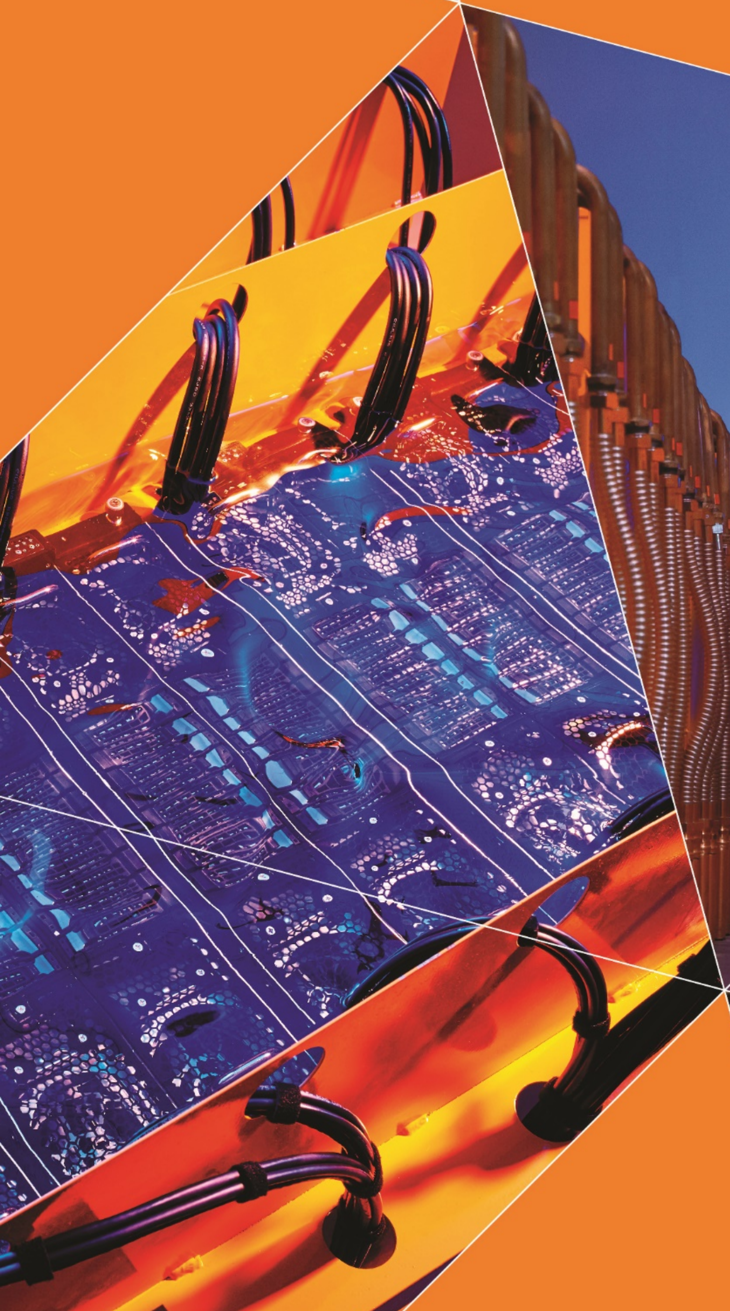

ANNUAL REPORT FY20

DUG Technology Ltd
ABN 99 169 944 334

Contents

Awards and Certifications

2008 Best Paper Award, APPEA Conference | APPEA

2009 Winner, Best Small Booth, ASEG Conference | ASEG

2014 Cecil Green Enterprise Award | SEG

"Recognising the importance of an individual enterprise to the economic vitality of the oil & gas industry and is awarded to persons who, in the unanimous opinion of the Honours and Awards Committee and the Executive Committee, have demonstrated courage, ingenuity, and achievement while risking their own resources and future in developing a product, service, organization, or activity which is recognised as a distinct and worthy contribution to the industry."

2016 Winner, Most Effective Platform Award, INCITE Awards | WAITTA

For a data centre cooling solution that's cooling the planet.

2016 Finalist, iAwards | AIIA

For a data centre cooling solution that's cooling the planet.

2016 Finalist, Entrepreneur of the Year [Dr Matthew Lamont] | EY Australia

2018 Winner, Best Booth, APPEA Conference | APPEA

2019 Winner, Enterprise Data Center Design Award | Data Centre Dynamics

Recognising innovation in data centre design within the enterprise space.

CORPORATE MEMBERSHIPS

12 Buckets • American Chamber of Commerce • APPEA • ASEG • Delphi Consortium • EAGE • FPAL • IAGC • Malaysian Geologist • PESA • PESGB • SEAPEX • SEG

Highlights

4 SUPERCOMPUTERS
ON 4 CONTINENTS

ORANGE IS THE NEW GREEN!
DUG COOL PATENTED TECHNOLOGY OFFERS 46% POWER SAVINGS

~30 PETAFLOPS OF COMPUTE
~35 PETABYTES OF STORAGE

DUG McCLOUD
HPC PLATFORM TO ACCESS COMPUTE, STORAGE, SERVICES AND SOFTWARE

314 EMPLOYEES

REVENUE US$49.4m
EBITDA US$9.2m (18.6%)

230+ CLIENTS WORLDWIDE

CAPITALISED FOR GROWTH
PRE-IPO (FEB-20)
A$18.2m
IPO (AUG-20)
A$26.0m

BOARD OF DIRECTORS SIGNIFICANTLY STRENGTHENED

WAYNE MARTIN AC QC
CHAIRPERSON

MICHAEL MALONE
NON-EXECUTIVE DIRECTOR

MARK PUZEY
NON-EXECUTIVE DIRECTOR

Letter from the Managing Director

On behalf of DUG Technology, welcome to this year's Annual Report, which covers the 12-month financial reporting period ended 30 June 2020. It has been an extremely exciting year and not without challenge.

It has been quite some journey to see the company grow from a two man start-up in my backyard in Perth, to a listed company on the ASX, with 314 employees across four international offices. What we have achieved over the past 17 years forms an incredibly strong foundation for future strategic growth.

From the very beginning we have been building our own high performance computing (HPC) systems and developing software to process and visualise huge scientific data sets. Today we run some of the "largest" and "greenest" data centres in the world.

Traditionally, our expertise in this area has been used to provide seismic data processing and imaging for the global resource industry. This has been instrumental in the discovery of some of the largest resource plays, such as Julimar and Dorado off the north-west coast of Australia.

Our deep understanding of the challenges and knowledge required to process large, complex scientific datasets has been distilled into a well-defined business. Over the past 12 months we have broadened our client base to include non-resource companies and organisations. This is going very well; we are all very excited by this addition to the business.

Increasing demand for HPC

It is estimated that 90% of the world's data has been created in the last two years. The advent of exascale compute capacity will change the way vast quantities of data has – up until now – been processed, analysed and stored. It is expected that exascale computing will be a major inflection point for global business and society as a whole. This in turn will generate a new era of learning, problem solving, R&D, invention, discovery and innovation. The high performance computing as a service (HPCaaS) market is estimated to reach US$718.9bn by 2026.[1]

There are few truly integrated pure HPCaaS companies. In the oil and gas sector, Kimberlite survey data[2] (2020) shows that 22% of operators are using cloud computing and 54% of operators are expecting to use it in the next two years.

The growth in adoption of cost-effective storage and accessibility of data over the cloud is expected to generate a growth in cloud storage in the coming years. The global cloud storage market is expected to reach US$170bn by 2025 at a compound annual growth rate (CAGR) of 24.74% during the forecast period 2020-2025.[3]

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[1] CSO, "High Performance Computing Market Garner USD 718.9 Bn by 2026", [Online]. Available: https://www2.cso.com.au/mediareleases/37086/high-performance-computing-market-garner-usd-7189/#:~:text=The%20High%20Performance%20Computing%20Market%20size%20is%20poised%20to%20garner,HPBC)%20High%20Performance%20Business%20Computing. [Accessed June 2020].

