on the Board. However, the Board does not currently consider an independent majority of the Board to be appropriate given: a) the Company's limited scale of activities, means the Company only needs, and can only commercially sustain, a small board of directors; b) the Company considers at least two (2) directors need to be executive directors for the Company to be effectively managed;

[1] At the 30 09 2022
[2] At the 30 09 2022
[3] At the 30 09 2022

Recommendations	Comply	Explanation
		c) the Company considers it necessary, given its small scale activities, to attract and retain suitable directors by offering directors an interest in the Company; and d) the Company considers it appropriate to provide remuneration to its Directors in the form of securities in order to conserve its limited cash reserves As the Company's operations progress, the Board will review the composition of the Board, including independence of its Directors.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	The Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not be the CEO/Managing Director. The Non-executive Chair of the Board is Mr Shane Wee. Mr Wee is considered to be an independent Director and he is not the CEO/Managing Director.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	Yes	In accordance with the Company's Board Charter, the Nominations Committee (or, in its absence, the Board) is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Company Secretary is responsible to help organise and facilitate inductions and professional development of directors including receiving briefings on material developments in laws, regulations and accounting standards relevant to the Company.
Principle 3: Instil a culture of acting lawfully, ethically and responsibly		
Recommendation 3.1 A listed entity should articulate and disclose its values.	Yes	The Company is committed to conducting all of its business activities fairly, honestly with a high level of integrity, and in compliance with all applicable laws, rules and regulations. The Board, management and employees are dedicated to high ethical standards and recognise and support the Company's commitment to compliance with these standards. The Company's statement of values (which forms part of the Corporate Governance Plan) is available on the Company's website.
Recommendation 3.2 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the Board is informed of any material breaches of that code	Yes	The Company's Corporate Code of Conduct applies to the Company's Directors, senior executives and employees. The Company's Corporate Code of Conduct (which forms part of the Company's Corporate Governance Plan) is available on the Company's website. Any material breaches of the Code of Conduct are expected to be reported to the Board.

Recommendations	Comply	Explanation
Recommendation 3.3 A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the Board is informed of any material incidents reported under that policy.	Yes	The Company's Whistleblower Protection Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any material breaches of the Whistleblower Protection Policy are to be reported to the Board or a committee of the Board.
Recommendation 3.4 A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or a committee of the Board is informed of any material incidents reported under that policy.	Yes	The Company's Anti-Bribery and Anti-Corruption Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any material breaches of the Anti-Bribery and Anti-Corruption Policy are to be reported to the Board or a committee of the Board.
Principle 4: Safeguard the integrity of corporate reports		
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Yes	The Company does not have a separate Audit and Risk Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit and Risk Committee. Accordingly, the Board performs the role of the Audit and Risk Committee. Although the Board does not have a separate Audit and Risk Committee, it had adopted an Audit and Risk Committee Charter, which is disclosed on the Company's website. Items usually required to be discussed by an Audit and Risk Committee will be marked as separate agenda items at Board meetings when required, and when the Board convenes to address matters as the Audit and Risk Committee it will carry out the functions which are delegated to it in the Company's Audit and Risk Committee Charter. The Board will deal with conflicts of interest that occur when it performs the functions of an Audit and Risk, Committee by ensuring that any Director with a conflicting interest is not party to the relevant discussions. The Board will be responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The

Recommendations	Comply	Explanation
		performance of the external auditor will be reviewed on an annual basis by the Board.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	The Company's Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign off on these terms. The Board will receive a signed declaration from the CFO and CEO in accordance with Recommendation 4.2 prior to the approval of the Company's financial statements.
Recommendation 4.3 A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Yes	The Company is committed to providing clear, concise and accurate reports so investors can make informed decisions. Prior to lodgement with ASX quarterly cash flow reports are subject to robust preparation and review. A declaration is then provided by the CFO and CEO to the Board noting compliance with section 286 of the Corporations Act 2001, the appropriate accounting standards and with listing Rule 19.11A.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under the Listing Rules 3.1.	Yes	The Company has adopted a Continuous Disclosure Policy which sets out the processes the Company follows to comply with its continuous disclosure obligations under the ASX Listing Rules and other relevant legislation. The Company's Continuous Disclosure Policy (which forms part of the Company's Corporate Governance Plan) is available on the Company's website.
Recommendation 5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Yes	Under the Company's Continuous Disclosure Policy (which forms part of the Corporate Governance Plan), all members of the Board will receive material market announcements promptly after they have been made. A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under the Listing Rules 3.1.
Recommendation 5.3 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Yes	All substantive investor or analyst presentations will be released on the ASX Markets Announcement Platform ahead of such presentations.
Principle 6: Respect the rights of security holders		
Recommendation 6.1	Yes	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website:

Recommendations	Comply	Explanation
A listed entity should provide information about itself and its governance to investors via its website.		https://dctwo.com.au/investors-corporate-governance/
Recommendation 6.2 A listed entity should have an investor relations program to facilitates effective two-way communication with investors.	Yes	The Company has adopted a Shareholder Communications Policy which aims to promote and facilitate effective two-way communication with investors. The Policy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website as part of the Company's Corporate Governance Plan.
Recommendation 6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	Yes	Shareholders are encouraged to participate at all general meetings and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	Yes	All substantive resolutions at securityholder meetings will be decided by a poll rather than a show of hands.
Recommendation 6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	The Shareholder Communication Policy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders queries should be referred to the Company Secretary at first instance.
Principle 7: Recognise and manage risk		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual	Yes	The Company does not have a separate Risk Committee. Please refer to disclosure in relation to Recommendation 4.1 above.

