DC Two Limited
Appendix 4D

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1. Name of Entity

DC Two Limited (ABN 30 155 473 304)

Reporting Period	Half-year ended 31 December 2022
Previous Corresponding Reporting Period	Half-year ended 31 December 2021

2. Results for Announcement to Market

Financial results	**Up / Down**	**Change %**	**2022 $**	**2021 $**
Revenue from ordinary activities from continuing operations	Up	8.4	1,002,145	924,265
Revenue from ordinary activities from discontinued operations	Up	72	1,173,828	682,424
(Loss) after tax from ordinary activities attributable to members from continuing operations	Down	14.3	(1,595,597)	(1,862,333)
(Loss) after tax from ordinary activities attributable to members from discontinued operations	Down	7.4	(88,093)	(95,163)
(Loss) attributable to members – continuing operations	Down	14.3	(1,595,597)	(1,862,333)
(Loss) attributable to members – discontinued operations	Down	7.4	(88,093)	(95,163)

Final and interim dividends	It is not proposed that either a final or interim dividend be paid.
Record date for determining entitlements to the dividend	N/A
Brief explanation of any of the figures reported above	The results of the Company have been prepared for continuing operations. Refer to note 11 for further information on discontinued operations.

3. Net Tangible Asset per Ordinary Share

	Cents
Net tangible liability per ordinary share from continuing operations – current reporting period	(2.68)
Net tangible asset per ordinary share from discontinued operations – current reporting period	1.92
Net tangible liability per ordinary share from continuing operations – previous reporting period	(5.24)
Net tangible asset per ordinary share from discontinued operations – previous reporting period	3.61

4. Control Gained Over Entities

Details of entities over which control has been gained or lost	N/A

5. Dividends Paid and Payable

Details of dividends or distribution payments	No dividends or distributions are payable.

6. Dividend Reinvestment Plans

Details of dividend or distribution reinvestment plans	N/A

7. Details of Associates

Details of associates and joint venture entities	N/A

8. Review Opinion

Details of any audit dispute or qualification	There are no audit disputes or qualifications to the review opinion.

Blake Burton
Managing Director
28 February 2023

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DC TWO LIMITED

ABN 30 155 473 304

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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CORPORATE INFORMATION

Directors
Blake Burton (Managing Director)
Shane Wee (Non-Executive Chairman)
Justin Thomas (Chief Technical Officer)

Company Secretary
Kyla Garic

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Auditor
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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

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DIRECTORS' REPORT

The Directors present their report, together with the interim financial report for DC Two Limited ("DC Two" or the "Company") for the half-year ended 31 December 2022.

Directors
The names of Directors in office at any time during or since the end of the half-year ended 31 December 2022 were as follows:

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

On 1 July 2022 Justin Thomas was appointed Chief Technology Officer and Blake Burton was appointed 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 hosting solutions.

Significant Changes in The State of Affairs
During the period the company raised ~$1m as part of a capital raising as well as $145,000 as part of a share purchase plan and provided details on the use of these funds to the market in the announcement dated 29 September 2022. Additionally, on 30 December 2022 the company announced to the market its intention to expand beyond data centres and infrastructure by acquiring Attained Group Pty Ltd (**Attained**). This acquisition was approved at a company General Meeting on 23 February 2023. Refer to Note 16 for more details on this acquisition.

On 27 February 2023 the company announced to the market that it had entered into a binding agreement to dispose of its Modular Business to D Comm Infrastructure Pty Ltd, a subsidiary of D Comm Ventures Pty Ltd, a leading Web 3.0 technology company (**D Comm**) for a total consideration of $3m in cash. As part of the disposal, the Company will also transfer to D Comm its non- strategic Modular Business customer agreements and contracts which contributed $1,173,828 (2021 $682,424) revenue for the December 2022 half year period.

Review of Operations
During fiscal 2023, the Company has been focussing on its next phase of growth, with a view of building a unique technology offering within the cloud microservices sector by leveraging its data centre and cloud hosted services. (ASX: 31 October 2022)

These initiatives have delivered a strong half year with revenue from continuing operations growing by 8.4% to $1.002m million (31 December 2021: $0.924m)

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DIRECTORS' REPORT

During the period, the Company continued the strategic review of its operations and existing core assets, to enable an effective transition to its next phase of growth via its stated four-step strategy (ASX: 2 May 2022, 31 October 2022, and 14 December 2022):

1) Secure growth capital & improve cost efficiencies:

The Company has been implementing critical initiatives to secure growth capital & improve cost efficiencies. These include, among others:

- Successful placement and SPP provides capital to grow the business.
- Implementation of ~$500k in cost savings, as announced on 25 October 2022, in the "Letter to Shareholders & Share Purchase Plan Offer Document".
- The Company further notes that the recent inflationary pressure on electricity and other critical services has impacted the cost efficiencies initiatives implemented by management.