[2] Kimberlite Research: Geologic & Geophysical Software Supplier Performance Report (February 2020).

[3] Mordor Intelligence: Cloud Storage Market Size, Share – Growth, Trends and Forecasts (2020-2025).

Opportunities to enabling a range of scientific endeavours

We are empowering scientists to focus on the science, helping astronomers reach for the stars, working with the best and brightest university students and researchers, taking our seismic expertise into the search for minerals, and helping to find better ways to fight bushfires.

The Square Kilometre Array (SKA) radio astronomy project is a multi-billion-dollar international scientific undertaking. The International Centre for Radio Astronomy Research (ICRAR) has a key role in Australia's involvement in the SKA project.[4]

Recently, our HPC experts optimised code for ICRAR, achieving run times that were significantly faster and processed their full suite of historical data. With the optimised code, ICRAR processed their backlog of data in three hours using one quarter of 'Bruce', our Perth-based supercomputer. This had not previously been achievable.

We donated compute time for the Bushfire Data Quest 2020, a seven-day scientific research initiative involving some of the brightest minds from New Zealand and Australia to find new ways to detect fires and predict their behaviour in a bid to save lives and property.

We are connected to Australia's Academic and Research Network (AARNet), a not-for-profit National Research and Education Network (NREN) owned by Australian universities and the Commonwealth Scientific and Industrial Research Organisation (CSIRO). AARNet is only available for universities and organisation with a research and education mission.

Capitalised for growth

The HPCaaS opportunities that have presented themselves as part of our DUG McCloud initiative are too large for our historical revenue-funded growth approach and too exciting to be ignored. Therefore in November last year we began preparing for a listing on the ASX and in February 2020 raised A$18.2m in Pre-IPO funds through convertible note instruments.

Our Board has been significantly strengthened with the appointment of Hon. Wayne Martin AC QC, formerly Chief Justice of Western Australia (2006-2018), as Non-Executive Chairperson and Chair of the Remuneration and Nomination Committee, in February 2020. In June 2020, Mr Michael Malone, founder of iiNet Limited, was appointed as a Non-Executive Director and Mr Mark Puzey, ex-KPMG, was appointed as a Non-Executive Director and Chair of the Audit and Risk Committee.

DUG successfully listed on the ASX on 12 August 2020. The IPO was strongly supported by cornerstone investors and the market with oversubscription resulting in early closure of the 'Offer'. A total of 19,259,259 new shares were issued at an 'Offer Price' of $1.35 per share, raising A$26.0m, providing an indicative market capitalisation of A$134.3m.

The listing provides a gateway to the future through which we are well capitalised to deliver our growth strategy.

COVID-19

A major challenge for all companies this year has been COVID-19. On 11 March 2020, the World Health Organisation declared coronavirus, or COVID-19, a pandemic. COVID-19 is a health risk that has global consequences which has significantly affected the world economy.

As the pandemic took hold, government shutdowns caused a 20% decline in oil usage. This in turn caused a significant slump in oil prices. Oil prices internationally have improved from the large drops in the early days of the COVID-19 pandemic in March to a level of US$45 per barrel at the end of August.

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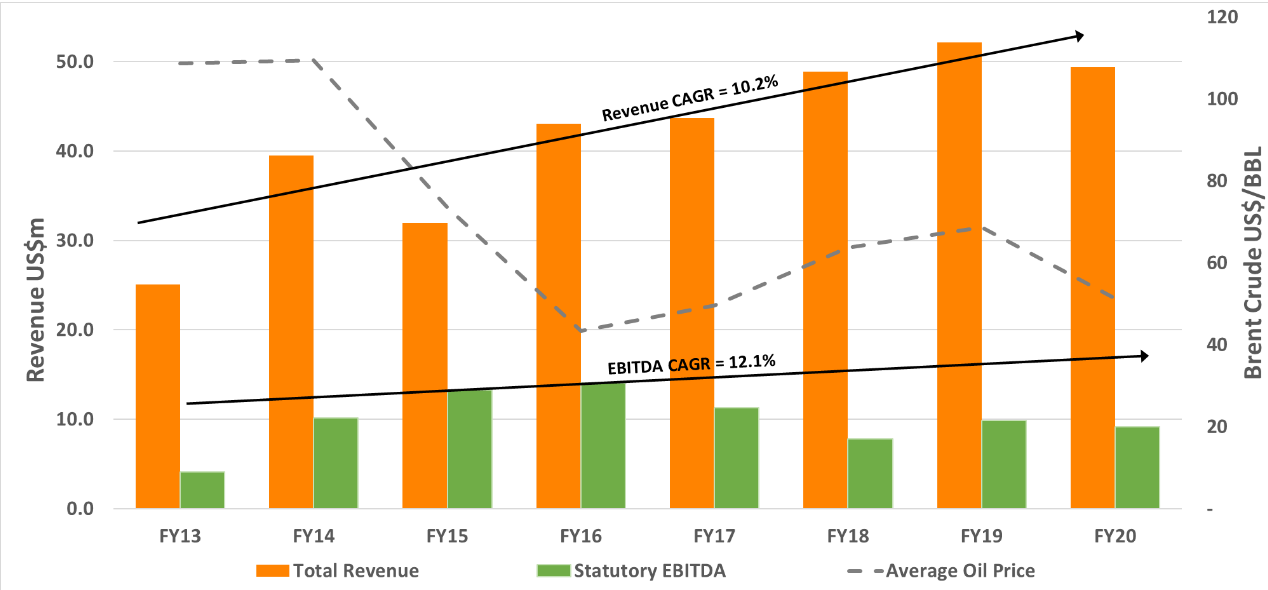
[4] ICRAR, "About", 2020 [Online]. Available: https://www.icrar.org/about/ [Accessed September 2020].

Historically, we have achieved counter-cyclical revenue growth amidst oil price volatility. During these periods, our resource services clients continue to reprocess legacy data with new technology, which provides an uplift in the quality of the image.

For this reason, the impacts of COVID-19 and the slump in oil prices have not significantly affected our financial position although there has been a marginal softening in revenue - in the last quarter of the financial year - attributed to the delay in commencement of new services projects and the transition to working from home as a result of COVID-19.

Before COVID, we were on track to deliver close to double-digit revenue growth for FY20.

EBITDA has been impacted by tactical reinvestment decisions. We used the oil price downturn in 2015 as an opportunity to grow market share and recruit outstanding talent.



We continue to invest heavily in the business, growing HPC capacity and incurred circa US$4.0m of operational costs in establishing the HPCaaS business in FY20.

DUG McCloud – a platform for now and the future

Momentum is building around the HPCaaS business from both within and outside of the oil and gas industry. We have signed new and expanded contracts in the resource sector with energy companies Equinor, Fairfield Geotechnologies, Geoprocesados and Polarcus, all of which represent long-term relationships.

EQUINOR

After a thorough evaluation of every aspect of the McCloud platform, Equinor, known for being early adopters of quality technology, signed a multi-year deal covering HPCaaS, Services and Software. Equinor is replacing existing third-party technology with an integrated solution using DUG McCloud. More than 40 users are now on the system. The ease of use, effectiveness, and productivity of DUG Insight, our processing, imaging and visualisation software, within the McCloud environment was a key component of the successful award.

