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\$35 million Capital Raising and National Expansion

22 November 2021

SOVEREIGN CLOUD HOLDINGS LIMITED (ASX: SOV)

Sovereign Cloud Holdings Limited (“**AUCloud**” or “**Company**”) announced today that it is undertaking an equity raising, comprising of a placement to NEXTDC Limited¹ (ASX:NXT) (“**NEXTDC**”) together with a fully underwritten accelerated pro-rata non-renounceable entitlement offer to eligible institutional shareholders and eligible retail shareholders, to raise a total of approximately \$35 million (the “**Equity Raising**”).

Key Highlights

- AUCloud’s core product offering continues to target an attractive market niche
- Sovereign cloud services, data security and storage increasingly a key focus of Defence, Governments, Critical National Industries and many Enterprises
- AUCloud’s pro forma net cash position will increase to \$41.5m as at 31 October 2021 (post Equity Raising)
- Funding will largely be deployed to:
 - Invest in customer growth capex and working capital required to scale AUCloud to critical mass
 - Invest in new cloud platforms in Brisbane, Melbourne and Adelaide
- Equity Raising to be conducted at \$0.50 per new share (Offer Price)
- NEXTDC will become a new Strategic Investor (19.99%) and Partner

¹ Placement is via NEXTDC’s wholly owned subsidiary, NEXTDC Ventures Holdings No.1 Pty Ltd. The investment will result in a 19.99% shareholding in AUCloud on completion of the Equity Raising.

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AUCloud CEO and Managing Director, Phil Dawson said: *"We continue to see a trend towards greater emphasis on sovereign cloud services to ensure all data remains within Australian legal jurisdictions. Our strategic partnership with NEXTDC, a leading provider of premium data centre facilities, will provide access to a powerful national network of 1,500+ enterprise customers and 730+ channel partners. This Equity Raising capitalises AUCloud to extend its platform footprint into Brisbane, Melbourne and Adelaide, and expand its customer reach into the large security conscious enterprise market".*

NEXTDC CEO and Managing Director, Craig Scroggie said: *"NEXTDC has an in-depth understanding of the underlying cloud market dynamics gained through our national network of premium data centre facilities across Australia. Following the injection of growth capital into AUCloud, we believe Phil and the team are very well positioned to benefit from the increasing trend towards sovereign IaaS cloud and high security solutions".*

Equity Raising Overview

The Equity Raising is expected to raise approximately \$35 million and will be conducted via:

- a placement to NEXTDC of approximately \$12.4 million ("**Placement**"); and
- a fully underwritten accelerated pro-rata non-renounceable entitlement offer of approximately \$22.6 million ("**Entitlement Offer**") at a ratio of 4 new shares for every 11 existing shares held at the record date, comprising:
 - an accelerated institutional component ("**Institutional Entitlement Offer**"); and
 - a retail component ("**Retail Entitlement Offer**").

The offer price for the Placement and the Entitlement Offer will be \$0.50 per share ("**Offer Price**"), which represents:

- an 18.0% discount to the closing price of \$0.61 on Friday, 19 November 2021;
- an 11.4% discount to the TERP² of \$0.56.

The Equity Raising will result in the issue of up to approximately 70 million new ordinary shares ("**New Shares**"), representing approximately 70% of existing securities on issue. The New Shares issued under the Equity Raising will rank equally with existing AUCloud shares as at their date of issue.

The Entitlement Offer is non-renounceable, and rights are not transferrable and will not be traded on ASX or any other exchange. Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up.

The Entitlement Offer is fully underwritten by Morgans Corporate Limited and Canaccord Genuity (Australia) Limited (together, the "**Joint Lead Managers**").

The Joint Lead Managers have received pre-launch commitments from existing shareholders and NEXTDC representing approximately \$12.4 million (54.6%) who intend to take-up their full entitlements under the Entitlement Offer. All Non-Executive Directors of AUCloud also intend to fully participate in the Entitlement Offer.

Strategic Placement to NEXTDC

All shares offered under the Placement to NEXTDC will be issued at the same price as New Shares issued under the Entitlement Offer (\$0.50 per share).

