# DC Two Limited

**ABN 30 155 473 304**

## Annual Report - 30 June 2023

**DC Two Limited**
**Corporate directory**
**30 June 2023**

| | |
|---|---|
| **Directors** | Shane Wee (Non-Executive Chairman)<br>Blake Burton (Managing Director)<br>Justin Thomas (Executive Director) |
| **Company secretary** | Kyla Garic |
| **Registered office/**<br>**Principal place of business** | 27 Aspiration Circuit<br>Bibra Lake WA 6163 |
| Telephone:<br>Email:<br>Website: | +1300 331 888<br>investors@dctwo.com.au<br>www.dctwo.com.au |
| **Share register** | Xcend Pty Ltd<br>Level 1, 139 Macquarie Street<br>Sydney NSW 2000 |
| **Auditor** | Hall Chadwick WA Audit Pty Ltd<br>283, Rokeby Road<br>Subiaco WA 6008 |
| **Solicitors** | Hamilton Locke<br>Level 27, 152-158 St Georges Tce<br>Perth WA 6000 |
| **Stock exchange listing** | DC Two Limited shares are listed on the Australian Securities Exchange (ASX code: **DC2**) |

## General information

The financial statements cover DC Two Limited as a Group consisting of DC Two Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is DC Two Limited's functional and presentation currency.

DC Two Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

**Registered office/Principal place of business**

27 Aspiration Circuit
Bibra Lake WA 6163

A description of the nature of the Group 's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 September 2023.

# Letter from the Chairman

Dear Shareholders,

I'm thrilled to share key updates regarding our company's evolution and accomplishments. We've been diligently executing our growth strategy, which began on October 31, 2022, under the guidance of our board and new management team.

Firstly, we're excited to propose changing our company's name to Adisyn Ltd and adopting the ticker code AI1. This change aligns with our focus on innovation and growth and is subject to your approval at our upcoming shareholder meeting on October 10, 2023.
Our new company name, Adisyn Ltd, and ticker code, AI1, reflect our growing revenue contributions from cybersecurity and other solution-based services.

In 2023, our journey was marked by transformative achievements. We made a strategic pivot, shifting our focus from data center and cloud services to offering generative AI-driven solutions powered by microservices. Moreover, we expanded our capabilities through strategic acquisitions. The acquisition of Attained Group, finalised on April 4, 2023, broadened our technological expertise. Additionally, our acquisition of Thomas Cyber on July 17, 2023, led to the establishment of a dedicated Cyber division within our organization. These actions enhance our service offerings and fortify our competitive stance. Both acquisitions have provided us with a more robust management and operational team to spearhead our growth initiatives.

In a dedicated pursuit of financial efficiency, the new team achieved substantial cost reductions savings to be implemented in FY24. These measures significantly enhance our financial stability, allowing for more strategic resource allocation.

In conclusion, I want to express my gratitude for your patience and support. We are excited about our journey ahead, and we look forward to your continued support as we navigate this exciting new chapter.

**Shane Wee**
Chairman – DC Two Limited

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group ') consisting of DC Two Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

## Directors

The following persons were directors of DC Two Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

| Name | Position | Appointment date |
|---|---|---|
| Shane Wee | Non-Executive Chairman | 31 August 2021 |
| Blake Burton | Managing Director | 1 July 2022 |
| | Executive Director | 4 October 2021 to 30 June 2022 |
| Justin Thomas | Executive Director | 2 February 2012 |
| | Chief Technology Officer | 1 July 2022 |
| | Managing Director | 2 February 2012 to 1 July 2022 |

## Principal activities

The Group revolutionises the data centre and cloud technology landscape with its vertically integrated services. Through a comprehensive suite of offerings, DC Two aims to encompass every aspect of the data centre and cloud technology stack. By utilising cutting-edge microservices powered by AI, DC Two delivers robust, scalable, and secure solutions around the Groups data centre infrastructure.

The Group emphasises innovation and customization, creating solutions tailored to meet the specific requirements of its clients. This involves developing bespoke infrastructure setups and cloud services that align seamlessly with individual business objectives. Furthermore, DC Two maintains a steadfast commitment to cybersecurity and compliance, implementing stringent measures to safeguard data and adhere to regulatory standards.

## Significant changes in the state of affairs

During the year, the Group 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 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 General Meeting on 23 February 2023, and successfully completed on 31 March 2023. Refer to **Note 31** for more details on the acquisition.

On 5 April 2023, the Company advises that it has issued and allotted 3,913,322 fully paid ordinary shares subject to 12 month voluntary escrow from 31 March 2023 and 13,911,182 fully paid ordinary shares subject to 24 month voluntary escrow from 31 March 2023 were issued on 5 April 2023, the shares were issued as consideration for the acquisition of Attained Group Pty Ltd.

On 27 February 2023, the Group announced to the market 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. On 8 June 2023, the Group announced to the market that it has achieved satisfaction of the Buyer’s due diligence in relation to the transaction, and the transaction is currently subject to the remaining conditions precedent being satisfied.

As part of the disposal, the Group will also transfer to D Comm it’s non-strategic Modular Business customer agreements and contracts which contributed $2.729m revenue for the June 2023 financial year (2022: $2.413m).

There were no significant changes in the state of affairs of the Group during the financial year.

## Review of operations

FY23 was a transformative year for the Group, and one in which has set a solid foundation for the years ahead. During the year, the Group focused on its next phase of growth strategy, with a view of building a unique technology offering within the cloud microservices sector by leveraging its existing data centre and cloud assets (ASX: 31 October 2022).

These initiatives have delivered a strong financial year with revenue from continuing operations growing by 46% to $2.675m (2022: $1.830m), while fixed costs in the business were reduced by more than $500,000.

Since announcing the Group's new strategy, DC Two has concentrated its attention on developing solutions focused on cybersecurity and generative AI. The Group is confident that these two verticals will provide strong growth avenues moving forward as the data centre and cloud markets evolve, allowing the Group to adapt swiftly to emerging technologies, client demands, and regulatory changes, while positioning itself as an aspiring leader in the industry.

As noted above during the year, the Group successfully completed the acquisition of Attained (ASX: 4 April 2023) which was deemed an initial, strategic steppingstone for the Group, covering several technology layers, deemed critical to building an end-to-end marketing offering. Since completion of the acquisition, the Group has begun to successfully cross-sell services between the two businesses and will continue to focus on this strategy in order to drive further organic growth.

Through the acquisition, the Group has been working on integrating various functions between the businesses, consolidating a number of suppliers and terminating duplicate services which is expected to result a further $300,000 per annum of costs savings once implemented (ASX: 31 July 2023).

In July 2023, the Group announced the acquisition (ASX:10 July 2023) and completion (ASX: 17 July 2023) of Thomas Cyber, with the formation of a new cyber division within the Group. Moving into FY24, the acquisition has allowed the Group to expand the current cyber security services offered through Thomas Cyber by utilising the Group's existing infrastructure and AI capabilities. This includes developing new systems using AI technology.

Separately, on 27 February 2023, the Group announced the proposed divestment of the DC Modular business assets to D Comm Infrastructure Pty Ltd ("DComm") for $3 million in cash (before costs). The assets are deemed non-strategic towards the Group's tech-focused growth objectives with the sale providing the Group with additional funding for a strong acceleration of its growth objectives.

On 8 June 2023 the Group achieved satisfaction of buyer's due diligence in relation to the proposed divestment, and on 31 July 2023 the Group announced that both DComm and the Group mutually agreed that the $80,000 refundable exclusivity deposit under the terms of the agreement would become non-refundable and paid to the Group.

The Group and DComm are currently working towards satisfying the remaining conditions precedent under the agreement, which the Group is aiming to achieve over the coming weeks.

The Group will continue to assess value accretive M&A transactions to acquire technology and talented individuals, expand its capabilities and enhance its market position, driving further organic growth.

## Review of Results

As disclosed in the financial statements, the Group incurred a loss of $1,740,563 (Company 30 June 2022: $4,443,118) and had net cash outflows from operating of $1,039,479 (Company 30 June 2022 : $1,494,677) and investing activities inflows $305,208 ( Company 30 June 2022 : $2,784,771) respectively for the year ended 30 June 2023. As at that date, the Group had net assets of $2,483,861 (Company 30 June 2022 : $2,221,968). The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising additional capital from equity markets and managing cash flows in line with available funds.

The Group confirms that during the financial year ended 30 June 2023, it used its cash and assets in a form readily convertible to cash, in a manner consistent with its business objectives.

## Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

## 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 Group confirms that during the year it has not breached any state, territory or federal environmental regulations.

## Business Risks

The Groups risk management framework assesses the key financial and non-financial risks that have the potential, should they occur, to materially impact the Group and its ability to achieve its strategic and operational objectives.

The framework is integrated into the daily management of the business to ensure the oversight and management of business risks, with systems and processes implemented to identify risks at an early stage. Further details of the risk management framework and processes are detailed in the Group's Corporate Governance Statement.

Listed below are key risks for the business identified in the risk management framework:

*Key Customer Relationships*
The growth of the Group depends in part on increasing the number of its customers, and the number of services offered to those customers. There is a risk that one or more key customers may terminate their contracts early or that, upon expiration of their existing contracts, they may choose not to renew arrangements with DC Two or that the subsequent terms may be less favourable to DC Two.

*Financial Performance*
The Group requires sufficient cash to guarantee the continuation of its strategic initiatives. The Group may encounter challenges in implementing its strategy along with potential difficulties such as liquidity or financial deficits, from any failings in the planning and implementation of its capital management. Adequate funding is essential for the Group to continue to invest in its products and innovate in the coming years.

*Technological Developments*
The Group operates in a competitive industry. Failure to adapt to the latest technological changes in a timely manner could result in reduced customer demand for the products and services which the Group develops. This in turn could result in customer churn, and/or a reduction in revenues and margins.

*Cyber Security*
Potential cyber incidents resulting in the Groups data being compromised could negatively impact the operations of the Group and its reputation.

*Infrastructure Downtime*
A catastrophic failure or interruption of the Groups cloud platform or data centre could result in the Group not being able to provide access to critical systems for customers. This would lead to the Group being in breach of its service level agreements with customers and the Group would incur contractual liabilities.

*Ability to source and retain key personnel*
The Company employs or engages as consultants, a number of key members of its team. Attracting and retaining talent underpins the groups successful delivery of strategic objectives. A shortage in labour and the inability to attract qualified personnel could adversely affect the Group and may impede on its ability to achieve its strategic objectives.

## Reconciliation of the Annual Report to the Appendix 4E

In the process of preparing the financial statements a variance to the "Loss after income tax for the year" between the financial statements and the previously lodged Appendix 4E of $298,725 (reduction of loss) was identified.

The variance is specified below:

| | |
|---|---|
| Reported **Loss after income tax for the year** in Appendix 4E | **(2,039,288)** |
| Winding back of previously accrued interest expenses relating to the convertible notes | 224,689 |
| Other adjustments to accrued expenses | 74,036 |
| Reported **Loss after income tax for the year in** Financial Statements | **(1,740,563)** |

Furthermore, In the preparation of the Cash Flow Statement and associated notes, discrepancies to the previously presented Cash Flow Statement in the Appendix 4E were noted. Subsequent to the lodgment of Appendix 4E, receipts and payments in relation to discontinued activities were separated and not included in the Cash Flow Statement in the Financial Statements.

For the purpose of Appendix 4E, the cash outlays for the purchase of plant and equipment as well the associated liabilities had been grouped together in one consolidated amount for the acquisition of assets, and one amount for the funding of them.

In the presentation of the Cash Flow Statement in the Financial Statements a more nuanced disclosure has been presented as per below:

| | |
|---|---|
| **Cash flows from operating activities per the 4E** | **(957,537)** |
| *Movements in:* Receipts from customers (inclusive of GST) | (3,145,877) |
| *Movements in:* Payments to suppliers and employees (inclusive of GST) | 2,947,775 |
| *Movements in:* Receipts from other income | (112,416) |
| *Movements in:* Interest and other finance costs paid | 228,576 |
| **Cash flows from operating activities per the annual report** | **(1,039,479)** |
| | |
| **Cashflows from investing activities per the 4E** | **21,849** |
| *Movements in:* Payments for property, plant and equipment | 283,359 |
| **Cashflows from investing activities per the annual report** | **305,208** |
| | |
| **Cashflows from financing activities per the 4E** | **1,011,819** |
| *Movements in:* Proceeds from issue of shares | 56,250 |
| *Movements in:* Share issue transaction costs | 6,242 |
| *Movements in:* Repayment of lease liabilities | (641,613) |
| *Movements in:* Proceeds from borrowings | 216,803 |
| *Movements in:* Repayment of borrowings | 160,901 |
| **Cashflows from financing activities per the annual report** | **810,402** |

## Information on directors

| | |
|---|---|
| Name: | **Shane Wee** |
| Title: | Non-Executive Chairman |
| Experience and expertise: | Shane retired as a founding director of Alto Capital after 28 years in the financial services industry in July 2021 to take on the role of CEO of The Magic Coat for Kids and other opportunities. Over the years, he has built close relationships with a number of business leaders in Perth's business community. His focus has always been on building long term relationships with strategic partners and continuously value add to his local network and contacts throughout South-East Asia. |
| Other current directorships: | - |
| Former directorships (last 3 years): | My Foody Box Limited (ASX:MBX) resigned 17 November 2022 |
| Interests in shares: | 718,341 fully paid ordinary shares |
| Interests in options: | 166,666 listed options, exercisable at $0.30 per option, expiring 20 December 2023<br>1,300,000 unlisted options, exercisable at $0.50 per option, expiring 7 May 2024<br>1,000,000 unlisted options, exercisable at $0.60 per option, expiring 20 December 2025 |
| Interests in rights: | - |

| | |
|---|---|
| Name: | **Blake Burton** |
| Title: | Managing Director |
| Qualifications: | BCom (Accounting and Corporate Finance) |
| Experience and expertise: | Blake possesses extensive experience in the IT industry. Blake was co-founder of web hosting company, Netorigin in 2011. Blake grew Netorigin from inception and took the Company to successful trade sale in 2019 to Australia's largest privately owned web host VentraIP. At completion of the sale to Netorigin Blake focused on Attained Group. Attained Group was acquired by Dc Two Limited during the financial year. Blake has previously worked as an auditor at PwC, which included working with a number of ASX listed and international companies. |
| Other current directorships: | - |
| Former directorships (last 3 years): | - |
| Interests in shares: | 1,222,795 fully paid ordinary shares<br>13,911,182 fully paid ordinary shares, escrowed until 31 March 2025 |
| Interests in options: | 1,000,000 unlisted options, exercisable at $0.25 per option, expiring 6 November 2024<br>166,666 listed options, exercisable at $0.30 per option, expiring 20 December 2023 |
| Interests in rights: | - |

| | |
|---|---|
| Name: | **Justin Thomas** |
| Title: | Executive Director and Chief Technology Officer |
| Experience and expertise: | 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.<br><br>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.<br><br>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.<br><br>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. |
| Other current directorships: | - |
| Former directorships (last 3 years): | - |
| Interests in shares: | 14,578,396 fully paid ordinary shares |
| Interests in options: | - |
| Interests in rights: | - |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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

## Company secretary

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|---|---|
| Name | **Kyla Garic** |
| Qualifications | *B Com, MAcc, CA, FGIA, FGIS* |
| Experiences | 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

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

| | Board Meeting | |
|---|---|---|
| | Eligible to Attend | Attended |
| Shane Wee | 12 | 11 |
| Blake Burton | 12 | 11 |
| Justin Thomas | 12 | 11 |

The Board also approved twenty five (25) circular resolutions during the year ended 30 June 2023 which were signed by all Directors of the Company.