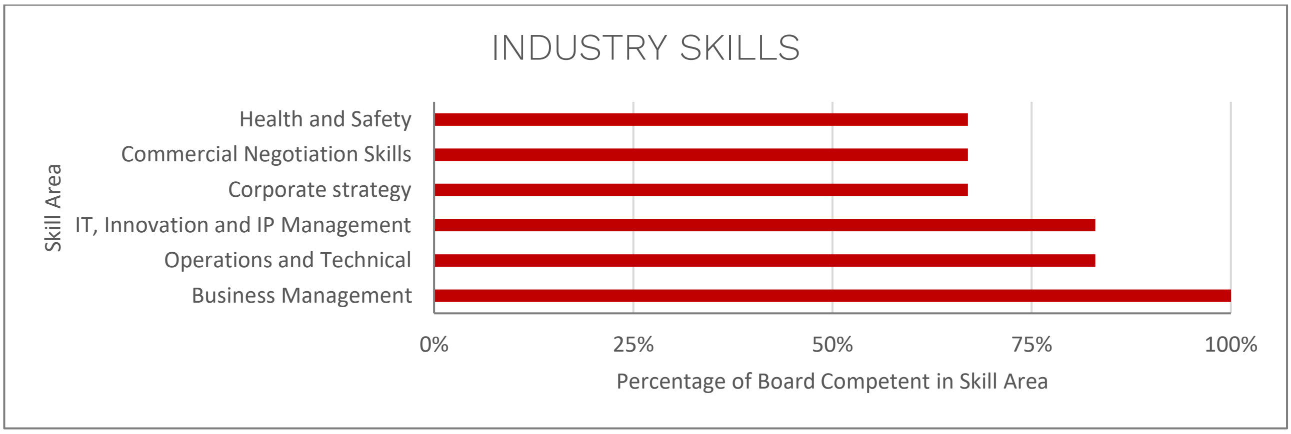
Recommendations	Comply	Explanation
attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.		
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	Yes	The Audit and Risk Committee Charter requires that the Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Company's risk management framework continues to be sound. The Board continues to review the risk profile of the Company and monitors risk throughout the reporting period.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes	The Company does not have an internal audit function. The Audit and Risk Committee Charter provides for the Audit and Risk Committee to monitor the need for an internal audit function. As set out in Recommendation 7.1, the Board is responsible for overseeing the Company's risk management framework. The Board will devote time formally at Board meetings and informally through regular communication to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.
Recommendation 7.4 A listed entity should disclose whether, it has material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	Yes	The Environmental, Social and Governance Committee (or, in its absence, the Board) set out in the Company's Corporate Governance Plan assists management determine whether the Company has any material exposure to environmental and social risks and, if it does, how it manages or intends to manage those risks. The Company is currently exposed to minimal environmental and social risks due to its present size and magnitude of operations.
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which:	Yes	The Company's Corporate Governance Plan contains a Remuneration Committee Charter that provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom must be independent Directors, and which must be chaired by an independent Director.

Recommendations	Comply	Explanation
(i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.		The Company does not have a Remuneration Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter including the following processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive: The Board devotes time at Board meetings to assess the level and composition of remuneration for Directors and senior executives as necessary when there are changes to Company, Director or executives' circumstances which indicate the level and/or composition of remuneration may require amendment to achieve consistency with the revised circumstance.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives. The information will be set out in the Company's Remuneration Report in Annual Report.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Yes	The Company maintains a Securities Trading Policy which restricts the permission for employees and directors to enter transactions which limit the economic risks associated with the participation in the Company's equity based incentive scheme.

CORPORATE GOVERNANCE STATEMENT – APPENDIX 1
BOARD SKILLS MATRIX

The Board has identified that the appropriate mix of skills and diversity required of its members to operate effectively and efficiently is achieved by personnel having substantial skills and experience in the following Industry Skills: Health and Safety; Operations and Technical; Capital Management; Corporate strategy; IT, innovation, and IP Management; business management; and Commercial Negotiation Skills.

The skills and experience of the Board in each of these areas is summarised as follows:



In addition, directors of the Company are expected to be knowledgeable and experienced in the following areas: Legal; Accounting and finance; Information technology and Governance; Corporate governance; Risk and compliance oversight; Capital management; Director duties and responsibilities; Strategic expertise; Commercial experience; and Executive management.

The skills and experience of the Board in each of these areas is summarised as follows:

Gaps in the collective skills of the Board will be considered by the full Board in its capacity as the Nomination and Remuneration Committee.