² The Theoretical Ex-rights Price ("**TERP**") is calculated by reference to AUCloud's closing price on Friday, 19 November 2021 of \$0.61 per share, being the last trading day prior to the announcement of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which AUCloud shares trade immediately after the ex-date of the Entitlement Offer and will depend on many factors and may not approximate TERP. TERP includes the new shares issued under the placement.

The Placement is within the Company's placement capacity under ASX Listing Rule 7.1 and ASX Listing Rule 7.1A.

New Shares issued under the Placement to NEXTDC will have rights to participate in the Entitlement Offer.

NEXTDC is entitled to appoint one Director to the AUCloud Board, which initially will be Mr Scroggie.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer, which will open at 10.00am (AEDT) on Monday, 22 November 2021.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to new and existing institutional investors at the Offer Price on Tuesday, 23 November 2021.

AUCloud shares have been placed in a two-day trading halt while the Institutional Entitlement Offer is conducted.

Retail Entitlement Offer

Eligible retail shareholders with registered addresses in Australia, New Zealand and United Kingdom on the Record Date of 7.00pm (AEDT) on Wednesday, 24 November 2021, have the opportunity to invest in New Shares at the Offer Price, on the terms and conditions outlined in the Retail Entitlement Offer information booklet, which is expected to be sent to eligible retail shareholders on Monday, 29 November 2021.

Please note that shareholders with registered addresses outside Australia, New Zealand and United Kingdom on the Record Date are ineligible to participate in the Retail Entitlement Offer. Further details as to eligibility will be set out in the Retail Entitlement Offer information booklet.

Under the Retail Entitlement Offer, eligible retail shareholders that take up their full Entitlement may also apply for additional New Shares in excess of their Entitlement under a top-up facility, subject to a 50% cap and the Company's scale back policy.

Equity Raising indicative timetable

The timetable below is indicative only and subject to change. AUCloud reserves the right to alter the dates at its full discretion and without prior notice, subject to the ASX Listing Rules and the *Corporations Act 2001* (Cth).

The quotation of New Shares is subject to confirmation from ASX.

All times below are based on AEDT.

Event	Date
Trading halt and announcement	22 November 2021
Placement Shares issued to NEXTDC	22 November 2021
Institutional Entitlement Offer conducted	22 – 23 November 2021
Announcement of completion of Institutional Entitlement Offer and trading resumes on an ex-entitlement basis	24 November 2021
Record Date for Entitlement Offer (7.00pm AEDT)	24 November 2021

Event	Date
Quotation of new securities issued under the Placement to NEXTDC	25 November 2021
Retail Entitlement Offer information booklet and personalised entitlement and acceptance forms dispatched to eligible retail shareholders	29 November 2021
Retail Entitlement Offer opens	29 November 2021
Settlement of Institutional Entitlement Offer	30 November 2021
Allotment of securities taken up under the Institutional Entitlement Offer	1 December 2021
Quotation of new securities under the Institutional Entitlement Offer	2 December 2021
Closing date for acceptances under Retail Entitlement Offer (5.00pm AEDT)	13 December 2021
Announcement of results of Retail Entitlement Offer	16 December 2021
Settlement of Retail Entitlement Offer	17 December 2021
Allotment and issue of New Shares under Retail Entitlement Offer	20 December 2021
Quotation of New Shares issued under Retail Entitlement Offer	21 December 2021
Despatch of holding statements	22 December 2021

This ASX announcement was authorised for release by AUCloud's Board of Directors.

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About Sovereign Cloud Holdings Limited

Sovereign Cloud Holdings Limited (operating as AUCloud) provides highly secure, standards based, sovereign cloud Infrastructure as a Service (IaaS) to Australian Government and Critical National Industry communities. This includes Federal, State and Local Governments and CNI organisations such as telecommunications, electricity, energy, financial services and similar utility providers.

Managed, operated and monitored in Australia by security cleared Australian citizens, all services and data hosted by Sovereign Cloud Holdings remains in Australia. This includes all customer data, account data, metadata, support data and derived analytics data.

For further information, please visit: AUCloud – Australian Sovereign Cloud (www.australiacloud.com.au).

IMPORTANT NOTICES

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