## Matters subsequent to the end of the financial year

On 5 July 2023, the Company issued 1,000,000 performance rights to four non-KMP respectively to incentivize and retain. The performance rights vesting conditions subject to 2 years of service and achieving share price based on the 30th day VWAP. Detailed of the conditions can be found in the announcement.

On 10 July 2023, the Company entered into a binding agreement to acquire the assets and business of Shimazaki Management Group Pty Ltd trading as Thomas Cyber, an established cyber security expert.

Under the terms of the Agreement, DC Two shall acquire the business and assets of Shimazaki Management Group Pty Ltd trading as Thomas Cyber (ACN 622 703 084) free from any and all debts and encumbrances, for the consideration referred to below (Consideration Shares):

**Tranche 1**: 1 Performance Right converting into 1,000,000 Shares upon the Incoming Employees remaining continuously employed by the Buyer for a period of 12 months from completion;
**Tranche 2:** 1 Performance Right converting into:
· $75,000 worth of Shares if the Thomas Cyber Business achieves a minimum of $1,000,000 in audited revenue for the fiscal 2024 period; or
· $35,000 worth of Shares if the Thomas Cyber Business achieves a minimum of $500,000 in audited revenue for the fiscal 2024 period.
**Tranche 3:** 1 Performance Right converting into:
· $200,000 worth of Shares if the Thomas Cyber Business achieves a minimum of $3,000,000 in audited revenue for the fiscal 2025 period; or
· $100,000 worth of Shares, if the Thomas Cyber Business achieves a minimum of $2,000,000 in audited revenue for the fiscal 2025 period.

The deemed issue price of the Consideration Shares to be issued on conversion of each respective tranche of Performance Rights is the **higher** of:
i. $0.025 per Share; and
ii. The volume weighted average price of Shares traded on the ASX in the 15-days prior to the lodgement of the Buyers 30 June 2024 annual report for Tranche 2; and
iii. The volume weighted average price of Shares traded on the ASX in the 15-days prior to the lodgement of the Buyers 30 June 2025 annual report for Tranche 3.

The Agreement was subject to the satisfaction or waiver of the following conditions precedent:
· Due Diligence by DC Two: DC Two confirming in writing to Thomas Cyber that it is satisfied with the outcome of any due diligence it has conducted in relation to the Thomas Cyber business.
· Employment agreements: Dr Thomas Jreige and Kristen Rayson entering into employment agreements with DC Two under terms which are mutually acceptable to both parties.
· Third Party Consents and Approvals: The Parties obtaining all other approvals, consents, novation, transfers of IP and other rights, or waivers of a third party (including those of any Governmental Agency) which are necessary or desirable to implement the Acquisition or to assign the Thomas Cyber Business Contracts and Intellectual Property Licenses; and
· Other standard conditions precedent for a transaction of this nature.

On 17 July 2023, the Company completed the acquisitions of the assets and business of Shimazaki Management Group Pty Ltd.

Following the completion of acquisition, on 17 July 2023, the Company issued all the considerations shares and rights that related to the acquisition.

On 9 August 2023, the Company announced the approval and receipt of its financial year 2022 research and development (R&D) tax incentive fund of $749,455 from Australian Taxation office.

On 11 September 2023, the Company announced its intention to change its name to Adisyn Ltd with ticker code to AI1, subject to shareholder approval at the upcoming shareholder meeting to be held on 10 October 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group 's operations, the results of those operations, or the Group 's state of affairs in future financial years.

## Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the DC Two Limited, 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 Group, directly or indirectly, including all directors.

Key management personnel of DC Two Limited for the financial year consist of:

- Blake Burton (Managing Director)
- Justin Thomas (Executive Director)
- Michael Travis (General Manager - Cloud, resigned on 15 March 2023)
- James Mercer (Data Centre Manager, ceased as KMP on 14 March 2023)
- Liam Gale (Chief Information Officer, appointed 14 March 2023)
- Paul Arch (Chief Operating Officer, appointed 14 March 2023)
- Jesper Sentow (Chief Financial Officer, appointed 16 June 2023)
- Bradley Goodsell (Chief Financial Officer, resigned 16 June 2023)

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

### *Principles used to determine the nature and amount of remuneration*
The Board reviews and approves the remuneration policy to enable the Group to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a Group 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 Group 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.

*Voting and comments made at the Company's 11 November 2022 Annual General Meeting ('AGM')*
At the 11 November 2022 AGM, 91.75% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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

| | |
|---|---|
| Name: | **Blake Burton** |
| Title: | Managing Director |
| Agreement commenced: | 6 October 2021 |
| Term of agreement: | Indefinite term until termination |
| Details: | Base salary of $160,000 increased to $210,000 (exclusive of superannuation) from 1 April 2023. 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. |

| | |
|---|---|
| Name: | **Justin Thomas** |
| Title: | Executive Director and Chief Technology Officer |
| Agreement commenced: | 2 February 2012 |
| Term of agreement: | Indefinite term until terminated |
| Details: | 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. |

| | |
|---|---|
| Name: | **Liam Gale** |
| Title: | Chief Information Officer |
| Agreement commenced: | 14 March 2023 to 28 July 2023 |
| Term of agreement: | Indefinite term until terminated<br>Termination not less than 3 months' written notice |
| Details: | Base salary of $165,000 (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. |

| | |
|---|---|
| Name: | **Paul Arch** |
| Title: | Chief Operating Officer |
| Agreement commenced: | 14 March 2023 to 2 August 2023 |
| Term of agreement: | Indefinite term until terminated<br>Termination not less than 3 months' written notice |
| Details: | Base salary of $165,000 (exclusive of superannuation) and $5,000 motor vehicle allowance p.a. 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. |

| | |
|---|---|
| Name: | **Jesper Sentow** |
| Title: | Interim Chief Financial Officer |
| Agreement commenced: | 16 June 2023 |
| Term of agreement: | The engagement will automatically terminate at expiry of the agreed term and can be terminated by either party by giving no less than 4 weeks' notice |
| Details: | The Company entered into an engagement letter with Sommersted Enterprise Pty Ltd in which Mr Jesper Sentow will provide various financial and other corporate consulting services.<br><br>Fees will be charged at a rate of $1,200 per day (exclusive of GST). DC2 will reimburse Sommersted Enterprise for all reasonable out-of-pocket expenses properly incurred in performing this engagement. |

| | |
|---|---|
| Name: | **Michael Travis** |
| Title: | General Manager - Cloud |
| Agreement commenced: | 13 January 2020 to 15 March 2023 |
| Term of agreement: | Indefinite term until terminated |
| Details: | Rate of $72 / hour based on hours worked. Commission will be paid on sales made at an agreed rate. |

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|---|---|
| Name: | **James Mercer** |
| Title: | Data Centre Manager |
| Agreement commenced: | 14 June 2021 (ceased as KMP on 14 March 2023) |
| Term of agreement: | Indefinite term until terminated |
| Details: | Base salary of $150,000 per annum (exclusive of superannuation) |

| | |
|---|---|
| Name: | **Bradley Goodsell** |
| Title: | Chief Financial Officer |
| Agreement commenced: | 4 October 2021 to 16 June 2023 |
| Term of agreement: | Indefinite term until terminated |
| Details: | Base salary of $145,000 FTE (exclusive of superannuation) |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

***Details of remuneration***

*Amounts of remuneration*

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

| Consolidated 30 June 2023 | Short-term benefits Cash salary and fees $ | Short-term benefits Annual leave provision $ | Post-employment benefits Super-annuation $ | Long-term benefits Other Long Term Benefit $ | Share-based payments Equity-settled options $ | Total $ |
|---|---|---|---|---|---|---|
| *Non-Executive Directors:* | | | | | | |
| Shane Wee[1] | 43,636 | - | 4,582 | - | 15,897 | 64,115 |
| *Executive Directors:* | | | | | | |
| Blake Burton | 171,538 | 642 | 17,046 | 3,900 | - | 193,126 |
| Justin Thomas | 174,088 | (6,675) | 15,149 | 3,111 | - | 185,673 |
| *Other Key Management Personnel:* | | | | | | |
| Michael Travis[2] | 63,467 | (993) | 6,583 | 1,100 | - | 70,157 |
| James Mercer[3] | 101,968 | (3,728) | 10,694 | 936 | - | 109,870 |
| Paul Arch[4] | 49,038 | 4,064 | 4,923 | 882 | - | 58,907 |
| Liam Gale[4] | 47,596 | 4,064 | 4,356 | 882 | - | 56,898 |
| Jesper Sentow[5] | 9,600 | - | - | - | - | 9,600 |
| Bradley Goodsell[6] | 118,505 | 3,649 | 10,607 | 1,996 | - | 134,757 |
| | 779,436 | 1,023 | 73,940 | 12,807 | 15,897 | 883,103 |

(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) Balance at resignation date 15 March 2023
(3) Ceased as KMP on 14 March 2023
(4) Balance at appointment date 14 March 2023
(5) Balance at appointment date 16 June 2023
(6) Balance at resignation date 16 June 2023

| Company 30 June 2022 | Short-term benefits Cash salary and fees $ | Short-term benefits Annual Leave Provision $ | Post-employment benefits Super-annuation $ | Long-term benefits Other Long Term Benefits $ | Share-based payments Equity-settled options $ | Total $ |
|---|---|---|---|---|---|---|
| *Non-Executive Directors:* | | | | | | |
| Shane Wee[1] | 36,923 | - | 3,692 | - | 69,290 | 109,905 |
| *Executive Directors:* | | | | | | |
| Blake Burton | 64,755 | 7,416 | 6,476 | 1,071 | - | 79,718 |
| Justin Thomas[2] | 177,757 | 3,781 | 16,000 | 2,600 | 515,000 | 715,138 |
| Cameron McLean[3] | 5,206 | - | 521 | - | - | 5,727 |
| *Other Key Management Personnel:* | | | | | | |
| Michael Travis | 103,666 | 142 | 10,367 | 1,460 | - | 115,635 |
| 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) Balance at resignation date 31 August 2021

***Share-based compensation***

*Issue of shares*

There was no shares issued to directors as part of compensation during the year ended 30 June 2023 except that 17,824,504 shares were issued for the acquisition of Attained of which Blake Burton, Paul Arch and Liam Gale are directors of Attained.

During the year, Bradley Goodsell was issued with 21,120 shares at $0.047 and Michael Travis with 6,102 shares at $0.163. No shares were issue to other KMP.

*Options*

During the year, 50% of the 1,000,000 unlisted options exercise at $0.60 expiring 26 November 2025 issued in prior year to Shane Wee vested and become exercisable on the 1 January 2023.

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

**Performance rights**

During the year 2,000,000 Performance Right C and 2,000,000 Performance Right D were issued evenly to Paul Arch and Liam Gale under the following terms:

- **2,000,000 Tranche 1 Performance Rights** subject to the following vesting conditions:
  a) 2 years of service (continued employment) with the Company from 1 July 2023 to 30 June 2025; and
  b) the Company achieving the following share price based on the 30 day VWAP over the 2 years period form 1 July 2023 to 30 June 2025:
    i. Share price less than $0.12 (0% of vesting)
    ii. Share price between $0.12 and $0.20 (50% of vesting)
    iii. Share price greater than $0.20 (100% of vesting)

- **2,000,000 Tranche 2 Performance Rights** subject to the following vesting conditions:
  a) 2 years of service (continued employment) with the Company from 1 July 2023 to 30 June 2025; and
  b) the Company achieving two consecutive quarters of Net cash from / (used in operating) activities greater than $0 over the 2 years period from 1 July 2023 to 30 June 2025.

## *Additional disclosures relating to key management personnel*

***Shareholding***

The number of shares in the Company held during the financial year ended 30 June 2023 by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Other - Attained acquisition | Balance at the end of the year |
|---|---|---|---|---|---|
| ***Directors*** | | | | | |
| Shane Wee | 443,333 | - | 275,008 | - | 718,341 |
| Blake Burton | 708,333 | - | 514,462 | 13,911,182 | 15,133,977 |
| Justin Thomas[1] | 14,578,396 | - | - | - | 14,578,396 |
| ***Key Management Personnel*** | - | - | - | - | - |
| Liam Gale[2] | - | - | - | 1,340,365 | 1,340,365 |
| Paul Arch[2] | - | - | - | 2,572,957 | 2,572,957 |
| Michael Travis[3] | 125,000 | - | - | - | 125,000 |
| James Mercer[4] | - | - | - | - | - |
| Jesper Sentow[5] | - | - | - | - | - |
| Bradley Goodsell[6] | 127,500 | 21,120 | 1,343,473 | - | 1,492,093 |
| | 15,982,562 | 21,120 | 2,132,943 | 17,824,504 | 35,961,129 |

(1) These shares are registered and held in the name of a family trust
(2) Appointed as KMP on 14 March 2023
(3) Balance at resignation date 15 March 2023
(4) Ceased as KMP on 14 March 2023
(5) Appointed as interim Chief Financial Officer on 16 June 2023
(6) Balance at resignation date 16 June 2023

***Option holding***

The number of options over ordinary shares in the Company held during the financial year ended 30 June 2023 by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| ***Directors*** | | | | | |
| Shane Wee | 2,466,666 | - | - | - | 2,466,666 |
| Blake Burton | 1,166,666 | - | - | - | 1,166,666 |
| Justin Thomas | - | - | - | - | - |
| ***Key Management Personnel*** | - | - | - | - | - |
| Liam Gale[1] | - | - | - | - | - |
| Paul Arch[1] | - | - | - | - | - |
| Michael Travis[2] | 100,000 | - | - | - | 100,000 |
| James Mercer[3] | - | - | - | - | - |
| Jesper Sentow[4] | - | - | - | - | - |
| Bradley Goodsell[5] | 250,000 | - | - | - | 250,000 |
| | 3,983,332 | - | - | - | 3,983,332 |

(1) Appointed as KMP on 14 March 2023
(2) Balance at resignation date 15 March 2023
(3) Ceased as KMP on 14 March 2023
(4) Appointed as interim Chief Financial Officer on 16 June 2023
(5) Balance at resignation date 16 June 2023

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

***Loans from key management personnel and their related parties***

| | 30 June 2023 $ | 30 June 2022 $ |
|---|---|---|
| **Current loan** | | |
| Blake Burton[1] | 205,487 | - |
| **Non-current loans[2]** | | |
| Blake Burton | 181,000 | 181,000 |
| Justin Thomas | 120,000 | 120,000 |
| Shane Wee | 60,000 | 60,000 |
| | 566,487 | 361,000 |

[1]The Company has entered into a short-term loan agreement with its Managing Director, Mr Blake Burton on 27 February 2023. Under the 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 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% p.a.

[2]The amount due to related parties are non-trade, unsecured and repayable by 1 October 2024.