2) Bolster and incentivise team:

The Company confirms the finalisation and implementation of:

- A revised commission structure for its sales team to incentivise long-term customer engagement.
- A new Employee Securities Incentive Plan.

3) Explore complementary growth sectors:

a. Explore complementary growth sectors:

On 31 October 2022, the Company updated the market on the assessment of several opportunities to leverage and expand its existing core assets and services to deliver a unique market offering within the broader cloud microservices sector as it moves beyond data centres and infrastructure.

As part of this strategic assessment, the Company has identified several technology layers where it is planning to leverage its existing core assets and services to build an end-to-end market offering. These include, among others:

- Infrastructure & Data Centres.
- Hybrid Cloud Deployment.
- Cyber Security.
- Orchestration.
- APIs Gateways.

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DIRECTORS' REPORT

b. Acquisition of Attained:

These strategic activities have led to the execution of a binding conditional agreement to acquire 100% of the issued capital of managed IT and cloud services provider, Attained Group Pty Ltd.

The acquisition of Attained represents an initial step towards building a unique technology offering, leveraging the Company's existing core assets and services within the broader cloud microservices IT sector. (ASX: 2 May 2022, 31 October 2022, and 14 December 2022).

Attained is a profitable Australian leading managed IT and cloud services provider, deploying and managing technology solutions across a variety of enterprises to improve performance and efficiency. The acquisition will accelerate the Company's strategic move into the broader cloud microservices IT sector, leveraging the IT infrastructure foundations built over the last three years.

The acquisition of Attained is deemed an initial, strategic steppingstone for the Company, covering several technology layers, deemed critical to build an end-to-end market offering. These include, among others:

- Cyber Security.
- Managed IT services.
- Cloud services.
- Network and Voice solutions.

Furthermore, Attained will enable the Company to expand its commercial footprint within Australia and other expanding markets it operates in, with a number of ASX listed and private clients who operate across Australia, UK, Asia and Europe.

During the last three years, Attained has demonstrated its ability to generate profit while achieving an average of ~$3 million in unaudited revenue. Via this transaction, the Company expects to drive further growth by leveraging its IT infrastructure foundations built over the last three years.

The Company received shareholder approval for the Attained acquisition on February 23rd and expects to complete the acquisition by the end of March 2023

c. Other M&A:

Aligned with its transition to the next phase of growth (ASX: 31 October 2022), the Company will continue to assess several M&A growth opportunities aimed at building a unique technology offering, within a sector globally projected to reach USD 8 billion by 2026, according to Allied Market Research.

Furthermore, the Company will continue to assess the strategic alignment of its divisions (ASX: 31 January 2023), with a view of building a unique technology offering within the cloud microservices sector by leveraging its data centre and cloud hosted services.

Aligned with this rationale, the Company announced the execution of a binding agreement to dispose of its non-core infrastructure assets for a total consideration of $3 million in cash to D Comm.

As the Company progresses its strategy it will update the market as applicable.

DIRECTORS' REPORT

4) **Maximise current assets:**

The Company continues to leverage its existing core assets, focussing on growing sales as part of its broader technology-focussed restructuring. As it progresses with step 3 above, the Company will position its current assets to maximise return for its stakeholders.

Corporate

On 1 September 2022 the company issued 125,000 fully paid ordinary shares on conversion of Tranche 1 Convertible notes at an issue price of $0.05.
On 28 November 2022 the company issued 3,717,945 fully paid ordinary shares as part of a Share Purchase Plan at an issue price of $0.039.
On 30 November the company issued 125,000 fully paid ordinary shares on conversion of Tranche 1 Convertible notes at an issue price of $0.05.
On 5 January 2023 the company issued 9,642,588 fully paid ordinary shares at $0.039, 104,126 of these shares were issued under the Employee Incentive Share Scheme as approved by shareholders at the Annual General Meeting on 11 November 2022.