FAIRFIELD TECHNOLOGIES

Fairfield will use the DUG McCloud platform to archive its extensive library of seismic data and to closely collaborate with DUG during processing and imaging projects. The data continues to be uploaded at our Houston facility.

The Fairfield deal also covers the initial reprocessing and imaging of over 5,000 square miles (~13,000 sqkm) of multi-client seismic data and it is their intention to process their data with DUG going forwards.

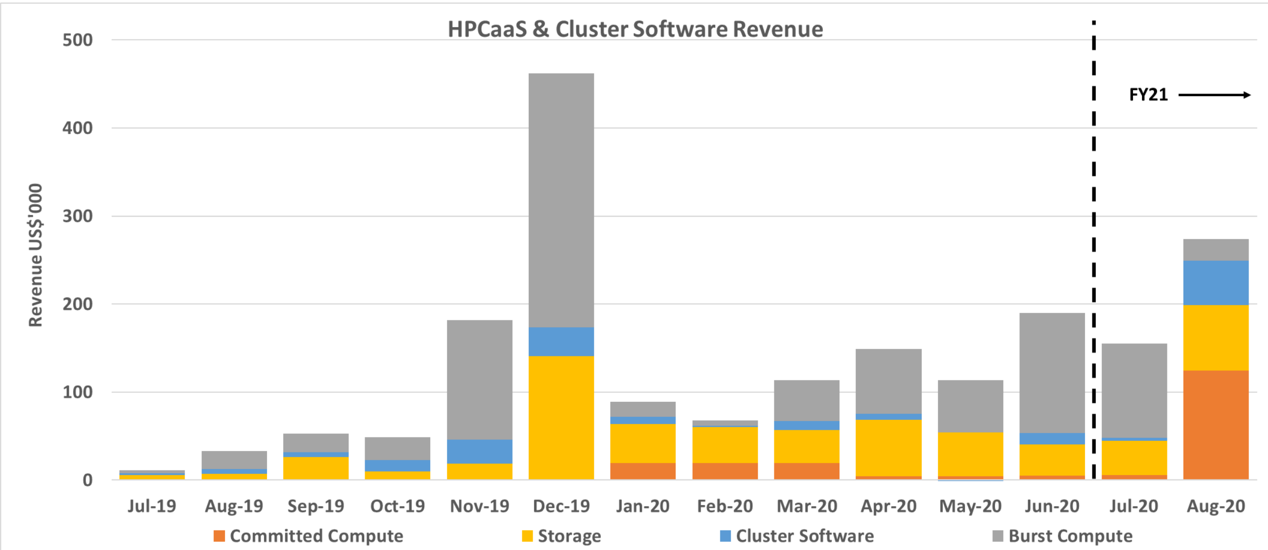
GEOPROCESADOS

Under the Geoprocesados agreement, DUG McCloud is at the heart of a new seismic processing and imaging centre in Rio de Janeiro. The agreement expands on an existing relationship where Geoprocesados has been using DUG McCloud in Mexico since early 2019. This collaboration provides Geoprocesados will access to high-end algorithms such as HF-FWI and least-squares imaging, allowing it to effectively compete on all tenders. DUG McCloud gives Geoprocesados an edge in a new market, enabling it to offer fast turnarounds with state-of-the-art technologies.

POLARCUS

Polarcus is a marine seismic acquisition company that uses our hardware and software onboard their vessels to do real time quality control. They have also entered into a three-year agreement to use DUG McCloud to significantly enhance their priority processing and imaging business.

DUG's HPCaaS and cluster software revenue continues to increase. The step-up from July to August is due to the newly signed McCloud deals. The "stacking" of the revenues from deal upon deal is the cornerstone of what makes the technology business as attractive as it is.



Bubba gets a boost

We've hit the new financial year running, adding more compute power to our network. Our supercomputers are in Perth ('Bruce'), Kuala Lumpur ('Bodhi'), London ('Bazza'), and Houston ('Bubba'). The Houston computer room is at Skybox, a state-of-the-art, secure data facility.

The combined compute capacity of the four centres is ~30 petaflops (PF) - double precision - after 10 PF of extra capacity was installed at Houston in late August 2020.

HPC storage across the four centres is currently 35 petabytes (PB).

SKYBOX IN HOUSTON, USA

Go big, go exascale

Around the world the race is on to build the first exascale computer (1 exaflop = 1,000 petaflops).

At DUG we're not just watching, we are planning. We are well placed to expand our existing compute capacity to develop an exascale supercomputer to service future demands in the United States and Australia.

We have studied and understand the complexities of scaling a machine to exascale and already have implemented some of these solutions in our existing data centres.

Our Houston facility has been designed to ensure that capacity can be increased to meet future demand. Our compute capacity is currently 21 PF but can increase to greater than 150 PF within the existing computer room. The design is in place, and the power and space available to build an exascale facility.

DUG has had discussions with the WA Government about the land and power requirements for a facility similar to that in Houston, with initial room for 150 PF and the potential for expansion to exascale in the coming years.

We would like this to be a "triple green" facility, using the green computer room technology of DUG Cool, combined with green power generation and hydrogen-based energy storage.

Staying connected

The science we love will be just one of the areas we are exploring at DUG Blog, a website-based portal for key milestones, announcements including significant new contracts, our views and opinions, and the latest developments exciting the scientific world.

DUG Blog - www.dug.com/dug-blog/ - is being updated regularly with full articles and with succinct snapshots shared through various social media accounts including LinkedIn, Twitter and Facebook. This will be one of the ways we engage with shareholders, potential investors, clients, industry and the media.

On behalf of DUG, I thank you for your ongoing support as we continue our exciting growth trajectory. The future is bright, the future is orange.

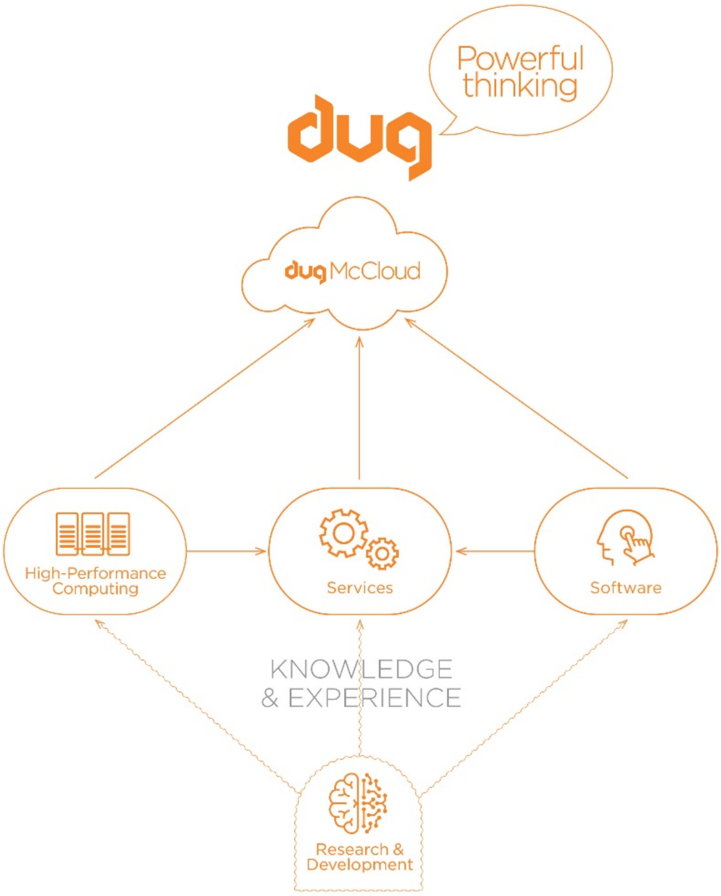
I looked forward to the year ahead and the opportunities it will present for DUG to excel.