***Other transactions with key management personnel and their related parties***

There were no other transactions conducted between the Group 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 2023 $ | 30 June 2022 $ |
|---|---|---|
| Trevor Thomas – employee (gross salary plus super)[1] | 27,252 | 26,400 |
| Linley Thomas – employee (gross salary plus super)[1] | 3,146 | 13,200 |
| Rebecca Thomas - employee (gross salary plus super)[2] | 113,548 | 132,462 |
| | 143,946 | 172,062 |

(1) The related parties are the parents of Executive Director, Justin Thomas
(2) The related party is the spouse of Executive Director, Justin Thomas

***Interest of KMP in subsidiaries***

| **Name of related party** | **Nature of relationship** | **Nature of related party transactions** |
|---|---|---|
| Blake Burton | Managing Director | Director of Attained |
| Burton Capital Holdings Pty Ltd | relation to Blake Burton | Attained acquisition |
| Liam Gale | Chief Information Officer | Director of Attained |
| Aviso IT | relation to Liam Gale | Attained acquisition |
| Paul Arch | Chief Operating Officer | Director of Attained |
| Esidium Group | relation to Paul Arch | Attained acquisition |

Paul Arch (**COO**) and Liam Gale (**CIO**) became KMP on 14 March 2023 as a result of the acquisition of Attained. They both subsequently resigned on 2 August 2023 and 28 July 2023 respectively.

***This concludes the remuneration report, which has been audited.***

## Shares under option
Unissued ordinary shares of DC Two Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 21/4/2021 | 7/5/2024 | $0.500 | 4,000,000 |
| 15/9/2021 | 31/7/2024 | $0.300 | 2,000,000 |
| 15/9/2021 | 06/11/2024 | $0.250 | 1,200,000 |
| 15/9/2021 | 06/11/2024 | $0.250 | 2,950,000 |
| 20/12/2021 | 20/12/2025 | $0.600 | 1,000,000 |
| 26/11/2021 | 20/12/2023 | $0.300 | 12,333,292 |
| 30/11/2022 | 30/11/2024 | $0.110 | 2,562,500 |
| | | | 26,045,792 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

## Shares issued on the exercise of options
There were no ordinary shares of DC Two Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

## 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 4,925,000.

During the year $256,250 Convertible Notes were converted to equity at a price of $0.05. 351,780 interest shares at a price of $0.05 were issued in respect of these Notes and 2,562,500 Options were issued.

## Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in **note 40** to the financial statements.

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 40** to the financial statements 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 Group , acting as advocate for the Group r 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 on 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.

## Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

## Officers of the Company who are former partners of Hall Chadwick
There are no officers of the Company who are former partners of Hall Chadwick.

## 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.

## Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been received and set out immediately after this directors' report.

## Auditor
Hall Chadwick appointed as auditor of the Company in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

___________________________
Blake Burton
Managing Director

29 September 2023

To the Board of Directors,

## Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Director for the audit of the financial statements of DC Two Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully

Hall Chadwick

**HALL CHADWICK WA AUDIT PTY LTD**

Mark Delaurentis

**MARK DELAURENTIS** CA
**Director**

Dated Perth, Western Australia this 29th day of September 2023

| | Note | Consolidated 30 June 2023 $ | Company 30 June 2022 Restated^ $ |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Revenue | 5 | 2,675,217 | 1,830,278 |
| Other income | 6 | 179,632 | 6,161 |
| **Expenses** | | | |
| Cost of goods sold | 7 | (1,234,024) | (1,366,378) |
| Selling and distribution expenses | 8 | (224,072) | (313,153) |
| Administrative expenses | 9 | (596,991) | (1,895,226) |
| Other operating expenses | 10 | (2,863,039) | (2,508,619) |
| Finance costs | 11 | (152,967) | (211,870) |
| **Loss before income tax expense from continuing operations** | | **(2,216,244)** | **(4,458,807)** |
| Income tax expense | 12 | - | - |
| Loss after income tax expense from continuing operations | | (2,216,244) | (4,458,807) |
| Profit after income tax expense from discontinued operations | 32 | 475,681 | 15,689 |
| **Loss after income tax expense for the year attributable to the owners of DC Two Limited** | | **(1,740,563)** | **(4,443,118)** |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (8,640) | - |
| Other comprehensive income for the year, net of tax | | (8,640) | - |
| **Total comprehensive income for the year attributable to the owners of DC Two Limited** | | (1,749,203) | (4,443,118) |
| **Total comprehensive income for the year is attributable to:** | | | |
| Continuing operations | | (2,224,884) | (4,458,807) |
| Discontinued operations | | 475,681 | 15,689 |
| | | **(1,749,203)** | **(4,443,118)** |
| | | **(1,749,203)** | **(4,443,118)** |

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

| | | Cents | Cents |
|---|---|---|---|
| **Earnings per share for loss from continuing operations attributable to the owners of DC Two Limited** | | | |
| Basic earnings per share | **41** | (2.19) | (6.44) |
| Diluted earnings per share | **41** | (2.19) | (6.44) |
| **Earnings per share for profit from discontinued operations attributable to the owners of DC Two Limited** | | | |
| Basic earnings per share | **41** | 0.47 | 0.02 |
| Diluted earnings per share | **41** | 0.47 | 0.02 |
| **Earnings per share for loss attributable to the owners of DC Two Limited** | | | |
| Basic earnings per share | **41** | (1.72) | (6.42) |
| Diluted earnings per share | **41** | (1.72) | (6.42) |

^ Certain amounts have been re-stated to separately show those operations classified as discontinued in the current year as detailed in **note 32** Discontinued operations.

## DC Two Limited
## Consolidated statement of financial position
## As at 30 June 2023

| | Note | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | **13** | 676,806 | 600,675 |
| Trade and other receivables | **15** | 398,383 | 403,375 |
| Inventory | | 11,944 | 123,438 |
| Other assets | | 80,209 | 34,813 |
| | | 1,167,342 | 1,162,301 |
| Assets of disposal groups classified as held for sale | **17** | 3,343,106 | - |
| **Total current assets** | | **4,510,448** | **1,162,301** |
| **Non-current assets** | | | |
| Right-of-use assets | **16** | 2,474,423 | 2,989,796 |
| Property, plant and equipment | **18** | 1,335,062 | 3,637,541 |
| Intangibles | **19** | 1,470,738 | 263,635 |
| Other assets | | 118,382 | 112,267 |
| **Total non-current assets** | | **5,398,605** | **7,003,239** |
| **Total assets** | | **9,909,053** | **8,165,540** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | **20** | 1,136,360 | 1,324,295 |
| Contract liabilities | **21** | 399,167 | 126,121 |
| Lease liabilities | **22** | 745,698 | 726,096 |
| Other liabilities | **23** | 1,208,816 | - |
| Convertible notes | **25** | 217,226 | - |
| Borrowings | **26** | 211,424 | - |
| Provisions | | 285,071 | 267,534 |
| | | 4,203,762 | 2,444,046 |
| Liabilities directly associated with assets classified as held for sale | **24** | 872,375 | - |
| **Total current liabilities** | | **5,076,137** | **2,444,046** |
| **Non-current liabilities** | | | |
| Trade and other payables | **20** | 45,073 | - |
| Lease liabilities | **22** | 1,919,395 | 2,580,608 |
| Convertible notes | **25** | - | 543,091 |
| Borrowings | **26** | 361,000 | 361,000 |
| Provisions | | 23,587 | 14,827 |
| **Total non-current liabilities** | | **2,349,055** | **3,499,526** |
| **Total liabilities** | | **7,425,192** | **5,943,572** |
| **Net assets** | | **2,483,861** | **2,221,968** |

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

| | Note | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | **27** | 10,067,297 | 8,072,098 |
| Reserves | **28** | 2,687,235 | 2,679,978 |
| Accumulated losses | | (10,270,671) | (8,530,108) |
| **Total equity** | | **2,483,861** | **2,221,968** |

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

| Company | Issued capital $ | Share-based payment reserves $ | Translation Reserve $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2021** | **5,733,952** | **1,292,715** | **-** | **(4,086,990)** | **2,939,677** |
| Loss after income tax expense for the year | - | - | - | (4,443,118) | (4,443,118) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | (4,443,118) | (4,443,118) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs **(note 27)** | 2,338,146 | - | - | - | 2,338,146 |
| Share-based payments **(note 39)** | - | 1,387,263 | - | - | 1,387,263 |
| **Balance at 30 June 2022** | **8,072,098** | **2,679,978** | **-** | **(8,530,108)** | **2,221,968** |

| Consolidated | Issued capital $ | Share-based payment reserve $ | Translation reserve $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2022** | **8,072,098** | **2,679,978** | **-** | **(8,530,108)** | **2,221,968** |
| Loss after income tax expense for the year | - | - | - | (1,740,563) | (1,740,563) |
| Other comprehensive income for the year, net of tax | - | - | (8,640) | - | (8,640) |
| Total comprehensive income for the year | - | - | (8,640) | (1,740,563) | (1,749,203) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs **(note 27)** | 1,246,078 | - | - | - | 1,246,078 |
| Issue of shares related to business combination (**note 31)** | 481,262 | - | - | - | 481,262 |
| Conversion of convertible notes **(note 27)** | 267,859 | - | - | - | 267,859 |
| Share-based payments **(note 39)** | - | 15,897 | - | - | 15,897 |
| **Balance at 30 June 2023** | **10,067,297** | **2,695,875** | **(8,640)** | **(10,270,671)** | **2,483,861** |

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

| | Note | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 2,953,254 | 3,655,704 |
| Payments to suppliers and employees (inclusive of GST) | | (3,912,469) | (5,095,483) |
| Receipts from other income | | 67,216 | 156,971 |
| Interest and other finance costs paid | | (147,480) | (211,869) |
| **Net cash used in operating activities** | **14** | **(1,039,479)** | **(1,494,677)** |
| **Cash flows from investing activities** | | | |
| Net of cash acquired from business combination | **31** | 234,289 | - |
| Payments for property, plant and equipment | **18** | (41,497) | (2,557,302) |
| Payments for development costs | | - | (227,469) |
| Proceeds from disposal of non-current asset | | 112,416 | - |
| **Net cash from/(used in) investing activities** | | **305,208** | **(2,784,771)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | **27** | 1,255,900 | 2,500,000 |
| Share issue transaction costs | | (9,822) | (131,703) |
| Proceeds from issue of convertible notes | | - | 512,941 |
| Proceeds from borrowings | | 216,803 | 361,000 |
| Repayment of borrowings | | (10,866) | - |
| Repayment of lease liabilities | | (641,613) | (253,710) |
| **Net cash from financing activities** | | **810,402** | **2,988,528** |
| Net increase/(decrease) in cash and cash equivalents | | 76,131 | (1,290,920) |
| Cash and cash equivalents at the beginning of the financial year | | 600,675 | 1,891,595 |
| **Cash and cash equivalents at the end of the financial year** | **13** | **676,806** | **600,675** |

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

## Note 1. Reporting entity

The consolidated financial report covers DC2 Limited (**the Company**) and its controlled entities as a consolidated entity (also referred to as **the Group**). DC2 Limited is listed public company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity. The Group's financial statements are presented in Australian dollars (AUD), which is also the Company's functional currency.

The financial statements were issued in accordance with a resolution by the Board on 29 September 2023.

## Note 2. Material accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

DC2 has become a consolidated entity during the financial year ended 30 June 2023 subsequent to the business combination **note 31**. The financial statements for the year ended 30 June 2022 are presented as a single entity.

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group 's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in **note 3**.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in **note 42**.

## Note 2. Material accounting policies (continued)

### 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 Group incurred a loss of $1,740,563 (Company 30 June 2022: $4,443,118) and had net cash outflows from operating of $1,039,479 (Company 30 June 2022 : $1,494,677) and investing activities inflow of $305,208 (Company 30 June 2022 : $2,784,771) respectively for the year ended 30 June 2023. As at that date, the Group had net assets of $2,483,861 (Company 30 June 2022: $2,221,968). The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising additional capital from equity markets and managing cash flows in line with available funds.

The Group 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 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.
- The Company's completion of the divestment of the DC Modular business assets to D Comm Infrastructure Pty Ltd ("DComm") for $3 million in cash (before costs).

Should the Group 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 Group not continue as a going concern.

The Directors believe that the Group 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 2023.

### Principles of consolidation

The Company has acquired Attained Group during the year, and the financial statements have been presented as consolidated financial report for the first time in 30 June 2023 financial year.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of DC Two Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. DC Two Limited and its subsidiaries together are referred to in these financial statements as the 'Group '.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Foreign currency translation

The financial statements are presented in Australian dollars, which is DC Two Limited's functional and presentation currency.

## Note 2. Material accounting policies (continued)

*Foreign currency transactions*
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

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

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

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

### Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### 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.

### New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

## Note 2. Material accounting policies (continued)

### New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

### Rounding of amounts
The Company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

## Note 3. 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.

*Share-based payment transactions*
The Group 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.

*Revenue from contracts with customers involving sale of goods*
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

*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 group. These assumptions include recent sales experience and historical collection rates.

*Fair value measurement hierarchy*
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

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

During the year, there was a change in the accounting estimate of depreciation of plant and equipment. The change is to reflect the life of the asset rather than being based on class of asset. During the review it was noted that, in many instances, historical deprecation rates applied by the Company result in assets being depreciated over a quicker period than their expected useful life. It was also identified that historical deprecation rates applied by the Company were more aggressive than industry norms.

**Revised Depreciation Rates to be Applied from 1 July 2022**
With effect from 1 July 2022, the Company will apply the following deprecation rates:
· Property improvements: 2.5 – 5%; and
· Plant & equipment - Infrastructure: 5 – 33.3%
· Plant & equipment: 10 – 33.3%.

The revised deprecation rates have been applied with effect from 1 July 2022, being in the earliest date available in the 2023 financial year.

**Financial Statement Impact – 2023 and Future Financial Years**
The table below summarises the increase or decrease in depreciation expense to be recognised for the year ended 30 June 2023 and future financial years as a result of the change in depreciation rates applied from 1 July 2022:

| | Depreciation expense | | |
|---|---|---|---|
| | at historic rates applied through 30 June 2022 | at amended rates applied from 1 July 2022 | Impact of change in depreciation rates on depreciation expense increase/(decrease) |
| **Year 2023** | $516,858 | $235,896 | (280,962) |
| **Year 2024** | $499,364 | $229,334 | (270,030) |
| **Year 2025** | $492,747 | $227,931 | (264,816) |
| **Year 2026** | $420,128 | $224,088 | (196,040) |
| **Beyond 2026** | $139,018 | $201,550 | 62,532 |

The table below summarises the increase or decrease in the carrying value of plant and equipment as at 30 June 2023 and future financial year ends as a result of the change in depreciation rates applied from 1 July 2022:

| | Carrying value of plant and equipment at 30 June | | |
|---|---|---|---|
| | calculated using historic depreciation rates through 30 June 2022 | calculated using amended depreciation rates from 1 July 2022 | Impact of change in depreciation rates on the carrying value of plant and equipment increase/(decrease) |
| **Year 2023** | 1,806,614 | 2,087,575 | (280,962) |
| **Year 2024** | 1,307,250 | 1,858,242 | (550,992) |
| **Year 2025** | 814,503 | 1,630,310 | (815,808) |
| **Year 2026** | 394,375 | 1,406,222 | (1,011,848) |
| **Beyond 2026** | 255,357 | 1,204,672 | (949,315) |

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

*Goodwill and other indefinite life intangible assets*
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Income tax*
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group '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.