Outlook:

The ongoing strategy called "Next Phase of Growth" is expected to deliver a strong acceleration of the Company's M&A initiatives to build a unique technology offering within the cloud microservices space and by leveraging its strategically aligned existing core assets.

As the Company advances this strategy it anticipates to build on its sales growth, market reach and technology offering which is expected to result in an improvement in its underlying results.

Results for The Period

The Company incurred a net loss after tax for the half-year ended 31 December 2022 of $1,683,690 (31 December 2021: $1,957,496). As at 31 December 2022, the Company recorded a net asset position of $2,075,578 (30 June 2022: $2,221,968). Net operating cash outflows were $802,465 (31 December 2021: outflows of $386,830). DC Two ends the financial period with a cash balance of $836,365 (30 June 2022: $600,675).

After Balance Date Events

On 30 December 2022 the company announced to the market its intention to expand beyond data centres and infrastructure by acquiring Attained Group Pty Ltd. This acquisition was approved at a company General Meeting on 23 February 2023. Refer to Note 16 for more details on this acquisition.

On 27 February the company announced to the market that it had entered into a binding agreement to dispose of its Modular Business to D Comm for a total consideration of $3m in cash. As part of the disposal, the Company will also transfer to D Comm its non- strategic Modular Business customer agreements and contracts which contributed $1,173,828 revenue for the December 2022 half year period.

Dividends

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

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Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

Signed in accordance with a resolution of the Directors

Blake Burton
Managing Director
28 February 2023

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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 review of DC Two Limited for the half-year ended 31 December 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 review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J C Esterhuizen
Partner – Audit & Assurance

Perth, 28 February 2023

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DC Two Limited
Condensed Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2022

	Note	31 Dec 2022 $	31 Dec 2021 $
Sales revenue		1,002,145	924,265
Cost of goods sold		(609,911)	(721,451)
		392,234	202,814
Other income		40,693	4,640
Selling and distribution expenses		(56,632)	(186,444)
Administrative expenses		(295,515)	(716,455)
Other operating expenses		(1,481,455)	(1,084,718)
Finance costs		(194,921)	(82,170)
		(2,028,523)	**(2,069,787)**
Loss before income tax from continuing operations		**(1,595,597)**	**(1,862,333)**
Income tax expense		-	-
Loss after income tax from continuing operations		**(1,595,597)**	**(1,862,333)**
Loss after income tax from discontinued operations	11	(88,093)	(95,163)
Total comprehensive loss		**(1,683,690)**	**(1,957,496)**
Total comprehensive loss for the year is attributable to:			
Continuing operations		(1,595,597)	(1,862,333)
Discontinued operations		(88,093)	(95,163)
		(1,683,690)	**(1,957,496)**
Earnings per share for loss from continuing operations			
Basic loss per share	4	(0.019)	(0.029)
Diluted loss per share		(0.019)	(0.029)
Earnings per share for loss from discontinued operations			
Basic loss per share	4	(0.001)	(0.002)
Diluted loss per share		(0.001)	(0.002)
Earnings per share for loss attributable to DC Two shareholders			
Basic loss per share	4	(0.021)	(0.031)
Diluted loss per share		(0.021)	(0.031)

The accompanying notes form part of this financial report.

DC Two Limited
Condensed Statement of Financial Position
As at 31 December 2022

	Note	31 Dec 2022 $	30 Jun 2022 $
Assets			
Current Assets			
Cash and cash equivalents		836,365	600,675
Trade and other receivables		316,134	403,375
Other assets		105,967	34,813
		1,258,466	1,038,863
Non-current assets classified as held for sale	11	2,377,721	2,534,009
Total Current Assets		**3,636,187**	**3,572,872**
Non-Current Assets			
Property, plant and equipment	5	1,288,759	1,389,272
Right-of-use asset	6	2,701,722	2,989,796
Intangibles Asset		79,990	101,334
Other non-current assets		112,267	112,267
Total Non-Current Assets		**4,182,738**	**4,592,669**
Total Assets		**7,818,925**	**8,165,540**
Liabilities			
Current Liabilities			
Trade and other payables		1,372,552	1,324,294
Contract liabilities		(263)	44,566
Lease liabilities	7	826,969	726,096
Provisions		277,304	267,535
Liabilities directly associated with assets classified as held for sale	11	65,070	81,555
Total Current Liabilities		**2,541,632**	**2,444,046**
Non-Current Liabilities			
Borrowings		361,000	361,000
Other financial liabilities	8	375,897	543,091
Lease liabilities	7	2,451,233	2,580,608
Provisions		13,585	14,827
Total Non-Current Liabilities		**3,201,715**	**3,499,526**
Total Liabilities		**5,743,347**	**5,943,572**
Net Assets		**2,075,578**	**2,221,968**
Equity			
Issued capital	9	9,593,499	8,072,098
Reserves	10	2,695,875	2,679,978
Accumulated losses		(10,213,796)	(8,530,108)
Total Equity		**2,075,578**	**2,221,968**