Matthew Lamont Ph.D.
MANAGING DIRECTOR

About DUG

We are a technology company with in-depth expertise in high performance computing (HPC), incorporating hardware and software solutions for the global technology and resource sectors.

THE VALUE OF POWERFUL THINKING



HPCaaS	HPCaaS is at the forefront of our growth strategy to leverage our software engineering capabilities (R&D, support, performance optimisation) to sell HPC cycles and storage.
Services	Our traditional service business, which includes data loading, quality control and management and scientific data analysis, is expected to grow through access to larger and more profitable projects, as well as continuous improvement with respect to the delivery of service offerings (software and workflow efficiency, roll-out of new technology such as High Frequency Full Wave Form Inversion).
Software	Our focus is on DUG Insight, which is under continual development. It is being expanded to become a more general-purpose data processing and visualisation package with application outside of the resources sector. Software optimisation and algorithm development is part of the unique expertise we offer to enable the onboarding of clients onto our HPC.
DUG McCloud	The DUG McCloud platform allows clients to customise the delivery of our data science solutions through a mix and match of HPCaaS, Services and Software. It is the vehicles that enables the growth of our product lines.

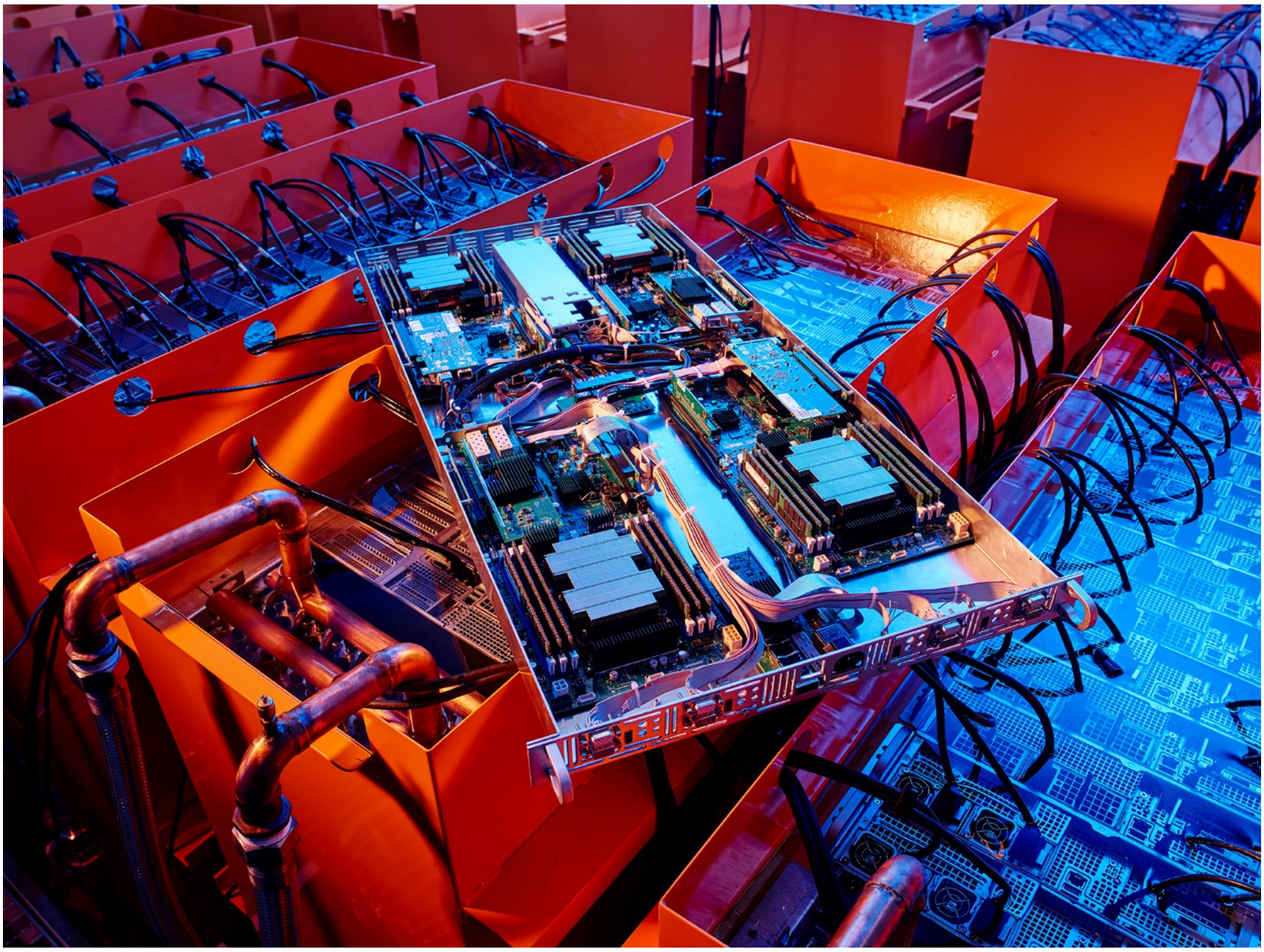
A UNIQUE VALUE PROPOSITION

Our global presence positions us to service existing clients and access new international markets and to benefit from the competitive advantages of expertise, experience, and the products we have developed since incorporation.

DUG McCloud is a unique offering across multiple industries, due to the combination of HPCaaS running on our compute and storage within proprietary data centres; DUG Insight for data, including QC, visualisation and interpretation, and processing and imaging (P&I); data services; onboarding of client codes and data; software and algorithm services, including rewriting, algorithm development, and optimisation

Our growth strategy is driven by selling reliable HPC cycles at affordable prices. Clients do not need to build and maintain HPC knowledge, skills, computer rooms, software stacks and machines. We provide the entire HPC solution - compute machines, high-performance big data file system, job scheduling, monitoring, security, a high-performance network, and data archive.

Our future growth will be driven by HPCaaS.



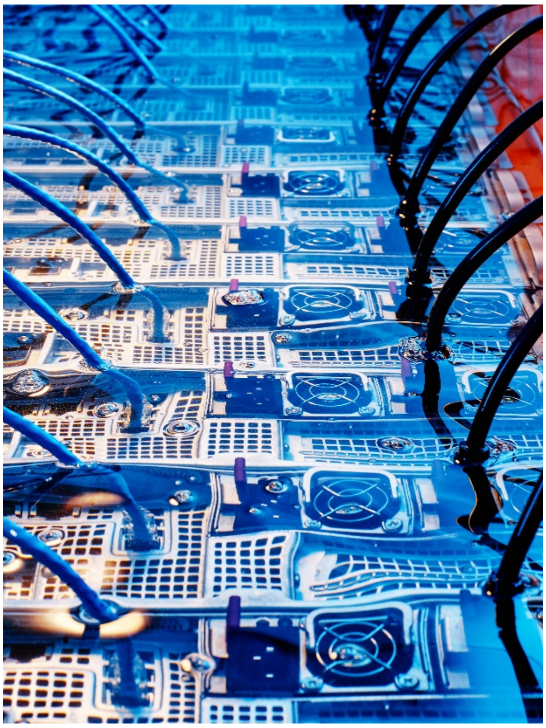
Sustainability

Orange is the new green – delivering energy efficiency and sustainability.

Caring for our environment is important. We will continue to look for ways to reduce our carbon footprint and, in doing so, provide those benefits to our clients.

Globally most companies, particularly in the resources sector, are becoming increasingly attuned to the requirements of Environmental, Social and Governance requirements.