*Lease term*
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group 's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Derivative financial liabilities*
The conversion feature in the notes represents the embedded derivate financial instrument in the host debt contract. The conversion feature represents the Group's obligation to issue Company shares at a fixed price should noteholders exercise their conversion of option.

The embedded derivatives are carried in the Statement of Financial Position at their estimated fair value taking market participant assumptions into consideration, with any changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

These values were calculated using Monte-Carlo option pricing model, applying the following inputs:

| | Spot price | Conversion price/ Exercise price | Expiry date | Expected share price volatility % | Risk-free interest rate % | Value per conversion right | Value |
|---|---|---|---|---|---|---|---|
| **Tranche 1 (Convertible shares)** | $0.02 | $0.15 | 28/04/2024 | 89.42% | 4.09% | $0.05 | $7,705 |
| **Tranche 1 (Convertible options)** | $0.02 | $0.11 | 01/05/2024 | 89.42% | 4.09% | $0.00 | $539 |

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

*Business combinations*
As discussed in **note 31**, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting are retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

## Note 4. Operating segments

The Group 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 products and services;
- Nature of the production processes;
- Type of 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”.

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.

*Accounting policy for operating segments*
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.

## Note 5. Revenue

| | Consolidated 30 June 2023 $ | Company 30 June 2022 ^restated $ |
|---|---|---|
| *Major product lines* | | |
| Data centre and cloud services | 2,019,391 | 1,830,278 |
| Managed support services | 505,670 | - |
| Project revenue | 150,156 | - |
| | 2,675,217 | 1,830,278 |
| *Geographical regions* | | |
| Australia | 2,617,541 | 1,830,278 |
| United Kingdom | 57,676 | - |
| | 2,675,217 | 1,830,278 |
| *Timing of revenue recognition* | | |
| Goods transferred at a point in time | - | - |
| Good transferred over time | - | - |
| Services transferred at a point in time | 2,675,217 | 1,830,278 |
| Services transferred over time | - | - |
| | 2,675,217 | 1,830,278 |

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.

*Accounting policy for revenue recognition*
Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control (i.e. at a point in time or over time) requires judgement.

The Group assessed its revenue streams and the above noted performance obligations and measurement methods have been identified and adopted in the preparation of these financial statements. The Group recognises contract assets in relation to the Group's right to consideration for work completed but not invoiced at the reporting date. Certain arrangements with customer require the customers to formally accept the product before an invoice can be raised.

The contract assets are transferred to receivables when the rights become unconditional. The timing of invoicing and payment is dependent on the specific terms and conditions of the underlying contact.

## Note 5. Revenue (continued)

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.

*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.

## Note 6. Other income

| | Consolidated 30 June 2023 $ | Company 30 June 2022 ^restated $ |
|---|---|---|
| Sundry income | 25,422 | 6,161 |
| Bad debt recovered | 36,549 | - |
| Other income | 117,661 | - |
| Other income | 179,632 | 6,161 |

*Accounting policy for other income*
*Interest income*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other income*
Other revenue 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.

## Note 7. Cost of goods sold

| | Consolidated 30 June 2023 $ | Company 30 June 2022 ^restated $ |
|---|---|---|
| Purchase of miners and modular | - | 170,922 |
| Colocation and other expenses | 100,257 | 163,365 |
| Software and licencing | 653,502 | 687,895 |
| Telecommunication | 300,344 | 152,237 |
| Electricity | 121,820 | 191,959 |
| Cloud services | 58,101 | - |
| | 1,234,024 | 1,366,378 |

## Note 8. Selling and distribution expenses

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| Marketing expenses | 199,968 | 297,022 |
| Commissions & bonuses paid | 24,104 | 16,131 |
| | 224,072 | 313,153 |

## Note 9. Administrative expenses

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| Share based payment expense | 15,897 | 1,387,263 |
| Accounting, auditing and ASX Fees | 117,368 | 177,238 |
| Company secretarial and other consulting fees | 281,666 | 215,549 |
| Capital raising and prospectus fees | - | 44,922 |
| Legal fees | 173,194 | 43,880 |
| Other expenses | 8,866 | 26,374 |
| | 596,991 | 1,895,226 |

## Note 10. Other operating expenses

| | Consolidated 30 June 2023 $ | Company 30 June 2022 ^restated $ |
|---|---|---|
| Salaries and wages | 1,595,252 | 939,048 |
| Superannuation | 213,885 | 203,120 |
| Depreciation | 625,413 | 870,375 |
| Amortisation | 39,222 | 72,294 |
| Data Centre Operating expenses | 15,892 | 62,377 |
| Insurance and ISO Expenses | 125,565 | 113,319 |
| Utilities and rates | 57,517 | 49,163 |
| Office administration expenses | 63,789 | 65,307 |
| Telecommunications | - | 25,150 |
| Travel | 11,352 | - |
| Training and recruitment costs | 8,291 | 20,500 |
| Other expenses | 106,861 | 87,966 |
| | 2,863,039 | 2,508,619 |

## Note 11. Finance costs

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| Interest expense | 41,586 | 7,232 |
| Interest - leased assets | 162,713 | 164,047 |
| Convertible Note - Finance cost | 292,037 | 40,591 |
| Embedded derivatives - Fair value adjustment | (343,369) | - |
| | 152,967 | 211,870 |

*Accounting policy for finance costs*
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

## Note 12. Income tax

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Loss before income tax expense from continuing operations | (2,216,244) | (4,458,807) |
| Profit before income tax expense from discontinued operations | 475,681 | 15,689 |
| | (1,740,563) | (4,443,118) |
| Tax at the statutory tax rate of 25% | (435,141) | (1,110,779) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | 93 | - |
| Legal expenses | 26,118 | - |
| Share-based payments | 3,974 | 346,816 |
| Penalty and fines | 155 | - |
| Other income | (187,364) | - |
| Offset against DTL not recognised | 592,165 | 828,221 |
| Non-assessable R&D Income | - | (37,677) |
| Tax deduction for capital raising cost (equity) | - | (26,581) |
| Income tax expense | - | - |

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Deferred tax assets not recognised* | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Provision | 85,007 | 75,673 |
| Plant and equipment under lease | 6,358 | - |
| Transaction costs arising on shares issued | 102,513 | 152,606 |
| Tax losses | 2,428,409 | 1,706,856 |
| *Deferred tax liabilities not recognised* | - | - |
| Deferred tax liabilities not recognised comprises temporary differences attributable to: | - | - |
| Property, plant and equipment | (1,083,637) | (338,483) |
| Accrued expenses | (51,461) | 50,437 |
| Prepayments | (12,052) | - |
| Total deferred tax assets not recognised | 1,475,137 | 1,647,089 |

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

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 12. Income tax (continued)

*Accounting policy for 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.

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, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

## Note 13. Cash and cash equivalents

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Current assets* | | |
| Cash at bank | 676,806 | 600,675 |

*Accounting policy for 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 14. Cash flow information

*Reconciliation of loss after income tax to net cash used in operating activities*

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| Loss after income tax expense for the year | (1,740,563) | (4,443,118) |
| *Adjustments for:* | | |
| Depreciation of property, plant and equipment and right-of-use assets | 625,414 | 1,095,314 |
| Share-based payments | 15,897 | 1,387,263 |
| Unwinding of transaction costs on equity | (165,230) | - |
| Amortisation of intangible assets | 39,222 | 72,294 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 4,991 | (268,784) |
| Decrease in inventory | 73,308 | 282,946 |
| (Increase)/Decrease in other current assets | (45,396) | 43,912 |
| Increase/(decrease) in trade and other payables | (137,705) | 672,668 |
| Increase/(decrease) in contract liabilities | 273,046 | (318,628) |
| Increase/(decrease) in other provisions | 17,537 | (18,544) |
| Net cash used in operating activities | (1,039,479) | (1,494,677) |

*Non-cash investing and financing activities*

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| Shares issued in relation to business combinations | 481,262 | - |

## Note 15. Trade and other receivables

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Current assets* | | |
| Trade receivables | 397,254 | 422,579 |
| Less: Allowance for expected credit losses | - | (20,333) |
| | 397,254 | 402,246 |
| Other receivables | 1,129 | 1,129 |
| | **398,383** | **403,375** |

## Note 15. Trade and other receivables (continued)

*Allowance for expected credit losses*
The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

| | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|---|---|---|---|---|---|---|
| | Consolidated 30 June 2023 % | Company 30 June 2022 % | Consolidated 30 June 2023 $ | Company 30 June 2022 $ | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
| Not overdue | - | - | 186,049 | 383,865 | - | - |
| 31-60 days overdue | - | - | 31,241 | 6,727 | - | - |
| 61-80 days overdue | - | 32.21% | 33 | 17,191 | - | - |
| 81 -360 days overdue | - | - | 180,730 | - | - | - |
| Over 360 days overdue | - | 100.00% | 330 | 14,796 | - | 20,333 |
| | | | 398,383 | 422,579 | - | 20,333 |

Trade receivables are non-interest bearing and generally on 7- or 15-days term (2022: 7 or 15 days). Subsequent to 30 June 2023, Attained UK have collected approximately $94,500 of the outstanding debt aged which was older than 3 months. For allowance for expected credit losses analysis at the end of the reporting period, please refer to **note 29**.

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

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| Opening balance | 20,333 | 117,533 |
| Provision utilised | - | (97,200) |
| Discontinued operations | (20,333) | - |
| Closing balance | - | 20,333 |

*Accounting policy for trade and other receivables*
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 15 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. For allowance for expected credit losses analysis at the end of the reporting period, please refer to **note 29**.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## Note 16. Right-of-use assets

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Non-current assets* | | |
| Other finance leased assets - right-of-use | 1,853,409 | 1,867,081 |
| Less: Accumulated depreciation | (905,767) | (790,125) |
| | 947,642 | 1,076,956 |
| | | |
| Property - right-of-use | 2,604,984 | 2,604,984 |
| Less: Accumulated depreciation | (1,078,203) | (692,144) |
| | 1,526,781 | 1,912,840 |
| | | |
| | 2,474,423 | 2,989,796 |

Additions to the right-of-use assets during the year were $54,216.

The Group leases land and buildings for its offices in Osborne Park and Bibra Lake under agreements of between 2019 to 2027 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases IT equipment under agreements of between 3 to 5 years.

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Property $ | Other Finance Leased Assets $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2021 | 2,604,984 | 1,867,081 | 4,472,065 |
| Depreciation expense | (692,144) | (790,125) | (1,482,269) |
| | | | |
| Balance at 30 June 2022 | 1,912,840 | 1,076,956 | 2,989,796 |
| Additions | - | 54,216 | 54,216 |
| Classified as held for sale **(note 17)** | - | (43,076) | (43,076) |
| Depreciation expense | (386,059) | (140,454) | (526,513) |
| | | | |
| Balance at 30 June 2023 | 1,526,781 | 947,642 | 2,474,423 |

*Accounting policy for right-of-use assets*
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (as outlined in the financial report for the annual reporting period).

## Note 16. Right-of-use assets (continued)

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## Note 17. Assets of disposal groups classified as held for sale

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Current assets* | | |
| Trade and other receivables | 1,059,395 | - |
| Inventories | 133,843 | - |
| Rights of use assets | 29,499 | - |
| Property, plant and equipment | 2,004,262 | - |
| Intangible assets | 116,107 | - |
| | 3,343,106 | - |

In February 2023, the Company announced to the market that it had entered into a binding agreement to dispose its Modular Business to D Comm for a total consideration of $3 million in cash and the transaction is expected to complete subsequent to financial year end.

*Accounting policy for non-current assets or disposal groups classified as held for sale*
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

## Note 18. Property, plant and equipment

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Non-current assets* | | |
| Plant and equipment - at cost | 1,709,579 | 3,947,347 |
| Less: Accumulated depreciation | (607,821) | (551,827) |
| | 1,101,758 | 3,395,520 |
| | | |
| Property Improvements - at cost | 314,427 | 308,943 |
| Less: Accumulated depreciation | (81,123) | (66,922) |
| | 233,304 | 242,021 |
| | | |
| CloudSigma equipment - at cost | 147,913 | - |
| Less: Accumulated depreciation | (147,913) | - |
| | - | - |
| | | |
| | 1,335,062 | 3,637,541 |

*Reconciliations*

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

| | Property improvements $ | Plant and equipment $ | Capital work in Progress $ | Total $ |
|---|---|---|---|---|
| **Balance at 1 July 2021** | **265,105** | **811,983** | **418,724** | **1,495,812** |
| Additions | 15,291 | 2,960,733 | (418,724) | 2,557,300 |
| Depreciation expense | (38,375) | (377,196) | - | (415,571) |
| | | | | |
| **Balance at 30 June 2022** | **242,021** | **3,395,520** | **-** | **3,637,541** |
| Additions | 9,987 | 31,510 | - | 41,497 |
| Additions through business combinations **(note 31)** | - | 169,614 | - | 169,614 |
| Classified as held for sale **(note 17)** | (4,237) | (2,000,025) | - | (2,004,262) |
| Discontinued depreciation | (166) | (410,259) | - | (410,425) |
| Depreciation expense | (14,301) | (84,600) | - | (98,901) |
| | | | | |
| **Balance at 30 June 2023** | **233,304** | **1,101,760** | **-** | **1,335,064** |

*Accounting policy for property, plant and equipment*

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Refer to **note 2** for further information on accounting policy associated with impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 and equipment | 10 - 100% |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Refer to **note 3** for the changes in depreciation rates during the year.

## Note 18. Property, plant and equipment (continued)

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.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

## Note 19. Intangibles

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Non-current assets* | | |
| Goodwill - at cost | 1,399,259 | - |
| | | |
| Development - at cost | 119,985 | 335,929 |
| Less: Accumulated amortisation | (59,992) | (72,294) |
| | 59,993 | 263,635 |
| | | |
| Other intangible assets - at cost | 11,486 | - |
| | | |
| | 1,470,738 | 263,635 |

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | $ |
|---|---|
| Balance at 1 July 2021 | 108,460 |
| Additions | 227,468 |
| Amortisation expense | (72,293) |
| | |
| Balance at 30 June 2022 | 263,635 |
| Additions through business combinations **(note 31)** | 1,410,745 |
| Classified as held for sale **(note 17)** | (116,107) |
| Discontinued amortisation expense | (48,313) |
| Amortisation expense | (39,222) |
| | |
| Balance at 30 June 2023 | 1,470,738 |

*Accounting policy for intangible assets*
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

## Note 19. Intangibles (continued)

*Development cost*
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.

Refer to **note 2** for further information on accounting policy associated with impairment.

## Note 20. Trade and other payables

| | Consolidated<br>30 June 2023<br>$ | Company<br>30 June 2022<br>$ |
|---|---|---|
| *Current liabilities* | | |
| Trade payables | 526,101 | 960,405 |
| Accrued expenses | 113,014 | 64,977 |
| ATO payable | 209,360 | 134,018 |
| Superannuation payables | 66,973 | 96,179 |
| Funds held on trust | - | 50,000 |
| Other payables | 13,948 | 18,716 |
| Income tax payable | (262) | - |
| Wages payables | 207,226 | - |
| | 1,136,360 | 1,324,295 |
| *Non-current liabilities* | | |
| ATO Payable | 45,073 | - |

Refer to **note 29** for further information on financial instruments.