The accompanying notes form part of this financial report

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DC Two Limited
Condensed Statement of Changes in Equity
For the Half-Year Ended 31 December 2022

	Note	Issued Capital $	Share Based Payment Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2021		**5,733,952**	**1,292,715**	**(4,086,989)**	**2,939,678**
Loss after income tax		-	-	(1,957,496)	(1,957,496)
Other comprehensive loss		-	-	-	-
Total comprehensive loss for the period		-	-	(1,957,496)	(1,957,496)
Public offer		2,500,000	-	-	2,500,000
Share issue costs		(161,854)	-	-	(161,854)
Options issued to Directors and employees		-	436,682	-	436,682
Balance as at 31 December 2021		**8,072,098**	**1,729,397**	**(6,044,485)**	**3,757,010**
Balance at 1 July 2022		**8,072,098**	**2,679,978**	**(8,530,106)**	**2,221,970**
Loss after income tax		-	-	(1,683,690)	(1,683,690)
Other comprehensive loss		-	-	-	-
Total comprehensive loss for the period		-	-	(1,683,690)	(1,683,690)
Public offer	9	1,110,900	-	-	1,110,900
Share purchase plan	9	145,000	-	-	145,000
Conversion of convertible notes	9	267,859	-	-	267,859
Share issue costs	9	(2,358)	-	-	(2,358)
Options issued to directors and employees	10	-	15,897	-	15,897
Balance as at 31 December 2022		**9,593,499**	**2,695,875**	**(10,213,796)**	**2,075,578**

The accompanying notes form part of this financial report.

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DC Two Limited
Condensed Statement of Cash Flows
For the Half-Year Ended 31 December 2022

	Note	31 Dec 2022 $	31 Dec 2021 $
Cash flows from operating activities			
Receipts from customers		2,218,385	1,575,888
Payments to suppliers and employees		(2,960,065)	(1,885,188)
Receipts from other income		40,693	4,640
Interest paid		(101,477)	(82,170)
Net cash (used in) / provided by operating activities		**(802,465)**	**(386,830)**
Cash flows from investing activities			
Payments for purchase of plant and equipment		(126,159)	(2,095,171)
Payments for development costs		-	(215,768)
Net cash (used in) investing activities		**(126,159)**	**(2,310,939)**
Cash flows from financing activities			
Proceeds from issue of shares (net)		1,247,034	2,338,146
Payment of lease principal		(82,720)	(176,087)
Net cash provided by financing activities		**1,164,314**	**2,162,059**
Net (decrease)/increase in cash and cash equivalents		235,690	(535,710)
Cash and cash equivalents at the beginning of the half-year		600,675	1,891,595
Cash and cash equivalents at the end of the half-year		**836,365**	**1,355,885**

The accompanying notes form part of this financial report

*The above statement of cash flows includes both continuing and discontinued operations. Amounts relating to discontinued operations are disclosed in Note 11

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Note 1: Significant Accounting Policies

General Information and Basis of Preparation

These half-year financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 *Interim Financial Reporting*. Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

The interim financial report has been approved and authorised for issue by the Board of Directors on the 28 February 2022.

New, Revised or Amended Accounting Standards and Interpretations

During the half-year ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2022. Accounting pronouncements which have become effective from 1 July 2022 and that have been adopted, do not have a significant impact on the Company's financial results or position.

Note 2: Critical Accounting Judgements, Estimates and Assumptions

When preparing the half-year financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the half-year financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the year ended 30 June 2022. The only exceptions are the estimate of income tax liabilities which is determined in the Interim Financial Statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Note 3: 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 $1,683,690 ($1,595,597 loss from continuing operations and $88,093 from discontinued operations) (2021: $1,957,496; $1,862,333 loss from continuing operations and $95,163 from discontinued operations). It had net cash outflows from operating activities of $802,465 (2021: $386,830) and net cash outflows from investing activities of $126,159 (2021: $2,310,939) for the half-year ended 31 December 2022. As at that date, the Company had net current assets of $1,094,555 (30 June 2022: $1,128,826).