We have practiced continuous improvement - with particular focus on total cost of ownership (TCO) and performance - for many years. This commitment has produced DUG Cool technology to create supercomputer rooms that are among the greenest on Earth.



We use an immersive cooling solution with heat exchangers submerged along with the computer equipment. Our system delivers:

- a reduction of up to 46% in facility energy use compared to conventional computer rooms;
- exceptionally quiet compute rooms compare to others;
- significantly reduced hardware failure rates, thereby extending the useful life;
- streamlined modular system design to reduce maintenance and increase uptime; and
- a fivefold increase in average IT power density available in our data centres compared to typical data centre designs.

DUG Cool technology is the subject of granted patents in Australia, Russia and Singapore, and it is pending patent applications in other jurisdictions.

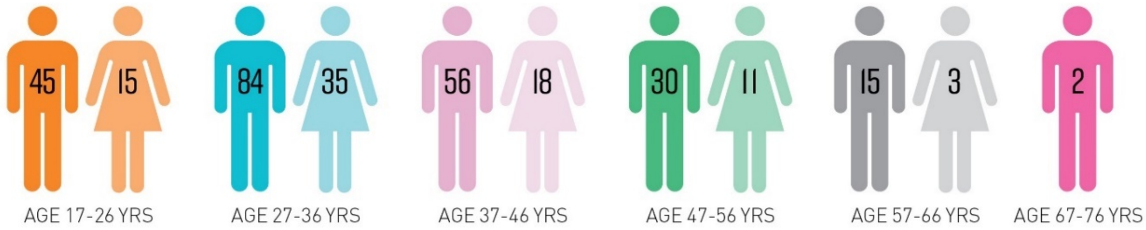
In 2019, Data Center Dynamics (DCD) – a leading data centre industry news and analysis resource – awarded DUG's flagship HPC installation, 'Bubba', the Enterprise Data Centre Design Award for its innovative DUG Cool technology-based design.

DUG Cool is helping Australian astronomers cut their carbon footprint and was mentioned in ICRAR's Sustainability Statement published as part of ICRAR/UWA research that determined the work-based emissions of an average astronomer are 40% higher than the average Australian, and five times the global average. The most significant contributor to an Australian astronomer's carbon footprint was reliance on supercomputers to create cosmological simulations and process enormous volumes of data from telescopes.

DUG Cool data centres use 81% less refrigerant and have demonstrated an 81% reduction in embodied carbon dioxide, which equates to 58,500 tonnes less CO_2 emissions a year.

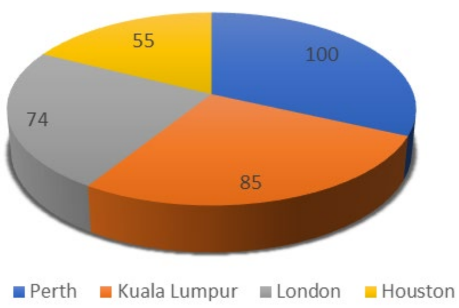
Our Talent and Our Values

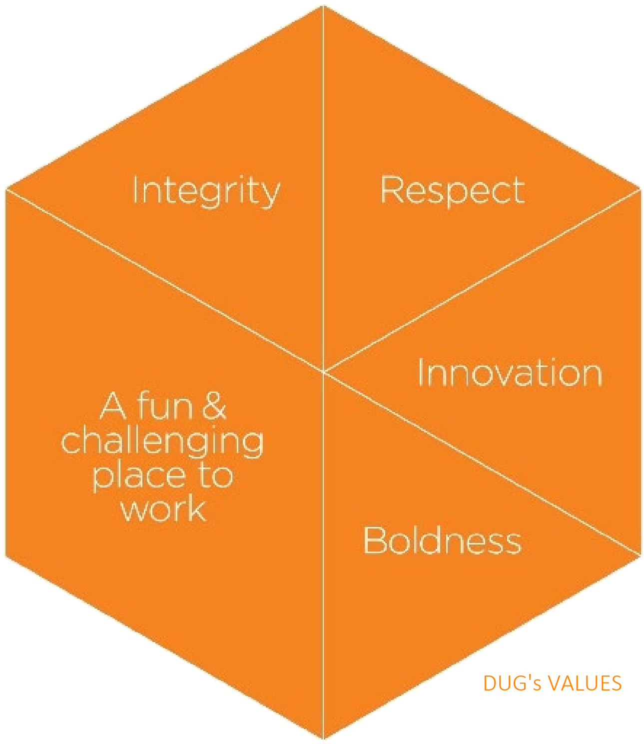
We have assembled a high-class, global research and development team over the past 17 years. Beyond the HPCaaS and R&D teams, we have a talented Leadership Team and a pool of 188 highly qualified data scientists.



As at 30 June 2020, our diverse workforce was comprised of 314 employees of 39 nationalities, 39% of whom hold either a doctorate or a master's degree.

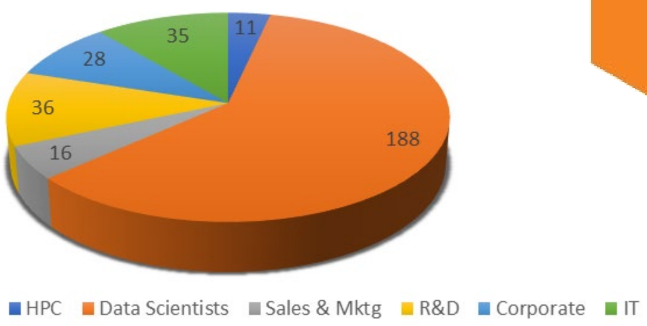
Headcount by Location





DUG's VALUES

Headcount by Function



Local Community

DUG has been a long-time supporter of 12 Buckets, a local charity that strives to equip students in need of mentoring with the skills, support and connections needed to build a strong future.

The 12 Buckets program focuses on 12 areas deemed important for overall wellbeing. These areas fall under the four categories of independence, belonging, mastery, and generosity. The bucket image remains the key element that shapes the 12 Buckets program and it represents the underlying philosophy that fullness in life comes when you pour yourself out for others. DUG sponsors the 12 Buckets Young Ambassador Award.

We're passionate about science and we want others who share our passion to see the potential career opportunities. We will achieve this through our work with Curtin and Murdoch Universities, which will enable us to collaborate with some of the brightest academic minds, and by showing primary and high-school students the exciting possibilities of science, technology, engineering, and mathematics.

In addition to this, DUG was pleased to sponsor the AEGC 2019 Student & Young Professional Initiatives, and continues to support a local under-12 basketball team from Perth, the Boyare Rockets.


CONSOLIDATED FINANCIAL REPORT

for the year ended 30 June 2020
expressed in US dollars unless
otherwise stated

Company Information

DIRECTORS	Wayne Martin (Non-Executive Chairman) Matthew Lamont (Managing Director) Louise Bower (Executive Director) Francesco Sciarrone (Non-Executive Director) Michael Malone (Non-Executive Director) Mark Puzey (Non-Executive Director)
COMPANY SECRETARY	Simon Davey
COUNTRY OF INCORPORATION	Australia
COMPANY REGISTRATION NUMBER	99 169 944 334
LEGAL FORM	Limited Company
REGISTERED OFFICE	76 Kings Park Road West Perth WA 6005 AUSTRALIA
PRINCIPAL PLACE OF BUSINESS	76 Kings Park Road West Perth WA 6005 AUSTRALIA
AUDITORS	Moore Australia Audit (WA) Level 15, Exchange Tower 2 The Esplanade Perth WA 6000 AUSTRALIA
SHARE REGISTRY	Computershare Investor Services Level 11, 172 St Georges Terrace Perth WA 6000 AUSTRALIA
ASX LISTING	ASX CODE: DUG

1. Directors' Report

The Directors hereby present their report together with the consolidated financial statements of the Group comprising of DUG Technology Ltd (formerly *DownUnder GeoSolutions (Australia) Pty Ltd*) (DUG, or the Company), and its subsidiaries for the year ended 30 June 2020 and the auditor's report thereon. The use of the words Company and Group are interchangeable for the purposes of this report and the financial report.