*Accounting policy for trade and other payables*
These amounts represent liabilities for goods and services provided to the Group 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.

## Note 21. Contract liabilities

| | Consolidated<br>30 June 2023<br>$ | Company<br>30 June 2022<br>$ |
|---|---|---|
| *Current liabilities* | | |
| Contract liabilities | 399,167 | 126,121 |

*Accounting policy for contract liabilities*
Contract liabilities represent the Group 's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

## Note 22. Lease liabilities

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Current liabilities* | | |
| Lease liability | 745,698 | 726,096 |
| *Non-current liabilities* | | |
| Lease liability | 1,919,395 | 2,580,608 |

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 $ |
| **FY 2023** | | | | |
| Lease payments | 868,207 | 2,064,852 | - | 2,933,059 |
| Finance charges | (122,509) | (145,457) | - | (267,966) |
| **Net present value** | **745,698** | **1,919,395** | **-** | **2,665,093** |
| **FY 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** |

Refer to **note 29** for further information on financial instruments.

*Accounting policy for lease liabilities*
AASB 16 Leases eliminates the distinction between operating and finance leases and brings all leases (other than short term and low value leases) on to the balance sheet. As a lessee, the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

An assessment is made, at inception or when contract terms are changed, to determine whether the contract is, or contains, a lease. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

To apply this definition the Group 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 Group.
· The Group 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 Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

## Note 22. Lease liabilities (continued)

*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.

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 23. Other liabilities

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Current liabilities* | | |
| Other current liabilities | 1,208,816 | - |

Other liabilities relate to deferred consideration of $1,208,816 payable to Attained Group Pty Ltd (Attained) in relation to the acquisition.

## Note 24. Liabilities directly associated with assets classified as held for sale

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Current liabilities* | | |
| Trade payables | 645,751 | - |
| Hire purchase | 226,624 | - |
| | 872,375 | - |

## Note 25. Convertible notes

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Current liabilities* | | |
| Convertible notes | 174,494 | - |
| Convertible note - fair value of embedded derivative | 8,244 | - |
| Accrued interest on notes | 34,488 | - |
| | 217,226 | - |
| *Non-current liabilities* | | |
| Convertible notes - host liability at amortised cost | - | 181,070 |
| Convertible note - fair value of embedded derivative | - | 351,613 |
| Accrued interest on notes | - | 10,408 |
| | - | 543,091 |

## Note 25. Convertible notes (continued)

| | Consolidated 30 June 2023 | Company 30 June 2022 |
|---|---|---|
| Convertible note liability | 502,500 | 502,500 |
| Value of embedded derivative recognised on issue | (351,613) | (351,613) |
| Value of conversion notes recognised in equity on conversion | (256,250) | - |
| Transaction costs reversed relating to converted notes | 179,305 | - |
| Face value of convertible notes | 73,942 | 150,887 |
| | | |
| Unwinding of transaction costs (amortisation) | 153,050 | 30,183 |
| Amortisation of convertible note attributed to converted notes to equity | (52,498) | - |
| Total | 100,552 | 30,183 |
| | | |
| Total convertible note liability | 174,494 | 181,070 |

Refer to **note 29** for further information on financial instruments.

Refer to **note 30** for further information on fair value measurement.

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 year $256,250 Convertible Notes were converted to equity at a price of $0.05. 351,780 interest shares at a price of $0.05 were issued in respect of these Notes and 2,562,500 Options were issued. As at 30 June 2023, 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.

*Accounting policy for derivative financial instruments and convertible notes*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

*a. Debt component*

The conversion feature of convertible notes (notes) is required to be separated from the notes and is accounted for separately as derivative financial liability. As a result, the notes are initially recognised at discounted amount. The discount is amortised as interest expense using the effective interest method over the terms of the notes.

## Note 25. Convertible notes (continued)

*b. Embedded derivative - conversion feature*
The conversion feature in the notes represents the embedded derivate financial instrument in the host debt contract. The conversion feature represents the Group's obligation to issue Company shares at an agreed pricing mechanism should noteholders exercise their conversion of option.

The embedded derivatives are carried in the Statement of Financial Position at their estimated fair value taking market participant assumptions into consideration, with any changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

*c. Settlement of Convertible Notes*
Where notes are settled by issue of shares, the related financial liabilities are derecognised at their carrying value with the corresponding increase to share capital. Any costs incurred are recognised in profit or loss.

Where notes are settled by payment of cash the related financial liabilities are derecognised at their carrying value and the difference between total cash consideration paid and the carrying value of the financial liabilities derecognised is recognised in profit or loss.

*d. Capitalised transaction costs*
The Company incurred transaction costs upon the issuance of the notes. Transaction costs relating to the notes have been allocated to the debt component instrument. Costs attributed to the debt component are amortised to finance expense over the term of the notes using the effective interest method.

*Accounting policy for borrowing cost*
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.

## Note 26. Borrowings

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Current liabilities* | | |
| Directors' loans [a] | 205,487 | - |
| Insurance premium funding | 5,937 | - |
| | 211,424 | - |
| *Non-current liabilities* | | |
| Director loans [b] | 361,000 | 361,000 |
| **Breakdown of non-current liabilities loans from directors** | | |
| Blake Burton | 181,000 | 181,000 |
| Justin Thomas | 120,000 | 120,000 |
| Shane Wee | 60,000 | 60,000 |
| Total | 361,000 | 361,000 |

The proceeds and repayments of these borrowing arrangements are summarised below:

## Note 26. Borrowings (continued)

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| Opening balance | 361,000 | - |
| Proceeds from loans | 200,000 | 361,000 |
| Proceeds from premium funding | 16,803 | - |
| Interest payable to loan from director | 5,487 | - |
| Repayment of premium funding | (10,866) | - |
| | 572,424 | 361,000 |

**[a]** The Company has entered into a short-term loan agreement with its Managing Director, Mr Blake Burton on 27 February 2023. Under the 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 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% p.a.

**[b]** Loans from Directors are interest free and repayable on 1 October 2024. The directors may also elect to convert loans to share capital subject to shareholder approval. Refer to **note 29** for further information on financial instruments.

*Total secured liabilities*
The total secured liabilities are as follows:

*Assets pledged as security*
The bank overdraft and loans are secured by first mortgages over the Group 's land and buildings.

*Accounting policy for 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.

## Note 27. Issued capital

| | Consolidated 30 June 2023 Shares | Company 30 June 2022 Shares | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 130,716,089 | 75,166,666 | 10,701,171 | 8,696,150 |
| capital raising cost | - | - | (633,874) | (624,052) |
| | 130,716,089 | 75,166,666 | 10,067,297 | 8,072,098 |

## Note 27. Issued capital (continued)

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2021 | 58,500,000 | | 5,733,952 |
| Issue of shares | 6 Oct 2021 | 8,774,984 | $0.150 | 1,316,248 |
| Issue of shares | 4 Dec 2021 | 7,891,682 | $0.150 | 1,183,752 |
| Share issue costs | | | | (161,854) |
| Balance | 30 June 2022 | 75,166,666 | | 8,072,098 |
| Conversion of convertible notes | 1 Sep 2022 | 125,000 | $0.050 | 6,250 |
| Conversion of convertible notes incl interest | 30 Nov 2022 | 5,351,780 | $0.050 | 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 | 11,269,237 | $0.039 | 439,500 |
| Issue of shares | 5 January 2023 | 9,538,462 | $0.039 | 372,000 |
| Issue of shares to employee under ESIP[1] | 5 January 2023 | 104,126 | $0.058 | - |
| Issue of shares related to business combination | 5 April 2023 | 17,824,504 | $0.027 | 481,262 |
| Issue of shares to employee under ESIP[1] | 24 May 2023 | 101,702 | $0.052 | - |
| Share issue costs | | | | (9,822) |
| Balance | 30 June 2023 | 130,716,089 | | 10,067,297 |

[1] Average share price of 5-days VWAP

*Ordinary shares*
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.

*Share buy-back*
There is no current on-market share buy-back.

*Capital risk management*
The Group 's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

## Note 27. Issued capital (continued)

*Accounting policy for issued capital*
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Note 28. Reserves

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| Foreign currency reserve | (8,640) | - |
| Share-based payments reserve | 2,695,875 | 2,679,978 |
| | 2,687,235 | 2,679,978 |

*Movements in reserves*
Movements in each class of reserve during the current and previous financial year are set out below:

| | Share-based payments reserve $ | Foreign currency reserve $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2021 | 1,292,715 | - | 1,292,715 |
| Options issued (**note 39**) | 357,263 | - | 357,263 |
| Performance rights issued[1] | 1,030,000 | - | 1,030,000 |
| Balance at 30 June 2022 | 2,679,978 | - | 2,679,978 |
| Foreign currency translation | - | (8,640) | (8,640) |
| Options issued to Director in prior years (**note 39**) | 15,897 | - | 15,897 |
| Balance at 30 June 2023 | 2,695,875 | (8,640) | 2,687,235 |

[1] 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 $515,000 has been expensed in full.

*Accounting policy for reserves*
*Foreign currency reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Share-based payments reserve*
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. Further information about share based payments to employees is set out in **note 39**.

## Note 28. Reserves (continued)

The increase in share-based payment reserve and expense for services rendered by employees during the period is determined with reference to the grant date fair value of the applicable award. The tax benefit, where available, in respect of those awards is made with reference to the share price at the time the underlying shares are acquired or issued by the Group to satisfy those awards. Where the tax benefit available is in excess of the tax effect on the cumulative charge to profit and loss, the remaining credit is determined to relate to the equity issue and is included within the share-based payment reserve. Amounts recorded in the share-based payment reserve are reclassified to contributed equity on vesting of the performance rights.

## Note 29. Financial instruments

*Financial risk management objectives*
The Group 's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group 's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

The Group'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.

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

*Foreign currency risk*
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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 average exchange rates and reporting date exchange rates applied were as follows:

| | **Average exchange rates** | | **Reporting date exchange rates** | |
|---|---|---|---|---|
| | **Consolidated** | **Company** | **Consolidated** | **Company** |
| | **30 June 2023** | **30 June 2022** | **30 June 2023** | **30 June 2022** |
| **Australian dollars** | | | | |
| Pound sterling | 0.52 | - | 0.61 | - |

## Note 29. Financial instruments (continued)

The carrying amount of the Group 's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
| Pound Sterling | 318,887 | - | 50,619 | - |

The Group had net liabilities denominated in foreign currencies of $268,268 (assets of $318,887 less liabilities of $50,619) as at 30 June 2023 (30 June 2022: $nil (assets of $nil less liabilities of $nil)). Based on this exposure, had the Australian dollars weakened by 5%/strengthened by 5% ( 30 June 2022 : weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Group 's profit before tax for the year would have been $1,766 lower/$1,952 higher ( 30 June 2022 : $nil lower/$nil higher) and equity would have been $12,775 lower/$14,119 higher ( 30 June 2022 : $nil lower/$nil higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2023 was $8,640 ( 30 June 2022 : loss of $nil).

| | | AUD strengthened | | | AUD weakened | |
|---|---|---|---|---|---|---|
| **Consolidated 30 June 2023** | **% change** | **Effect on profit before tax** | **Effect on equity** | **% change** | **Effect on profit before tax** | **Effect on equity** |
| Pound sterling | 5% | 1,952 | 14,119 | (5%) | (1,767) | (12,775) |
| Pound sterling | 10% | 4,121 | 29,807 | (10%) | (3,372) | (24,388) |
| | | 6,073 | 43,926 | | (5,139) | (37,163) |

*Price risk*
The Group is not exposed to any significant price risk.

*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.

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.

## Note 29. Financial instruments (continued)

| Consolidated 30 June 2023 | Non-Interest Bearing $ | Fixed interest rate maturing 1 Year $ | 1 – 5 Years $ | > 5 years $ | Floating Interest Rate $ | Weighted Average Interest Rate % | Total $ |
|---|---|---|---|---|---|---|---|
| ***Financial assets*** | | | | | | | |
| Cash and cash equivalents | - | - | - | - | 676,806 | - | 676,806 |
| Trade receivables | 398,383 | - | - | - | - | - | 398,383 |
| | - | - | - | - | - | - | - |
| | 398,383 | - | - | - | 676,806 | | 1,075,189 |
| ***Financial liabilities*** | | | | | | | |
| Trade payables | 1,136,360 | - | - | - | - | - | 1,136,360 |
| Lease liabilities | - | 745,698 | 1,919,395 | - | - | 7.42% | 2,665,093 |
| Contract liabilities | 399,167 | - | - | - | - | - | 399,167 |
| Other financial liabilities | 1,208,816 | - | - | - | - | - | 1,208,816 |
| Convertible notes | - | 217,226 | - | - | - | 12.00% | 217,226 |
| Borrowing | 361,000 | 211,424 | - | - | - | 8.00% | 572,424 |
| | 3,105,343 | 1,174,348 | 1,919,395 | - | - | | 6,199,086 |

| Company 30 June 2022 | Non-Interest Bearing $ | Fixed interest rate maturing 1 Year $ | 1 – 5 Years $ | > 5 years $ | Floating Interest Rate $ | Weighted Average Interest Rate % | Total $ |
|---|---|---|---|---|---|---|---|
| ***Financial assets*** | | | | | | | |
| Cash and cash equivalents | - | - | - | - | 600,675 | - | 600,675 |
| Trade receivables | 403,375 | - | - | - | - | - | 403,375 |
| | 403,375 | - | - | - | 600,675 | | 1,004,050 |
| ***Financial liabilities*** | | | | | | | |
| Trade payables | 1,324,295 | - | - | - | - | - | 1,324,295 |
| Lease liabilities | - | 726,096 | 2,580,608 | - | - | 7.05% | 3,306,704 |
| Other financial liabilities | - | - | 543,091 | - | - | 12.00% | 543,091 |
| Contract liabilities | 126,121 | - | - | - | - | - | 126,121 |
| Borrowings | 361,000 | - | - | - | - | - | 361,000 |
| | 1,811,416 | 726,096 | 3,123,699 | - | - | | 5,661,211 |

*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 29. 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 during the financial year 30 June 2023.

*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**
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.

*Liquidity risk*
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Fair value of financial instruments*
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## Note 30. Fair value measurement

*Fair value hierarchy*
The following tables detail the Group 's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

| Consolidated 30 June 2023 | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| *Liabilities* | | | | |
| Embedded derivatives | - | 8,244 | - | 8,244 |
| Total liabilities | - | 8,244 | - | 8,244 |

## Note 30. Fair value measurement (continued)

| Company 30 June 2022 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| *Liabilities* | | | | |
| Embedded derivatives | - | 351,613 | - | 351,613 |
| Total liabilities | - | 351,613 | - | 351,613 |

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*
Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

*Accounting policy for 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.

## Note 31. Business combinations

**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 31. Business combinations (continued)

On 1 April 2023, the Company acquired 100% of the ordinary shares of Attained for the total deferred consideration of $1,208,816 plus 17,824,504 consideration shares calculated using fair value per consideration share of $0.027. The cash consideration of $1,108,776 is to be paid in 4 equal quarterly instalments of $277,194 commencing 3 months after the acquisition date and $100,040 contingent settlement as part of settlement statement.