In February 2023 the company announced to the market that it had entered into a binding agreement to dispose of its Modular Business to D Comm for a total consideration of $3m in cash. The agreement includes the satisfaction of conditions precedent in relation to successful completion of due diligence by the purchaser.

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Note 3: Going Concern (continued)

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to secure funds by successful completion of the sale of the Modular Assets or through raising additional capital from equity markets or debt funding as required and managing cash flows in line with available funds.

The directors believe that there are reasonable grounds to believe that the Company will be able to continue as a going concern, after consideration of the following factors:

- Management have prepared a cash flow forecast that considered the implementation of various cost cutting measures, improved operational efficiencies and a transition to a more sustainable growth strategy.
- The sale of the Modular Assets as announced to the market on 27th February 2023.
- The acquisition of Attained Group Pty Ltd as announced to the market on 30th December 2022.
- Should there be a need for additional funds, the directors are confident the Company will be successful in sourcing further capital from the issue of additional equity securities or via debt funding partners to fund the ongoing operations of the Company, or alternatively, further funding from the Directors is available, subject to approvals.
- The Company also has the ability to reduce forecast expenditure 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 successful completion of the Modular Asset sale and receipt of the $3m cash consideration by the Company in April 2023
- 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 31 December 2022.

Note 4. Loss Per Share

	31 Dec 2022	31 Dec 2021
Earnings per share for loss from continuing operations	$	$
Loss after income tax from continuing operations	(1,595,597)	(1,862,333)
	No.	No.
Weighted average number of ordinary shares	81,861,514	63,441,435
	$	$
Basic and diluted loss per share	0.019	0.029

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Note 4. Loss Per Share (Con't)

Earnings per share for loss from discontinued operations	31 Dec 2022	31 Dec 2021
	$	$
Loss after income tax from discontinued operations	(88,093)	(95,163)
	No.	No.
Weighted average number of ordinary shares	81,861,514	63,441,435
	$	$
Basic and diluted loss per share	0.001	0.002

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 25,983,333 share options (31 December 2021: 28,483,333) which could potentially dilute EPS in the future have been excluded from the diluted EPS calculation because they are anti-dilutive for the current period presented.

Note 5. Plant and Equipment

	31 Dec 2022	30 Jun 2022
	$	$
Property improvements – cost	319,506	308,943
Less accumulated depreciation	(86,887)	(66,922)
	232,619	242,021
Plant and equipment – cost	1,504,296	1,486,572
Less accumulated depreciation	(448,156)	(339,321)
	1,056,140	1,147,251
Total plant and equipment	**1,288,759**	**1,389,272**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current half-year are set out below:

	Property Improvements $	Plant and Equipment $	Total $
Cost			
Balance at 1 July 2022	308,943	1,486,572	1,795,515
Additions	10,563	17,724	28,287
Disposals	-	-	-
Balance at 31 December 2022	319,506	1,504,296	1,823,802
Accumulated Depreciation			
Balance at 1 July 2022	66,922	339,321	406,243
Depreciation expense	19,965	108,835	128,800
Balance at 31 December 2022	86,887	448,156	535,043
Carrying value at 31 December 2022	**232,619**	**1,056,140**	**1,288,759**

Note 6. Right-Of-Use Asset

	31 Dec 2022	30 Jun 2022
	$	$
Cost	4,526,281	4,472,065
Less accumulated depreciation	(1,824,559)	(1,482,269)
Balance at 31 December 2022	**2,701,722**	**2,989,796**

Reconciliations
Reconciliations of the written down values at the beginning and end of the current half-year are set out below:

	$
Balance at 1 July 2022	2,989,796
Additions	54,216
Depreciation expense	(342,290)
Balance at 31 December 2022	**2,701,722**

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

Note 7. Lease Liabilities

	31 Dec 2022	30 Jun 2022
	$	$
Current	826,969	726,096
Non-Current	2,451,233	2,580,610
Balance at 31 December 2022	**3,278,202**	**3,306,706**

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

	31 Dec 2022	31 Dec 2021
	$	$
Depreciation expense on right of use asset (Note 6)	342,290	236,216
Interest expense	82,993	78,598

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 31 December 2022 were as follows.