1.1. DIRECTORS

The Directors of the Company at any time during or since the year ended 30 June 2020 are set out below. Directors were in office for the entire period unless otherwise stated.

WAYNE MARTIN | Independent Non-Executive Chairperson
(appointed 1 February 2020)

Hon. Wayne Martin AC QC was appointed as the independent Non-Executive Chairperson of DUG in February 2020. Mr Martin was formerly Chief Justice of Western Australia (2006 to 2018) and prior to being appointed Chief Justice was a Barrister from 1988. During his legal practice Mr Martin led the legal team assisting the Royal Commission into the collapse of the HIH group of insurance companies, which resulted in a wide ranging and seminal analysis of the principles of corporate governance in the financial sector.

Mr Martin is currently an Arbitrator and Mediator at Francis Burt Chambers and 39 Essex Chambers and his current Directorships include the WA Football Commission, the Harry Perkins Institute of Medical Research and Parkville Children, Youth Care and EON Foundation.

Wayne has a Bachelor of Law with first class honours from the University of Western Australia, and a Master of Laws from King's College London.

MATTHEW (MATT) LAMONT | Managing Director

Dr Lamont is founder and Managing Director of DUG. Matt sets the Company's strategic direction and remains intimately involved in its research and development and DUG McCloud initiatives. Prior to founding DUG, Matt held senior technical positions at Woodside in Perth and BHP Billiton in Houston. He holds a Ph.D. in geophysics from Curtin University, Australia where he is an adjunct Associate Professor.

LOUISE BOWER | Executive Director and Chief Financial Officer

Ms Bower is responsible for global commercial operations including financial planning, management of financial risks, and governance. Louise held financial roles in different industry sectors and jurisdictions, including South Africa and the UK, prior to joining DUG in 2009. She holds an honours degree in accounting science and a chartered accountant qualification.

PHILIP (PHIL) SCHWAN | Executive Director and Chief Technology Officer
(appointed as Executive Director 26 February 2020 and resigned as Executive Director 25 September 2020)

Since joining DUG in 2008, Mr Schwan has led the design and development of DUG Insight and is now responsible for IT and DUG McCloud operations. Prior to DUG, Phil served as CEO of CFS and as a lead designer of the Lustre Data storage system. Lustre is widely used to manage high-performance and high-capacity storage, including 70 of the top 100 world supercomputers. CFS was acquired by Sun Microsystems.

CHARLES RAMSDEN | Non-Executive Director
(resigned 25 September 2020)

Mr Ramsden was appointed as Non-Executive Director of DUG in July 2015. He has more than 35 years' experience in oil & gas exploration and has worked in Africa, the Asia Pacific region, and recently in South America.

Charles started his career working for Soekor, now PetroSA, (South Africa) and is a co-founder of the unlisted company Impact Oil & Gas (UK), which is an Africa-focussed oil & gas explorer. He is currently Managing Director and founder of Rouge Rock.

Mr Ramsden previously worked for Occidental Petroleum on the N.W. Shelf of Western Australia and was involved in several discoveries at that time. He has worked for Digicon Exploration (Singapore) and started PGS Exploration in S.E. Asia as Vice President for the region. After PGS, Mr Ramsden has been involved in several successful start-up companies carrying out advisory/consultancy work and non-exclusive data collection and sales of data for the resource sector.

Mr Ramsden is former President of the Australian Society of Exploration Geophysicists (WA Branch) and is an author of numerous technical papers on the application of geophysics in oil & gas exploration.

Charles holds a Master of Science in Physics and a Bachelor of Science in Geology.

FRANCESCO (FRANK) SCIARRONE | Independent Non-Executive Director

Mr Sciarrone was appointed Independent Non-Executive Director and was the Chair of DUG's Audit and Risk Committee from July 2015 to June 2020. Over the past 35 years, Frank has held various positions in investment banking and investment advice for both local and international companies, including senior management positions in the banking industry, funds management and corporate/private client financial advisory services.

Mr Sciarrone is the current Managing Director of Vantage Wealth Management, Chair of the Fire and Emergency Services Super Fund, Director of Government Employees Superannuation Board and Biovision Pty Ltd (a commercial recycling business) and Chair of 12 Buckets, a children's charity.

MICHAEL MALONE | Independent Non-Executive Director (appointed 9 June 2020)

Mr Malone was appointed as Independent Non-Executive Director of DUG in June 2020. Michael founded iiNet Limited, a telecommunications company in 1993 and continued as CEO until his retirement in 2014. iiNet listed on the ASX in 1999 and grew to over A$1bn of revenue, 2,500 staff across three countries, and over one million household and business clients.

Since leaving iiNet, Mr Malone has become a Director and Chairman on several listed and unlisted companies, as well as founding and investing in various start-ups. Mr Malone brings to the board extensive experience as an ASX listed company director.

Mr Malone is currently an independent Non-Executive Director of the National Broadband Network (nbnco), Axicom Group, Seven West Media and SpeedCast Ltd and the Australian representative director of the Asia Pacific Network Information Centre Foundation.

Previous directorships include Chairman of Superloop Ltd until March 2020, Sky and Space Global until March 2019 and Dreamscape Ltd until August 2018.

Michael has received a number of prestigious industry recognitions including 2012 Australian Entrepreneur of the Year, Communications Alliance Ambassador and is a holder of the Telecommunications Society Charles Todd Metal.

Mr Malone is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Australian Computer Society. He has a Bachelor of Science (Mathematics) and a Post Graduate Diploma in Education, both from the University of Western Australia.

MARK PUZEY | Independent Non-Executive Director (appointed 9 June 2020)

Mr Puzey was appointed as Independent Non-Executive Director of DUG in June 2020 and is Chair of the Audit and Risk Committee. Mark spent 33 years with KPMG where his roles extended across internal and external audit, IT advisory, risk management, governance, strategy and business transformation; focused on ASX listed companies. He held Asia Pacific leadership roles in IT governance and natural resources, and was primary partner in Australia providing IT service organisation audit opinions.

Mark is the current Audit and Risk Committee Chair and Non-Executive Director of ASX listed M8 Sustainable Ltd; and Non-Executive Director and One-Future Committee Chair of Gold Corporation. He is a Fellow of both the Australian Institute of Company Directors (FAICD) and Chartered Accountants ANZ (FCA); and Certified in the Governance of Enterprise IT (CGEIT).

TROY THOMPSON | Executive Director and Research Principal (resigned as Executive Director 26 February 2020)

Dr Thompson is a founding partner and Research Principal. He leads the team developing DUG's industry-leading processing and imaging algorithms. Troy holds a Ph.D. in geophysics from Curtin University, Australia.

Interests in the shares of the Company and related bodies corporate

As at the date of this report, the direct and indirect interests of the directors in the shares of DUG Technology Ltd were:

	Number of ordinary shares	Issued under loan funded share plan	Total shares
Wayne Martin	231,481	-	**231,481**
Matt Lamont	23,230,864	576,457	**23,807,321**
Louise Bower	264,851	1,124,821	**1,389,672**
Frank Sciarrone	300,686	-	**300,686**
Michael Malone	185,186	-	**185,186**
Mark Puzey	20,000	-	**20,000**

Company Secretary

SIMON DAVEY

Mr Davey brings more than 20 years' experience and legal expertise to the Company having worked in legal, technology, and oil & gas firms in UK and Australia. Simon holds a Bachelor of Laws and a Bachelor of Commerce (majoring in Finance), from Murdoch University, Australia.