Attained is a managed IT and cloud services business, deploying and managing technology solutions across a variety of enterprises to improve performance and efficiency. It was acquired as an initial step towards building a unique technology offering, leveraging the Group's existing core assets and service, deemed critical to build an end-to-end marketing offering. There are significant synergies expected from combining the operations of Attained within the Group. The goodwill of $1,568,761 represents the difference in fair value of the total consideration transferred and net assets acquired through the business combination. The acquired business contributed revenues of $774,897 and profit after tax of $321,781 to the Group for the period from 31 March 2023 to 30 June 2023.

Details of the acquisition are as follows:

| | Fair value<br>$ |
|---|---|
| Cash and cash equivalents | 234,331 |
| Trade receivables | 425,695 |
| Other receivables | 23,330 |
| Other current assets | 12,876 |
| Plant and equipment | 169,614 |
| Other intangible assets | 215,774 |
| Trade payables | (171,988) |
| Other payables | (51,907) |
| Employee benefits | (157,332) |
| Revenue received in advance | (158,498) |
| Hire purchase | (36,200) |
| Other liabilities | (10,588) |
| | |
| Net assets acquired | 495,107 |
| Goodwill | 1,194,971 |
| | |
| Acquisition-date fair value of the total consideration transferred | 1,690,078 |
| | |
| Representing: | |
| Cash payable to vendor | 1,108,776 |
| DC Two Limited shares issued to vendor | 481,262 |
| Contingent consideration | 100,040 |
| | |
| | 1,690,078 |
| | |
| Acquisition costs expensed to profit or loss | 118,924 |

Fair values assigned to identifiable assets, liabilities and associated tax balances above are presented on a provisional basis. The Group may recognise an adjustment to these provisional values as a result of completing fair value accounting within 12 months following acquisition date.

As outlined in the Group's Business Combination accounting policy below, the identification of assets and liabilities and associated fair value measurement as part of acquisition accounting is subject to significant judgement and estimation. The following key estimates and judgements were required as part of the acquisition accounting for the business:

**Intangible assets** - the valuation of these assets involved use of, amongst other factors, grid reliability assumptions and various costs assumptions.

## Note 31. Business combinations (continued)

**Deferred tax liability** - the recognition of deferred tax liabilities is directly associated with the determination of both initial accounting values and the determination and allocation of tax bases on entry into the Group's tax consolidated group. The balance reflects the non-deductibility for tax purposes of the intangible assets.

**Acquisition related costs** of $118,924 are included in acquisition and integration expense in profit or loss.

*Accounting policy for business combinations*
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group 's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

## Note 32. Discontinued operations

*Description*
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 $3 million in cash.

As part of the disposal, the Company also transfer D Comm, its non-strategic Modular Business customer agreements and contracts which contributed to 2,729,774 revenues for the year-ended 30 June 2023.

## Note 32. Discontinued operations (continued)

*Financial performance information*

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| Discontinued modular hosting revenue | 2,729,774 | 1,439,180 |
| Discontinued modular sales revenue | - | 973,760 |
| Total discontinued revenues | 2,729,774 | 2,412,940 |
| Discontinued other income | 749,455 | 150,709 |
| Discontinued cost of sales | (1,730,706) | (1,565,924) |
| Discontinued operating expenses | (1,159,100) | (930,822) |
| Discontinued other expenses | (113,742) | (51,214) |
| Discontinued finance costs | - | - |
| Total expenses | (3,003,548) | (2,547,960) |
| Profit before income tax expense | 475,681 | 15,689 |
| Income tax expense | - | - |
| Profit after income tax expense | 475,681 | 15,689 |
| Profit after income tax expense from discontinued operations | 475,681 | 15,689 |

*Cash flow information*

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| Net cash from operating activities | 46,988 | 297,024 |
| Net cash used in investing activities | - | (2,117,239) |
| Net cash from financing activities | 60,207 | - |
| Net decrease in cash and cash equivalents from discontinued operations | 107,195 | (1,820,215) |

*Accounting policy for discontinued operations*
A discontinued operation is a component of the Group 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, is part of a single co-ordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

## Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in **note 2**:

| | | Ownership interest | |
|---|---|---|---|
| | | Consolidated | Company |
| | Principal place of business / | 30 June 2023 | 30 June 2022 |
| Name | Country of incorporation | % | % |
| Attained Group Ltd | United Kingdom | 100.00% | - |
| Attained Group Pty Ltd | Australia | 100.00% | - |
| Attained Pty Ltd | Australia | 100.00% | - |

## Note 34. Contingent liabilities

In last year's financial statements, the Company disclosed that there was an ongoing dispute between the Company's landlord and the previous tenant of the Bibra Lake premises regarding capital works. The Company was not a party to the dispute at the time; however, the dispute has now progressed to include the Company as a party and is explained below.

On 17 March 2023, the Company was served with a writ of summons issued in the Supreme Court of Western Australia by Cannon Technologies Ltd. The first defendant is the landlord of the Bibra Lake premises (Stonegold Enterprises Pty Ltd), and the Company has been joined as the second defendant. The claim involves a dispute about the ownership of certain equipment located at the premises, which pre-dates the Company's lease of the premises. Cannon Technologies claims that it is the owner of the equipment, alleges that the landlord and the Company have refused to return the equipment to Cannon Technologies and seeks various remedies, including damages, against the landlord and the Company. The Company has engaged legal advisers, filed its defense on 14 April 2023 and continues to strongly defend the claim. Given the proceedings are still at an early stage and discovery has not yet been given, the Company is unable to quantify any likely financial impact of a successful claim against the Company. However, the Company considers it will not have a material impact at this stage.

The Directors of the Company are not aware of any other contingent liabilities which require disclosure in the financial year ended 30 June 2023.

The Group has no contingent liabilities at 30 June 2023.

## Note 35. Commitments

The Group has no capital and other commitments at 30 June 2023 and 30 June 2022.

## Note 36. Events after the reporting period

On 5 July 2023, the Company issued 1,000,000 performance rights to four non-KMP respectively to incentivize and retain. The performance rights vesting conditions subject to 2 years of service and achieving share price based on the 30th day VWAP. Detailed of the conditions can be found in the announcement.

On 10 July 2023, the Company entered into a binding agreement to acquire the assets and business of Shimazaki Management Group Pty Ltd trading as Thomas Cyber, an established cyber security expert.

Under the terms of the Agreement, DC Two shall acquire the business and assets of Shimazaki Management Group Pty Ltd trading as Thomas Cyber (ACN 622 703 084) free from any and all debts and encumbrances, for the consideration referred to below (Consideration Shares):

**Tranche 1**: 1 Performance Right converting into 1,000,000 Shares upon the Incoming Employees remaining continuously employed by the Buyer for a period of 12 months from completion;

## Note 36. Events after the reporting period (continued)

**Tranche 2:** 1 Performance Right converting into:
· $75,000 worth of Shares if the Thomas Cyber Business achieves a minimum of $1,000,000 in audited revenue for the fiscal 2024 period; or
· $35,000 worth of Shares if the Thomas Cyber Business achieves a minimum of $500,000 in audited revenue for the fiscal 2024 period.

**Tranche 3:** 1 Performance Right converting into:
· $200,000 worth of Shares if the Thomas Cyber Business achieves a minimum of $3,000,000 in audited revenue for the fiscal 2025 period; or
· $100,000 worth of Shares, if the Thomas Cyber Business achieves a minimum of $2,000,000 in audited revenue for the fiscal 2025 period.

The deemed issue price of the Consideration Shares to be issued on conversion of each respective tranche of Performance Rights is the **higher** of:
i. $0.025 per Share; and
ii. The volume weighted average price of Shares traded on the ASX in the 15-days prior to the lodgement of the Buyers 30 June 2024 annual report for Tranche 2; and
iii. The volume weighted average price of Shares traded on the ASX in the 15-days prior to the lodgement of the Buyers 30 June 2025 annual report for Tranche 3.

The Agreement was subject to the satisfaction or waiver of the following conditions precedent:
· Due Diligence by DC Two: DC Two confirming in writing to Thomas Cyber that it is satisfied with the outcome of any due diligence it has conducted in relation to the Thomas Cyber business.
· Employment agreements: Dr Thomas Jreige and Kristen Rayson entering into employment agreements with DC Two under terms which are mutually acceptable to both parties.
· Third Party Consents and Approvals: The Parties obtaining all other approvals, consents, novation, transfers of IP and other rights, or waivers of a third party (including those of any Governmental Agency) which are necessary or desirable to implement the Acquisition or to assign the Thomas Cyber Business Contracts and Intellectual Property Licenses; and
· Other standard conditions precedent for a transaction of this nature.

On 17 July 2023, the Company completed the acquisitions of the assets and business of Shimazaki Management Group Pty Ltd.

Following the completion of acquisition, on 17 July 2023, the Company issued all the considerations shares and rights that related to the acquisition.

On 9 August 2023, the Company announced the approval and receipt of its financial year 2022 research and development (R&D) tax incentive fund of $749,455 from Australian Taxation office.

On 11 September 2023, the Company announced its intention to change its name to Adisyn Ltd with ticker code to AI1, subject to shareholder approval at the upcoming shareholder meeting to be held on 10 October 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group 's operations, the results of those operations, or the Group 's state of affairs in future financial years.

## Note 37. Key management personnel disclosures

*Directors*
The following persons were directors of DC Two Limited during the financial year:

| | |
|---|---|
| Shane Wee | Non-Executive Chairman |
| Blake Burton | Managing Director |
| Justin Thomas | Executive Director |

## Note 37. Key management personnel disclosures (continued)

*Other key management personnel*
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group , directly or indirectly, during the financial year:

| **Name** | **Position** |
|---|---|
| Justin Thomas | Chief Technology Officer |
| Liam Gale | Chief Information Officer (appointed 14 March 2023) |
| Paul Arch | Chief Operating Officer (appointed 14 March 2023) |
| Jesper Sentow | Chief Financial Officer (appointed 16 June 2023) |
| Bradley Goodsell | Chief Financial Officer (resigned 16 June 2023) |
| Michael Travis | General Manager - Cloud (resigned 15 March 2023) |
| James Mercer | Data Centre Manager (ceased as KMP on 14 March 2023) |

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

| | **Consolidated 30 June 2023 $** | **Company 30 June 2022 $** |
|---|---:|---:|
| Short-term employee benefits | 780,459 | 659,444 |
| Post-employment benefits | 73,940 | 62,013 |
| Long-term benefits | 12,807 | 6,560 |
| Share-based payments | 15,897 | 584,290 |
| | 883,103 | 1,312,307 |

## Note 38. Related party transactions

*Parent entity*
DC Two Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in **note 33**.

*Key management personnel*
Disclosures relating to key management personnel are set out in **note 37** and the remuneration report included in the directors' report.

*Transactions with related parties*
The following transactions occurred with related parties - Key Management Personnel of the Company comprises the Board and key executive management staff.:

| | **Consolidated 30 June 2023 $** | **Company 30 June 2022 $** |
|---|---:|---:|
| Other transactions: | | |
| Trevor Thomas – employee (gross salary plus super) * | 27,252 | 26,400 |
| Linley Thomas – employee (gross salary plus super) * | 3,146 | 13,200 |
| Rebecca Thomas - employee (gross salary plus super) ** | 113,548 | 132,462 |

* The related parties are the parents of Justin Thomas, Director and CTO.
** The related party is the spouse of Justin Thomas Director and CTO.

## Note 38. Related party transactions (continued)

*Receivable from and payable to related parties*
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*
The following balances are outstanding at the reporting date in relation to loans with related parties:

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| **Current borrowings:** | | |
| Loan from Blake Burton[1] | 205,487 | - |
| **Non-current borrowings:[2]** | | |
| Loan from Blake Burton | 181,000 | 181,000 |
| Loan from Justin Thomas | 120,000 | 120,000 |
| Loan from Shane Wee | 60,000 | 60,000 |

[1]The Company has entered into a short-term loan agreement with its Managing Director, Mr Blake Burton on 27 February 2023. Under the 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 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% p.a.

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

*Interests of KMP in subsidiaries*

| Name of related party | Nature of relationship | Nature of related party transactions |
|---|---|---|
| Blake Burton | Managing Director | Director of Attained |
| Burton Capital Holdings Pty Ltd | relation to Blake Burton | Attained acquisition |
| Liam Gale | Chief Information Officer | Director of Attained |
| Aviso IT | relation to Liam Gale | Attained acquisition |
| Paul Arch | Chief Operating Officer | Director of Attained |
| Esidium Group | relation to Paul Arch | Attained acquisition |

Paul Arch (**COO**) and Liam Gale (**CIO**) became KMP on 14 March 2023 as a result of the acquisition of Attained. They both subsequently resigned on 2 August 2023 and 28 July 2023 respectively.

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## Note 39. Share-based payments

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.

## Note 39. Share-based payments (continued)

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

| | Number of options Consolidated 30 June 2023 | Weighted average exercise price Consolidated 30 June 2023 | Number of options Company 30 June 2022 | Weighted average exercise price Company 30 June 2022 |
|---|---|---|---|---|
| Outstanding at the beginning of the financial year | 23,483,292 | $0.325 | 10,150,000 | $0.350 |
| Granted | 2,562,500 | $0.110 | 13,333,292 | $0.300 |
| Outstanding at the end of the financial year | 26,045,792 | $0.218 | 23,483,292 | $0.325 |

**Consolidated 30 June 2023**

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 26/11/2021 | 25/11/2025 | $0.300 | 1,000,000 | - | - | - | 1,000,000 |
| 26/11/2021 | 26/11/2023 | $0.300 | 4,000,000 | - | - | - | 4,000,000 |
| 26/11/2021 | 25/11/2023 | $0.300 | 8,000,000 | - | - | - | 8,000,000 |
| 26/11/2021 | 25/11/2023 | $0.300 | 333,292 | - | - | - | 333,292 |
| 30/11/2022 | 30/11/2024 | $0.110 | - | 2,562,500 | - | - | 2,562,500 |
| | | | 13,333,292 | 2,562,500 | - | - | 15,895,792 |
| Weighted average exercise price | | | $0.325 | $0.110 | $0.000 | $0.000 | $0.218 |

**Company 30 June 2022**

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 26/11/2021 | 25/11/2025 | $0.300 | - | 1,000,000 | - | - | 1,000,000 |
| 26/11/2021 | 26/11/2023 | $0.300 | - | 4,000,000 | - | - | 4,000,000 |
| 26/11/2021 | 25/11/2023 | $0.300 | - | 8,000,000 | - | - | 8,000,000 |
| 26/11/2021 | 25/11/2023 | $0.300 | - | 333,292 | - | - | 333,292 |
| | | | - | 13,333,292 | - | - | 13,333,292 |

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

| Grant date | Expiry date | Consolidated 30 June 2023 Number | Company 30 June 2022 Number | |
|---|---|---|---|---|
| 15/09/2020 | 10/11/2024 | - | - | (1) |
| 15/09/2020 | 31/07/2024 | - | - | (2) |
| 21/04/2021 | 07/05/2024 | - | 4,000,000 | |
| 26/11/2021 | 25/11/2023 | - | 4,000,000 | |
| 26/11/2021 | 25/11/2025 | 500,000 | 500,000 | (3) |
| | | 500,000 | 8,500,000 | |

## Note 39. Share-based payments (continued)

(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 in prior year and 50% vested by the end of the year.