	Minimum Lease Payments			
	Within 1 Year	**1-5 Years**	**After 5 Years**	**Total**
	$	$	$	$
31 Dec 2022				
Lease payments	994,597	2,668,433	-	3,663,030
Finance charges	(167,628)	(217,200)	-	(384,828)
Net present value	**826,969**	**2,451,233**	**-**	**3,278,202**
30 June 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**

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Note 8. Other Financial Liabilities (Convertible Note)

	31 Dec 2022	30 Jun 2022
	$	$
Value of embedded derivative recognised in equity	271,822	351,613
Value of conversion rights recognised in equity	230,678	150,887
Value of convertible notes converted to equity	(256,250)	-
Face value of convertible notes	246,250	502,500
Capitalised borrowing costs	129,647	40,591
	375,897	**543,091**

On 2 May 2022 the company announced a convertible note offering raising $502,500 in 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. The convertible notes must be converted within two years. 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 option for every 2 shares issued on conversion, with an exercise price of $0.11 expiring 2 years after the date of issue.

During the period $256,250 convertible notes were converted to equity at a price of $0.05.
357,181 interest shares at a price of $0.05 were issued in respect of these Notes and 2,562,500 options were issued.

As at 31 December 2022, the maximum number of Convertible Note Options and Interest Shares which may be issued on or before the date of maturity in accordance with the terms of the Tranche 1 Convertible Note are as follows:

Security	**Maximum Number**
Convertible Note Options	2,462,500
Interest Shares	1,185,238

The company has received a waiver from ASX Listing Rule 7.3.4 provided the above information is disclosed in respect of Convertible Note Tranche 1.

Note 9. Issued Capital

	31 Dec 2022		30 Jun 2022	
	No. of Shares	$	No. of Shares	$
Fully paid ordinary shares	**112,789,883**	**9,593,499**	**75,166,666**	**8,072,098**

Movements in ordinary share capital

	Date	No. of Shares	Issue price ($)	$
Balance at 1 July 2022		75,166,666		8,072,098
Conversion of convertible notes	1 Sep 2022	125,000	$0.05	6,250
Conversion of convertible notes incl interest	30 Nov 2022	5,351,780	$0.05	267,859
Issue of shares	5 Oct 2022	7,516,667	$0.039	293,150
Issue of shares – Share Purchase Plan	28 Nov 2022	3,717,945	$0.039	145,000
Issue of shares	30 Nov 2022	11,269,238	$0.039	439,500
Issue of shares	31 Dec 2022	9,538,462	$0.039	372,000

Note 9. Issued Capital (con't)

Issue of shares to employees under ESIP	31 Dec 2022	104,125	-	-
Share issue costs				(2,358)
Balance at 31 December 2022		**112,789,883**		**9,593,499**

Note 10. Reserves

	31 Dec 2022 $	30 Jun 2022 $
Share based payment reserve	2,695,875	2,679,978
	2,695,875	**2,679,978**

Share Based Payment Reserve	**No. of Options**	**$**
Share-based payment reserve as at 31 December 2022	**25,983,333**	**2,695,875**
Movements in share-based payment reserve		
Balance at 1 July 2022	23,483,333	2,679,978
Options issued to converted convertible notes	2,500,000	-
Options issued to director in prior years – now fully vested	-	15,897
	25,983,333	**2,695,875**

Note 11. Discontinued Operations

	31 Dec 2022 $	31 Dec 2021 $
(Loss) before tax from discontinued operations	(88,093)	(95,163)

In February 2023 the company announced to the market that it had entered into a binding agreement to dispose of its Modular Business to D Comm for a total consideration of $3m in cash.

As part of the disposal, the Company will also transfer to D Comm its non-strategic Modular Business customer agreements and contracts which contributed $1,173,828 revenue for the December 2022 half year period.

The proposed transaction is subject to shareholder approval

Financial performance information		
Modular hosting revenue	1,173,828	366,588
Modular sales revenue	-	315,836
Cost of sales	(739,643)	(323,867)
Other operating expenses	(508,549)	(453,720)
Finance costs	(13,729)	-
Operating (Loss) from discontinued operations	**(88,093)**	**(95,163)**

Financial performance information		
Net operating cash flows from discontinued operations	(88,093)	(95,163)
Net investing cash flows from discontinued operations	(97,874)	(1,601,941)
Net financing cash flows from discontinued operations	-	-
Net decrease in cash from discontinued operations	**(188,967)**	**(1,697,104)**

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Note 11. Discontinued Operations (Con't)