1.2. PRINCIPAL ACTIVITIES

DUG Technology Ltd is a technology company providing high-performance computing as a service (HPCaaS), with scientific data analysis and software solutions for the global technology and resource sectors. DUG owns and operates some of the largest and "greenest" high performance computing (HPC) installations in the world.

1.3. CORPORATE CHANGES

At a Shareholder Meeting held on 6 January 2020, it was resolved to (i) terminate the Shareholders Agreement, (ii) adopt a Public Company Constitution and (iii) convert from a Proprietary Limited company to a Limited company.

On 12 March 2020, the Shareholders resolved to change the company name from DownUnder GeoSolutions (Australia) Ltd to DUG Technology Ltd.

On 10 August 2020, the Company was admitted to the Official List of ASX Limited (the ASX) and on 12 August 2020, the Company's ordinary fully paid shares were quoted on the ASX. The Company's ASX code is 'DUG'.

1.4. REVIEW OF OPERATIONS AND RESULTS OF THOSE OPERATIONS

The results of operations for the year have been impacted by COVID-19, the adoption of IFRS16: *Leases*, capital raising and the admission of the Company to the ASX on 10 August 2020.

Revenue and Earnings	FY20 (US$ m)	FY19 (US$ m)	Change (US$ m)
Total revenue	49.4	52.1	**(2.7)**
EBIT	(0.0)	2.5	**(2.5)**
Depreciation and amortisation	9.2	7.3	**(1.9)**
EBITDA - Statutory	9.2	9.8	**(0.6)**
EBITDA - Restated for IFRS16: *Leases*	9.2	11.8	**(2.6)**
Net Loss after tax excluding “one off” finance expenses	(3.5)	(2.6)	**(0.9)**
Net Loss after tax including “one off” finance expenses	(8.3)	(2.6)	**(5.7)**

Revenue from ordinary activities of US$49.4m represents a decrease of US$2.7m (5.2%) compared with the prior year. The decline is primarily in the Services division as COVID-19 delayed the commencement of new projects in the last quarter of the financial year. Revenue in the HPCaaS division increased by 30.5% in FY20.

With a comparable cost base of US$49.5m, EBITDA and operating results before net finance expenses and taxation have been impacted in a similar manner by lower than expected revenue in the last quarter of the financial year. EBITDA for the year ended 30th June 2020 was US$9.2m compared with US$9.8m in the prior year (restated for the impact of IFRS16 *Leases*: US$11.8m). The Group recorded a loss before finance expenses and tax of US$0.0m (year ended 30th June 2019: profit US$2.5m).

On 26 February 2020, as part of the IPO process, DUG raised US$12.1m (A$18.2m) in pre-IPO funds using a convertible note instrument. The convertible notes have a face value of A$1.00 each and bear interest at 10% per annum. Conversion events include a capital raising event of A$5.0m, an event which brings about a change of control, completion of the IPO or maturity, which is 6 months from the date the convertible notes were issued. The notes convert at the lesser price of 80% of the IPO price and 80% of the market capitalisation of A$130.0m.

DUG listed on the ASX on 12 August 2020 and 16,888,889 Ordinary Shares were issued on conversion of the notes. This transaction resulted in “one off” finance expenses of US$4.8m being recorded in the 30 June 2020 Consolidated Statement of Profit and Loss relating to transaction fees, interest and the fair valuation of the convertible note instrument and IPO related costs.

As a result of the transaction, the Group recorded a net loss after finance costs (including some US$4.8m of "one off" finance costs) and tax of US$8.3m (30 June 2019: US$2.6m).

Adjusted basic and diluted loss per share is US5.5 cents (30 June 2019: US4.2 cents). Adjusted basic and diluted loss per share excludes “one off” finance expenses.

Capital raising activities and the adoption of IFRS16: *Leases* are the primary drivers for total assets increasing by US$18.0m and total liabilities increasing by US$26.5m.

1.5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Most of DUG's traditional clients are in the resources sector where it currently generates most of its revenue from scientific data analysis services. However, since 2019 the Company has been providing HPCaaS, scientific data analysis services and software solutions to a broader range of scientific endeavours such as radio astronomy, biomedical research, meteorology and universities.

On 26 February 2020, as part of the IPO process, DUG raised US$12.1m (A$18.2m) in pre-IPO funds using a convertible note instrument.

Other than as stated above, in the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the financial period under review.

1.6. REVIEW OF FINANCIAL CONDITION

On 26 February 2020, as part of the IPO process, DUG raised US$12.1m (A$18.2m) in pre-IPO funds using a convertible note instrument. The capital raise resulted in the cash balance increasing from US$2.0m at 30 June 2019 to US$12.0m at 30 June 2020. The capital raised will be deployed to increase HPC capacity in line with demand.

1.7. DIVIDENDS

No dividends were paid or declared after 30 June 2020 and up to the date of signing this report (year ended 30 June 2019: Nil).

1.8. EVENTS SUBSEQUENT TO REPORTING DATE

On 3 July 2020, the Company issued 168,510 Shares to executive management, the leadership team and key employees of the Company under the Long Term Incentive Plan.

On 10 July 2020, the Company lodged a prospectus with the Australian Securities & Investments Commission (ASIC) in connection with the initial public offering of fully paid ordinary shares (Shares) in the Company.

On 29 July 2020, DUG signed a McCloud Agreement to provide a multi-national energy company, with access to HPCaaS and DUG Insight software and Services through the DUG McCloud platform. Commencing on 1 August 2020, the initial contract is for one year with renewal options. The committed value of the contract, excluding potential burst utilisation, is US$2.7m per annum.

On 29 July 2020, the Company issued 16,888,889 Shares to Convertible Note Holders on conversion of the convertible note at a price equal to 80% of the Offer Price, being A$1.08.

On 4 August 2020, the Company issued 19,259,259 Shares to investors at an issue price of A$1.35 per Share raising A$26m (US$18.7m).

On 4 August 2020, the sale and transfer of 6,500,000 Shares from Selling Share Holders to investors under the Prospectus for a consideration equal to A$1.35 per Share.

On 5 August 2020, the Company lodged a Supplementary Prospectus with ASIC to provide detail on the material contract award discussed above.

On 10 August 2020, the Company was admitted to the Official List of the ASX.

On 12 August 2020, the Company's ordinary fully paid shares were quoted on the ASX.

On 25 September 2020, in consideration of feedback from our shareholders and a review of best practice, the Board composition was reduced from eight to six with the acceptance of resignations from Phil Schwan and Charles Ramsden.

No other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

1.9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

1.10. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has, during or since the end of the year, in respect of any person who is or has been an officer of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Premiums paid are not disclosed because disclosure is prohibited by the insurance contract.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the Consolidated Group.

1.11. DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Eligible to Attend[1]	Attended[2]	Eligible to Attend[1]	Attended[2]	Eligible to Attend[1]	Attended[2]
Wayne Martin[3]	5	5	-	-	2	2
Matt Lamont	8	8	-	-	-	-
Louise Bower	8	8	1	-	-	-
Phil Schwan[4]	4	4	-	-	-	-
Charles Ramsden	8	8	1	1	-	-
Frank Sciarrone	8	8	2	2	2	2
Michael Malone[5]	2	2	1	1	2	2
Mark Puzey[6]	2	2	1	1	-	-
Troy Thompson[7]	4	4	-	-	-	-

1. No. of meetings held while the director was a member of the board/committee.

2. No. of meetings attended.

3. Wayne Martin appointed as Independent Non-Executive Chairperson and Chair of the Remuneration and Nomination Committee on 1 February 2020.