The weighted average share price during the financial year was $0.03718.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.29 years.

During the year 2,000,000 Performance Right C and 2,000,000 Performance Right D were issued evenly to Paul Arch and Liam Gale.

- **2,000,000 Tranche 1 Performance Rights** subject to the following vesting conditions:
  a) 2 years of service (continued employment) with the Company from 1 July 2023 to 30 June 2025; and
  b) the Company achieving the following share price based on the 30 day VWAP over the 2 years period form 1 July 2023 to 30 June 2025:
    i. Share price less than $0.12 (0% of vesting)
    ii. Share price between $0.12 and $0.20 (50% of vesting)
    iii. Share price greater than $0.20 (100% of vesting)

- **2,000,000 Tranche 2 Performance Rights** subject to the following vesting conditions:
  a) 2 years of service (continued employment) with the Company from 1 July 2023 to 30 June 2025; and
  b) the Company achieving two consecutive quarters of Net cash from / (used in operating) activities greater than $0 over the 2 years period from 1 July 2023 to 30 June 2025.

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Methodology | Iterations | Grant date | Vesting date | Share price at grant date ($) | Exercise price ($) | Risk-free rate % | Volatility % | Value per performance right | Total fair value |
|---|---|---|---|---|---|---|---|---|---|
| Monte Carlo | 100,000 | 08/03/2023 | 30/06/2025 | $0.029 | $0.00 | 3.430% | 77.57% | 0.0074 | $14,720 |
| Black Scholes | - | 08/03/2023 | 30/06/2025 | $0.029 | $0.00 | 3.430% | 77.57% | 0.0290 | $58,000 |

*Accounting policy for 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 Group 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 39. 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 portion 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 Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group 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.

## Note 40. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Hall Chadwick, the auditor of the Company:

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Audit services - Hall Chadwick (30 June 2022: Grant Thornton Audit Pty Ltd)* | | |
| Audit or review of the financial statements | 48,000 | 81,930 |
| *Other services - Hall Chadwick (30 June 2022: Grant Thornton Australia Ltd)* | | |
| Preparation of the tax return | - | 3,850 |
| | 48,000 | 85,780 |

## Note 41. Earnings per share

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Earnings per share for loss from continuing operations* | | |
| Loss after income tax | (2,216,244) | (4,458,807) |
| Loss after income tax attributable to the owners of DC Two Limited | (2,216,244) | (4,458,807) |
| Loss after income tax attributable to the owners of DC Two Limited used in calculating diluted earnings per share | (2,216,244) | (4,458,807) |

## Note 41. Earnings per share (continued)

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | (2.19) | (6.44) |
| Diluted earnings per share | (2.19) | (6.44) |

| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
|---|---|---|
| *Earnings per share for profit from discontinued operations* | | |
| Profit after income tax | 475,681 | 15,689 |
| Non-controlling interest | - | - |
| Profit after income tax attributable to the owners of DC Two Limited | 475,681 | 15,689 |
| Profit after income tax attributable to the owners of DC Two Limited used in calculating diluted earnings per share | 475,681 | 15,689 |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | 0.47 | 0.02 |
| Diluted earnings per share | 0.47 | 0.02 |

| | Number | Number |
|---|---|---|
| *Weighted average number of ordinary shares* | | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 101,408,651 | 69,255,865 |
| Adjustments for calculation of diluted earnings per share: | | |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 101,408,651 | 69,255,865 |

As the Group incurred a loss for the financial year, the options on issue have an anti-dilutive effect, therefore the diluted EPS is equal to the basic EPS. A total of 26,045,792 share options (30 June 2022: 23,483,333) which could potentially dilute EPS in the future have been excluded from the diluted EPS calculation because they are anti-dilutive for the current year presented.

*Accounting policy for earnings per share*
*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the owners of DC Two Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## Note 42. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
| Loss after income tax | (2,062,347) | (4,443,119) |
| Total comprehensive income | (2,062,347) | (4,443,119) |

*Statement of financial position*

| | Parent | |
|---|---|---|
| | Consolidated 30 June 2023 $ | Company 30 June 2022 $ |
| Total current assets | 3,524,234 | 1,162,301 |
| Total assets | 7,342,481 | 8,165,540 |
| Total current liabilities | 3,303,969 | 2,444,046 |
| Total liabilities | 5,653,024 | 5,943,572 |
| Equity | | |
| Issued capital | 9,586,035 | 8,072,098 |
| Share-based payments reserve | 2,695,875 | 2,679,978 |
| Accumulated losses | (10,592,453) | (8,530,108) |
| Total equity | 1,689,457 | 2,221,968 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in **note 2** to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group 's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- 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 directors

___________________________
Blake Burton
Managing Director

29 September 2023

# 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") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

### 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 Consolidated Entity 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* (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 2 in the financial report which indicates that the Consolidated Entity incurred a net loss of $1,740,563 during the year ended 30 June 2023. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this 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.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Acquisition of Attained Group Pty Ltd<br><br>As disclosed in note 31 of the financial report, 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. The acquisitions have been accounted for in accordance with the requirements of AASB 3 Business Combinations.<br><br>Accounting for the acquisition constituted a key audit matter due to:<ul><li>The size and scope of the acquisition;</li><li>The complexities inherent in such a transaction; and</li><li>The judgement required in determining the value of the consideration transferred.</li></ul></td><td>Our procedures amongst others included:<ul><li>Reviewing the acquisition agreements to understand the key terms and conditions of the transactions;</li><li>Assessing the fair value of consideration transferred with reference to the terms of the acquisition agreement;</li><li>Verifying the acquisition date balance sheets of the acquiree to underlying supporting documentation;</li><li>Assessing management's determination of the fair value of the assets and liabilities at the date of acquisition and consider any impairment requirements;</li><li>Assessing the appropriateness of disclosures in the financial report.</li></ul></td></tr>
</table>

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assets classified as held for sale**<br><br>As disclosed in note 17 to the financial statements, the Group entered into a binding agreement to dispose its Modular Business to D Comm for a total consideration of $3 million in cash.<br><br>We considered this as a key audit matter because of the size and nature of the transactions. | As part of our audit procedures, the following audit procedures were performed:<br><br>• Reviewed the sales agreements;<br>• Evaluated the substance of the sale using the terms and conditions of the underlying transaction agreements against the criteria for discontinued operations in accounting standards;<br>• Assessment of the transactions to verify the measurement and classification of the assets to ensure they were recorded at the lower of the carrying amount or fair value less cost to sell;<br>• Assessed of the reallocation of costs associated with discontinued operations;<br>• Calculation of the loss on the discontinue of operations; and<br>• Assessing the adequacy of the disclosures included in notes 17 to the financial statements. |
| **Revenue Recognition**<br><br>During the year ended 30 June 2023, the Consolidated Entity generated sales revenue of $2,675,217 (2022: $1,830,278).<br><br>Revenue recognition has been included as a key focus area in the audit report due to its financial significance and the increase in revenue during the year. | We reviewed the Consolidated Entity's revenue accounting policy and their contracts with customers and considered how management:<br>• Identified the contract<br>• Identified the performance obligations within the contracts;<br>• Determined the transaction price;<br>• Allocated the transaction price to the performance obligations<br>• Recognised revenue when the performance obligation was satisfied<br><br>In addition to the above our procedures amongst others included:<br>• Understanding the policies and procedures applied to the sales process and their application to revenue recognition; and<br>• Performing substantive audit procedures on a sample basis by verifying revenue to relevant supporting documentation, verification of cash receipts for goods and ensuring the revenue was recognised at the appropriate time and classified correctly. |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2023, 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 accordingly 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 Note 2, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity'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 Consolidated Entity or to cease operations, or has 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

## Auditor's Opinion

In our opinion, the Remuneration Report of DC Two Limited, for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Hall Chadwick

**HALL CHADWICK WA AUDIT PTY LTD**

Mark Delaurentis

**MARK DELAURENTIS** CA
**Director**

Dated in Perth, Western Australia this 29th day of September 2023

The shareholder information set out below was applicable as at 27 September 2023.

**CORPORATE GOVERNANCE STATEMENT**

The Company's Corporate Governance Statement has been released as a separate document and is also located on our website at https://dctwo.com.au/investors-corporate-governance.

**ORDINARY SHARE CAPITAL**

130,716,089 fully paid ordinary shares are held by 1,016 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 | BURTON CAPITAL HOLDINGS PTY LTD <BURTON INVESTMENT A/C> | 15,133,977 | 11.58% |
| 2 | THOMAS FAMILY HOLDINGS PTY LTD | 14,578,396 | 11.15% |
| 3 | GA SKYLIGHT PTE LTD | 12,511,226 | 9.57% |
| 4 | MARK FRANCIS DIGNAM | 4,518,598 | 3.46% |
| 5 | JDE CAPITAL PTY LTD <JDE CAPITAL A/C> | 3,634,459 | 2.78% |
| 6 | APPWAM PTY LTD | 2,870,320 | 2.20% |
| 7 | ESIDIUM GROUP PTY LTD <P & G ARCH FAMILY A/C> | 2,572,957 | 1.97% |
| 8 | FOCUS GROUP HOLDINGS PTY LTD | 2,352,408 | 1.80% |
| 9 | MR XIN RUI LIN | 2,079,885 | 1.59% |
| 10 | OOFY PROSSER PTY LTD <DRONES FAMILY A/C> | 1,632,052 | 1.25% |
| 11 | MR BRADLEY PAUL GOODSELL | 1,492,093 | 1.14% |
| 12 | KINGSTON NOMINEES PTY LTD | 1,490,000 | 1.14% |
| 13 | CITICORP NOMINEES PTY LIMITED | 1,475,543 | 1.13% |
| 14 | AVISO IT PTY LTD <THE GALE FAMILY A/C> | 1,340,365 | 1.03% |
| 15 | MR ABUSAD AHMAD | 1,327,182 | 1.02% |
| 16 | MR CHIN YONG CHONG | 1,313,696 | 1.00% |
| 17 | MR LUCAS SENG LUK KONG <LKKL A/C> | 1,282,052 | 0.98% |
| 18 | MR BRANDON CALLADINE | 1,282,051 | 0.98% |
| 19 | MR CARLSON KHOO | 1,282,051 | 0.98% |
| 20 | THE PIONEER DEVELOPMENT FUND (AUST) LIMITED | 1,252,486 | 0.96% |
| | **Total top 20** | **75,421,797** | **57.70%** |
| | Others | 55,294,292 | 42.30% |
| | **Total ordinary shares on issue** | **130,716,089** | **100.00%** |

## SUBSTANTIAL HOLDERS

The Company has three substantial shareholders as at 27 September 2023.

| Holder Name | Holding | % IC |
|---|---|---|
| BURTON CAPITAL HOLDINGS PTY LTD <BURTON INVESTMENT A/C> | 15,133,977 | 11.58% |
| THOMAS FAMILY HOLDINGS PTY LTD | 14,578,396 | 11.15% |
| GA SKYLIGHT PTE LTD | 12,511,226 | 9.57% |

## DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

| Holding Ranges | Holders | Total Units | % Issued Share Capital |
|---|---|---|---|
| 1 - 1,000 | 34 | 13,779 | 0.01% |
| 1,001 - 5,000 | 321 | 856,750 | 0.66% |
| 5,001 - 10,000 | 169 | 1,367,780 | 1.05% |
| 10,001 - 100,000 | 356 | 13,494,433 | 10.32% |
| 100,001 – and over | 136 | 114,983,347 | 87.96% |
| **Totals** | **1,016** | **130,716,089** | **100.00%** |

## UMARKETABLE PARCELS

There were 659 shareholders with less than marketable parcel totalling 4,379,316 shares based on the share price of $0.023 as at close of business on 27 September 2023.

## RESTRICTED SECURITIES

As at 27 September 2023, the following restricted securities are on issue:

**3,913,322 Fully Paid Ordinary Shares escrowed 12 months from issue, releasing 31/03/2024 – 2 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| ESIDIUM GROUP PTY LTD<P & G ARCH FAMILY A/C> | 2,572,957 | 65.75% |
| AVISO IT PTY LTD<THE GALE FAMILY A/C> | 1,340,365 | 34.25% |

**13,911,182 Fully Paid Ordinary Shares escrowed 24 months from issue, releasing 31/03/2025 – 2 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| BURTON CAPITAL HOLDINGS PTY LTD <BURTON INVESTMENT A/C> | 13,911,182 | 100.00% |

**12,333,292 Options expiring 20/12/2023 @ $0.30 – 97 Holders**

*Holders with more than 20% - nil*

### LISTED OPTIONS

| | Name | No of Ordinary Shares Held | Percentage of Issued Shares |
|---|---|---|---|
| 1 | KOSEDA PTY LTD <KOSEDA A/C> | 1,416,667 | 11.49% |
| 2 | MR PETER JAMES MULDOON | 1,366,666 | 11.08% |
| 3 | KALCON INVESTMENTS PTY LTD | 1,133,333 | 9.19% |
| 4 | MR LUKE KUKULJ | 672,950 | 5.46% |
| 5 | ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C> | 666,666 | 5.41% |
| 6 | THE PIONEER DEVELOPMENT FUND (AUST) LIMITED | 583,333 | 4.73% |
| 7 | ACNS CAPITAL MARKETS PTY LTD | 400,000 | 3.24% |
| 8 | FOCUS SHOPFIT PTY LTD | 333,333 | 2.70% |
| 9 | MR ALEXANDER JAMES ROSS & MRS DOREEN ROSS | 274,999 | 2.23% |
| 10 | MR BRETT JAMES RUDD | 250,000 | 2.03% |
| 11 | MR BRADLEY PAUL GOODSELL | 250,000 | 2.03% |
| 12 | LONHRO (WA) PTY LTD <LONHRO A/C> | 250,000 | 2.03% |
| 13 | MR KENNETH FRANCIS KENNEDY | 214,916 | 1.74% |
| 14 | MR XIN RUI LIN | 200,000 | 1.62% |
| 15 | STOW COURT PTY LTD <RM & JP BOLTON S/F A/C> | 200,000 | 1.62% |
| 16 | ALPHABRIGHT CAPITAL ASSET MANAGEMENT PTY LTD | 166,667 | 1.35% |
| 17 | BURTON CAPITAL HOLDINGS PTY LTD <BURTON INVESTMENT A/C> | 166,666 | 1.35% |
| 18 | MR SHANE HOEHOCK WEE <WEE FAMILY A/C> | 166,666 | 1.35% |
| 19 | MRS CAROLINE RANTI | 166,666 | 1.35% |
| 20 | MCALINDEN SUPERANNUATION PTY LTD <MCALINDEN SUPER FUND A/C> | 150,000 | 1.22% |
| | **Total Top 20** | **9,029,528** | **73.21%** |
| | Others | 3,303,764 | 26.79% |
| | **Total Options on Issue** | **12,333,292** | **100.00%** |

### UNQUOTED SECURITIES

As at 27 September 2023, 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 | 2,950,000 | 4 |
| Options expiring 30/11/2023 @ $0.11 | 2,562,500 | 5 |
| Director Options expiring 20/12/2025 @ $0.60 | 1,000,000 | 1 |
| Convertible loan | 246,250 | 12 |
| Performance Rights exp 31/12/2025 | 2,000,000 | 2 |
| Performance Rights exp 31/12/2025 | 2,000,000 | 2 |
| Performance Rights exp 01/07/2026 | 1,000,000 | 4 |
| Performance Rights exp 01/07/2026 | 1,000,000 | 4 |
| Performance Rights T1 exp 31/12/2024 | 1 | 1 |
| Performance Rights T2 exp 31/12/2024 | 1 | 1 |
| Performance Rights T3 exp 31/12/2025 | 1 | 1 |