	31 Dec 2022	30 June 2022
Carrying amounts of assets and liabilities held for sale	**$**	**$**
Property, plant and equipment	2,111,183	2,248,270
Intangible Assets	143,100	162,301
Inventory	123,438	123,438
Non-current assets classified as held for sale	**2,377,721**	**2,534,009**
Trade and other payables	(65,070)	(81,555)
Liabilities directly associated with assets classified as held for sale	**(65,070)**	**(81,555)**
		-
Net Assets held for sale	**2,312,651**	**2,452,454**

Accounting policy for discontinued operations

A discontinued operation is a component of the company that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Note 12. 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 13. Contingent Assets and Liabilities

As reported previously, a dispute is still 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 as at 31 December 2022 (30 June 2022: nil).

Note 14. Related Party Transactions

Related party remuneration includes the following expenses:

	31 Dec 2022	31 Dec 2021
	$	**$**
Short term employee benefits	250,918	239,628
Post-employment benefits	26,301	21,615
Share-based payments benefits	15,897	96,563
	293,116	357,806

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Note 15. Commitments

The Company had no capital commitments at 31 December 2022 (30 June 2022: nil).

Note 16. Events Subsequent to Reporting Period

Acquisition of Attained

On 30 December 2022 the company announced that it had signed a binding conditional agreement to acquire 100% of the issued capital of managed IT and cloud services provider, Attained Group Pty Ltd (**Attained**). Attained is a profitable Australian leading managed IT and cloud services provider, deploying and managing technology solutions across a variety of enterprises to improve performance and efficiency. The acquisition will accelerate the Company's strategic move into the broader cloud microservices IT sector, leveraging the IT infrastructure foundations built over the last three years. The acquisition was ratified by shareholders at a general meeting of the company on 23 February 2023.

Note 16. Events Subsequent to Reporting Period (continued)

As at the date of this report, the initial accounting for the acquisition of Attained is incomplete as a Purchase Price Acquisition has not yet been performed due to the timing of the acquisition along with shareholder approval of the transaction being close to the sign-off date. The Company has performed a provisional assessment of fair value of assets and liabilities of Attained as at the date of acquisition. In accordance with Australian Accounting Standards, the company has up to 12 months from the date of acquisition to complete its initial accounting assessment. The fair values adopted are based on property, equipment and intangible assets carried out by valuation specialists.

Under the terms of the Binding Conditional Agreement the company acquired 100% of the share capital in Attained for a cash consideration of $1,108,776 plus 17,824,504 consideration shares calculated using a deemed value per consideration share of $0.05. The cash consideration is to be paid in 4 equal quarterly instalments of $277,194 commencing 3 months after the acquisition date which is expected to be 31 March 2023.

Disposal of Modular Assets

On 27 February 2023 the company announced to the market that it had entered into a binding agreement to dispose of its Modular Business to D Comm Infrastructure Pty Ltd (D Comm) for a total cash consideration of $3m. The Company will also transfer to D Comm its non-strategic Modular Business customer agreements and contracts which contributed $1,173,828 revenue for the December 2022 half year period. It is anticipated that this transaction will be finalised by early to mid Q4 FY2023.

Director Loan

The Company has entered into a short-term loan agreement with its Managing Director, Mr Blake Burton (**Loan Agreement**). Under the terms of the Loan Agreement, Mr Burton has agreed to advance the Company $200,000 with a further $100,000 standby credit available that may be drawn down if required by the Company. The Loan Agreement has a six-month term and the amount owing under the Loan Agreement is repayable at maturity or may otherwise be converted into shares in the Company, subject to shareholder approval. The Loan Agreement accrues interest at a rate of 8%.

DIRECTORS' DECLARATION

In the opinion of the Directors of DC Two Limited

1. The financial statements and notes, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:

    (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

    (b) giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year then ended.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Blake Burton
Managing Director
28 February 2023

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Independent Auditor's Review Report

To the Members of DC Two Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of DC Two Limited (the Company), which comprises the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of DC Two Limited does not comply with the *Corporations Act 2001* including:

a giving a true and fair view of the DC Two Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and

b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Material uncertainty related to going concern

We draw attention to Note 3 in the financial report, which indicates that the Company incurred a net loss of $1,683,690 during the half year ended 31 December 2022 and, as of that date, the Company's operating cash outflows totalled $802,465. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J C Esterhuizen
Partner – Audit & Assurance

Perth, 28 February 2023