**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%*

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

**2,562,500 Options expiring 30/11/2024 @ $0.11 – 5 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| GA SKYLIGHT PTE LTD | 1,000,000 | 39.02% |

**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% |

**2,000,000 Performance Rights expiring 31/12/2025 – 2 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| ESIDIUM GROUP PTY LTD<P & G ARCH FAMILY A/C> | 1,000,000 | 50.00% |
| AVISO IT PTY LTD<THE GALE FAMILY A/C> | 1,000,000 | 50.00% |

**2,000,000 Performance Rights expiring 31/12/2026 – 2 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| ESIDIUM GROUP PTY LTD<P & G ARCH FAMILY A/C> | 1,000,000 | 50.00% |
| AVISO IT PTY LTD<THE GALE FAMILY A/C> | 1,000,000 | 50.00% |

**1,000,000 Performance Rights expiring 01/07/2026 – 4 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| JAMES MERCER | 250,000 | 25.00% |
| AARON NIALL CHAPMAN | 250,000 | 25.00% |
| LEWIS JOEL CARPENTER | 250,000 | 25.00% |
| THY BIFFIN | 250,000 | 25.00% |

**1,000,000 Performance Rights expiring 01/07/2026 – 4 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| JAMES MERCER | 250,000 | 25.00% |
| AARON NIALL CHAPMAN | 250,000 | 25.00% |
| LEWIS JOEL CARPENTER | 250,000 | 25.00% |
| THY BIFFIN | 250,000 | 25.00% |

**1 Performance Right expiring 31/12/2024 – 1 Holder**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| SEIKI KAZOKU CORPORATION PTYLTD<SEIKI KAZOKU A/C> | 1 | 100.00% |

**1 Performance Right expiring 31/12/2024 – 1 Holder**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| SEIKI KAZOKU CORPORATION PTYLTD<SEIKI KAZOKU A/C> | 1 | 100.00% |

**1 Performance Right expiring 31/12/2025 – 1 Holder**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| SEIKI KAZOKU CORPORATION PTYLTD<SEIKI KAZOKU A/C> | 1 | 100.00% |

**246,250 Convertible Loan – 12 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| OOFY PROSSER PTY LTD <DRONES FAMILY A/C> | 50,000 | 20.30% |

**ON-MARKET BUY BACK**

There is currently no on-market buyback program.

# 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 2022 to 30 June 2023 **(Reporting Period)**, the Company's governance framework was consistent with reference to the $4^{th}$ 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 29 September 2023 and was approved by a resolution of the Board on the 29 September 2023.

**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**<br>A listed entity should have and disclose a charter which:<br>(a) sets out the respective roles and responsibilities of the board, the chair and management; and<br>(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**<br>A listed entity should:<br>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and<br>(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.<br>(b) The Company provided all material information to Shareholders in relation to:<br>- The re-election of Justin Thomas at the Annual General Meeting held 11 November 2022. |
| **Recommendation 1.3**<br>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.<br>The Company has a written agreement with each of its Directors, and senior executives. |
| **Recommendation 1.4**<br>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**<br>A listed entity should:<br>(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;<br>(b) disclose that policy or a summary or it; and<br>(c) disclose as at the end of each reporting period:<br>(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 | 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.<br>Given the Company's stage of development and the number of employees, the Board considers it is not practical to set measurable objectives for achieving gender diversity at this time.<br>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 |

<table>
<tr><th>Recommendations</th><th>Comply</th><th>Explanation</th></tr>
<tr><td>(ii) either:<br>(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<br>(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.</td><td></td><td>purposes means those persons who report directly to the chief executive officer (or equivalent):<br><table><tr><th></th><th>Male</th><th>Female</th><th>Total</th></tr><tr><td>Board of DC Two Limited</td><td>3</td><td>-</td><td>3</td></tr><tr><td>Senior executives</td><td>3</td><td>1</td><td>4</td></tr><tr><td>Total</td><td>6</td><td>1</td><td>7</td></tr></table></td></tr>
<tr><td>Recommendation 1.6<br>A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and<br>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</td><td>Yes</td><td>(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.<br>(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 been performed for the year ended 30 June 2023.</td></tr>
<tr><td>Recommendation 1.7<br>A listed entity should:<br>(a) have and disclose a process evaluating the performance of its senior executives at least once every reporting period; and<br>(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.</td><td>Yes</td><td>(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.<br>The applicable processes for these evaluations can be found in the Company’s Corporate Governance Plan, which is available on the Company’s website.<br>(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 been performed for the year ended 30 June 2023.</td></tr>
<tr><th colspan="3">Principle 2: Structure the board to be effective and add value</th></tr>
<tr><td>Recommendation 2.1<br>The board of a listed entity should:<br>(a) have a nomination committee which:<br>(i) has at least three members, a majority of whom are independent Directors; and<br>(ii) is chaired by an independent Director,<br>and disclose:<br>(iii) the charter of the committee;</td><td>Yes</td><td>(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.</td></tr>
</table>

| Recommendations | Comply | Explanation |
|---|---|---|
| (iv) the members of the committee; and<br>(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<br><br>(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. | | (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:<br>(i) devoting time at least annually to discuss Board succession matters and updating the Company's Board skills matrix; and<br>(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.<br><br>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.<br>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 2023 Annual Report. |
| **Recommendation 2.2**<br>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 mix of skills and expertise is present to facilitate successful strategic direction.<br><br>The Board has identified the appropriate mix of skills and diversity required of its members to operate efficiently and effectively. |
| **Recommendation 2.3**<br>**A listed entity should disclose:**<br><br>(a) the names of the directors considered by the board to be independent directors;<br><br>(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<br><br>(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.<br><br>Names of Directors during the Reporting Period and their length of service up to the date of this statement is noted below:<br><br>Name      Length of Service |

| Recommendations | Comply | Explanation |
|---|---|---|
| | | Shane Wee<br>Non-Executive Chairman and Non-Executive Director — 2 years[1]<br>Justin Thomas<br>Managing Director — 11 years and 6 months[2]<br>Blake Burton<br>Executive Director — 3 years[3] |
| **Recommendation 2.4**<br>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.<br><br>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.<br><br>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:<br><br>a) the Company's limited scale of activities, means the Company only needs, and can only commercially sustain, a small board of directors;<br>b) the Company considers at least two (2) directors need to be executive directors for the Company to be effectively managed;<br>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<br>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<br><br>As the Company's operations progress, the Board will review the composition of the Board, including independence of its Directors. |
| **Recommendation 2.5**<br>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.<br><br>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**<br>A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to | 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 |

[1] At the 30 09 2023
[2] At the 30 09 2023
[3] At the 30 09 2023

| Recommendations | Comply | Explanation |
|---|---|---|
| develop and maintain the skills and knowledge needed to perform their role as a director effectively. | | 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**<br>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.<br><br>The Company's statement of values (which forms part of the Corporate Governance Plan) is available on the Company's website. |
| **Recommendation 3.2**<br>A listed entity should:<br>(a) have a code of conduct for its directors, senior executives and employees; and<br>(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.<br><br>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. |
| **Recommendation 3.3**<br>A listed entity should:<br>(a) have and disclose a whistleblower policy; and<br>(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**<br>A listed entity should:<br>(a) have and disclose an anti-bribery and corruption policy; and<br>(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**<br>The board of a listed entity should:<br>(a) have an audit committee which:<br>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and | Yes | The Company does not have a separate Audit and Risk Committee.<br><br>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. |

| Recommendations | Comply | Explanation |
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| (ii) is chaired by an independent director, who is not the chair of the board,<br><br>and disclose:<br>(iii) the charter of the committee;<br>(iv) the relevant qualifications and experience of the members of the committee; and<br>(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<br><br>(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. | | 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.<br><br>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.<br><br>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 performance of the external auditor will be reviewed on an annual basis by the Board. |
| **Recommendation 4.2**<br>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.<br><br>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**<br>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**<br>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.<br><br>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** | Yes | Under the Company's Continuous Disclosure Policy (which forms part of the Corporate Governance Plan), all members of the Board |

| Recommendations | Comply | Explanation |
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| A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made. | | will receive material market announcements promptly after they have been made.<br><br>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**<br>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**<br>A listed entity should provide information about itself and its governance to investors via its website. | Yes | Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website:<br>https://dctwo.com.au/investors-corporate-governance/ |
| **Recommendation 6.2**<br>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**<br>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**<br>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**<br>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.<br><br>Shareholders queries should be referred to the Company Secretary at first instance. |
| **Principle 7: Recognise and manage risk** | | |
| **Recommendation 7.1**<br>The board of a listed entity should:<br><br>(a) have a committee or committees to oversee risk, each of which:<br>(i) has at least three members, a majority of whom are independent directors; and<br>(ii) is chaired by an independent director, | Yes | The Company does not have a separate Risk Committee.<br><br>Please refer to disclosure in relation to Recommendation 4.1 above. |

| Recommendations | Comply | Explanation |
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| and disclose:<br>(iii) the charter of the committee;<br>(iv) the members of the committee; and<br>(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<br><br>(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**<br>The board or a committee of the board should:<br><br>(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<br><br>(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.<br><br>The Board continues to review the risk profile of the Company and monitors risk throughout the reporting period. |
| **Recommendation 7.3**<br>A listed entity should disclose:<br><br>(a) if it has an internal audit function, how the function is structured and what role it performs; or<br><br>(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.<br><br>As set out in Recommendation 7.1, the Board is responsible for overseeing the Company's risk management framework.<br><br>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**<br>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.<br><br>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**<br>The board of a listed entity should:<br><br>(a) have a remuneration committee which:<br>(i) has at least three members, a majority of whom are independent directors; and<br>(ii) is chaired by an independent director, | 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 |
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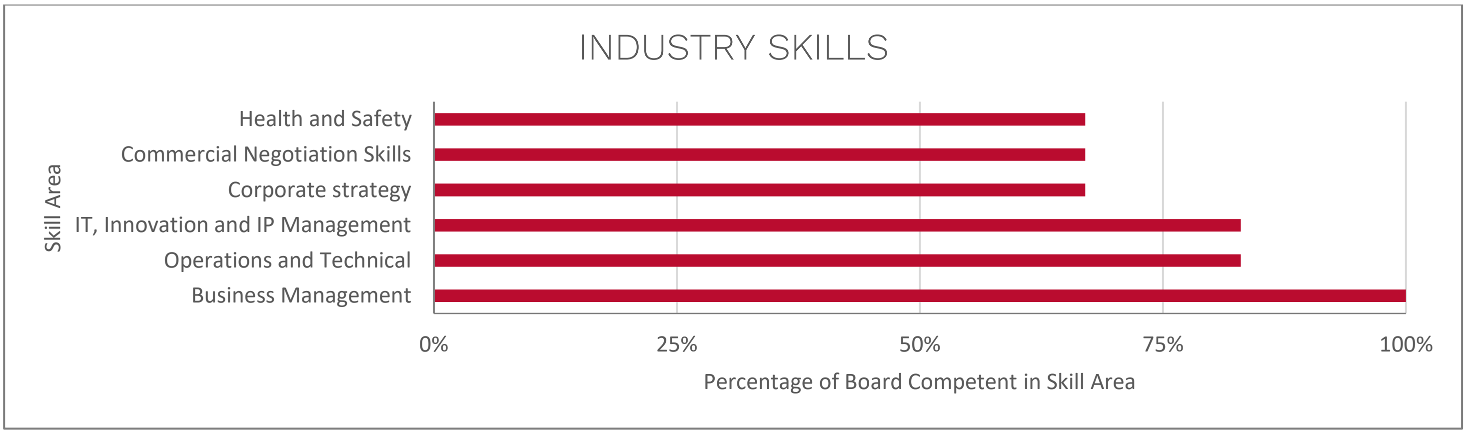
| and disclose:<br><br>(iii) the charter of the committee;<br>(iv) the members of the committee; and<br>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br><br>(b) if it does not 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:<br><br>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**<br>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**<br>A listed entity which has an equity-based remuneration scheme should:<br><br>(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<br><br>(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

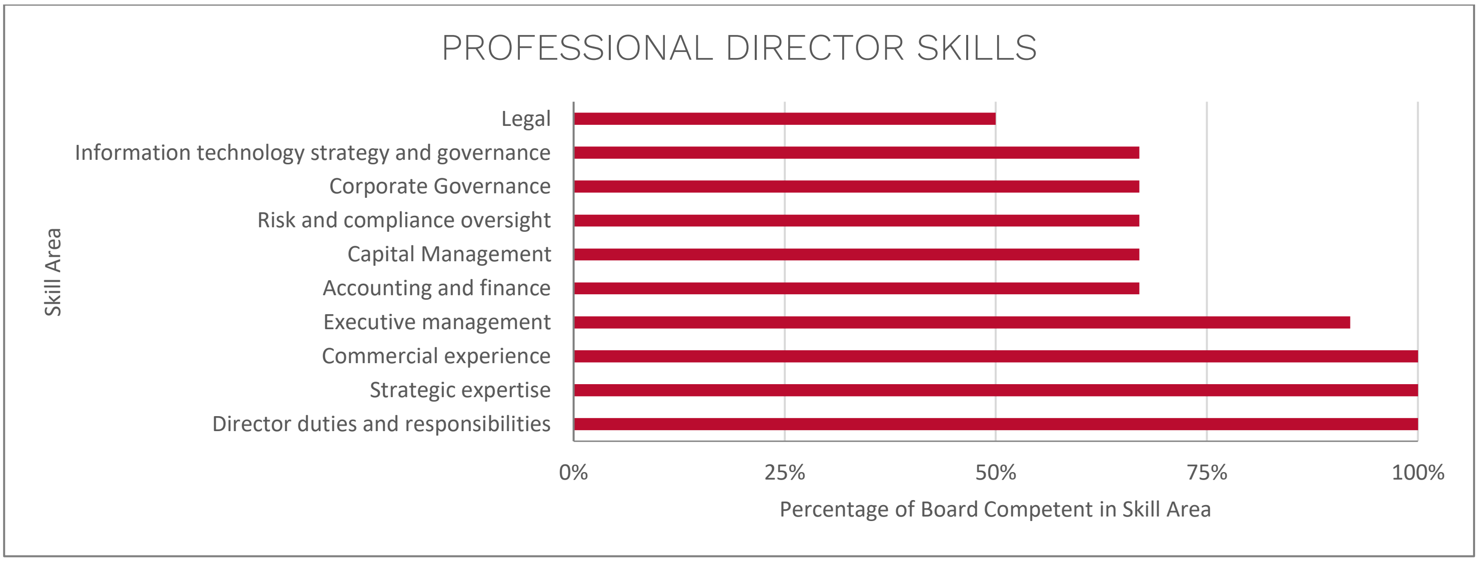
The Board has identified that the appropriate mix of skills and diversity required of its members to operate effectively and efficiently is achieved by personnel having substantial skills and experience in the following Industry Skills: Health and Safety; Operations and Technical; Capital Management; 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.