4. Phil Schwan appointed as Executive Director on 26 February 2020 and resigned on 25 September 2020.

5. Michael Malone appointed as Independent Non-Executive Director on 9 June 2020.

6. Mark Puzey appointed as Independent Non-Executive Director and Chair of the Audit and Risk Committee on 9 June 2020.

7. Troy Thompson resigned as Executive Director on 26 February 2020.

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee (ARC) and a Remuneration and Nomination Committee (RNC). Members acting on the committees during the year were:

ARC - appointed 9 June 2020	RNC - appointed 1 February 2020
Mark Puzey - Chair	Wayne Martin - Chair
Frank Sciarrone	Frank Sciarrone
Michael Malone	Michael Malone (appointed 9 June 2020)
ARC - prior to 9 June 2020	**RNC - prior to 1 February 2020**
Frank Sciarrone - Chair	Frank Sciarrone - Chair
Charles Ramsden	Matt Lamont
Louise Bower	Paul Crute

Wayne Martin and Louise Bower are standing observers on the ARC. Matt Lamont and Josephine Leong (DUG's Head of Human Resources) are standing observers on the RNC.

1.12. PROCEEDINGS ON BEHALF OF THE COMPANY

DownUnder GeoSolutions Pty Ltd (DUG PL) and DownUnder GeoSolutions (Asia) Sdn Bhd (DUG Asia) are defendants to proceedings in the Federal Court of Australia brought by PGS Australia Pty Ltd. Those proceedings, which were commenced against DUG PL in December 2018 and to which DUG Asia were joined in June 2019, involve allegations of patent infringement being made against DUG PL and DUG Asia in relation to the processing of seismic data acquired in the course of a number of maritime surveys. DUG PL and DUG Asia have challenged the validity of the two patents registered in the name of PGS which are relevant to the proceedings by way of cross-claim.

Other than the court proceedings outlined above, no person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not party to any other proceedings during the year ended 30 June 2020, other than the proceeding described above.

1.13. AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 30 and forms part of the Directors' Report for the Financial Statements for the year ended 30 June 2020.

1.14. NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Moore Australia Audit (WA). The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Moore Australia Audit (WA) received, or are due to receive, the following amounts for the provision of non-audit services:

	30 June 2020 US$	30 June 2019 US$
Independent Accountant's Report	53,874	-

2. Remuneration Report

2.1. PERSONS ADDRESSED AND SCOPE OF THE REMUNERATION REPORT

This remuneration report forms part of the Directors' Report for the year ended 30 June 2020 and has been prepared in accordance with the Corporations Act, applicable regulations and the Company's policies regarding key management personnel (KMP) remuneration governance.

KMP are the non-executive directors (NEDs), executive directors and senior executive employees who have authority and responsibility for planning, directing and controlling the activities of the Company. On that basis, the following roles/individuals are addressed in this report:

NEDs	Position
Wayne Martin	Chairperson and NED
	Chair of RNC
Frank Sciarrone	NED
	ARC member
	RNC member
Charles Ramsden	NED (resigned 25 September 2020)
Michael Malone	NED
	ARC member
	RNC member
Mark Puzey	NED
	Chair of ARC

Senior Executives classified as KMP:

Executive Directors	Position
Matt Lamont	Managing Director
Louise Bower	Chief Financial Officer and Executive Director
Phil Schwan	Chief Technical Officer and Executive Director (resigned as Executive Director 25 September 2020)

2.2. OUR EXECUTIVE REMUNERATION POLICIES AND STRUCTURES

DUG rewards its executives with a level and mix of remuneration appropriate to their position, responsibility and performance, in a way that aligns with the business strategy.

Executives receive fixed remuneration and variable remuneration consisting of short term and long term incentive opportunities. Executive remuneration levels are reviewed annually by the RNC with reference to the remuneration guiding principles and market movements.

2.3. HOW REMUNERATION IS GOVERNED

Human Resources and the Managing Director provide recommendations to the RNC on the remuneration outcomes for the executive team. The remuneration advisors provide external and independent advice and information to the RNC. The composition of the RNC is set out on page 20 of this Annual Report.

The RNC approved the engagement of Mr Warren Land from The Reward Practice Pty Ltd to provide external and independent remuneration recommendations regarding the remuneration mix and quantum for executives.

Mr Daryl O'Callaghan, a PwC Principal for - Employment Services - Reward and Employee Share Plans, was engaged to provide guidance on Long Terms Incentive Plans and was involved in the development of the DUG Long Term Incentive Plan.

The remuneration recommendations were provided to the RNC as an input into decision making. The RNC considered the recommendations, along with other factors, in making its remuneration decisions.

The Group's securities and trading policy applies to all NEDs and executives. The policy prohibits employees from dealing in DUG securities while in possession of material non-public information relevant to the Group.

2.4. EMPLOYMENT TERMS FOR KMPs

The remuneration and other terms of employment for executive KMPs are covered in formal employment contracts of an ongoing nature. Details of remuneration and employment arrangements are as follows:

2.4.1. Matt Lamont - Managing Director

Term	Description
Remuneration and other benefits	Under the terms of his employment contract, Dr Lamont is entitled to receive annual fixed remuneration of A$490,800 gross (exclusive of superannuation). Dr Lamont is also entitled to a car up to the lease value of A$3,200 per month. In FY21, annual fixed remuneration will comprise 60% of the total remuneration package. An additional 20% is provided through the Short Term Incentive Plan and 20% through the Long Term Incentive Plan.
Termination and notice periods	Employment may be terminated by either party giving six months' notice. No additional payments are made on termination.
Restraints	For six months following termination of employment, Dr Lamont cannot solicit or work for any client of DUG, nor solicit any employee of DUG.

2.4.2. Louise Bower - Chief Financial Officer and Executive Director

Term	Description
Remuneration and other benefits	Under the terms of her employment contract, Ms Bower is entitled to receive annual fixed remuneration of A$330,000 gross (exclusive of superannuation) and an IPO Bonus of A$250,000 to be granted on successful admission to the ASX in FY21. In FY21, annual fixed remuneration will comprise 60% of the total remuneration package. An additional 20% is provided through the Short Term Incentive Plan and 20% through the Long Term Incentive Plan.
Termination and notice periods	Employment may be terminated by either party giving three months' notice.
Restraints	During the term of her employment, Ms Bower cannot have any interest in any business that competes with DUG.

2.4.3. Phil Schwan - Chief Technology Officer and Executive Director (resigned as Executive Director 25 September 2020)

Mr Schwan is engaged through Keyser Soze LLC to provide services as the Chief Technology Officer.

Term	Description
Remuneration and other benefits	Under the terms of the contractor agreement, Keyser Soze is entitled to receive US$22,000 (A$33,900) per month (deemed to be fixed remuneration). In FY21, annual fixed remuneration will comprise 60% of the total remuneration package. An additional 20% is provided through the Short Term Incentive Plan and 20% through the Long Term Incentive Plan.
Termination and notice periods	Either party may terminate the agreement by providing 90 days' notice.
Restraints	During the term of the engagement, Keyser Soze cannot have any interest in any business that competes with DUG. For a period of three years following termination of the engagement, Keyser Soze cannot solicit any employee of DUG.

2.4.4. Short Term Incentive Plan

The Board has approved a Short Term Incentive Plan to:

- Reward eligible participants for their contribution in ensuring that DUG achieves its annual performance targets;
- Enhance DUG's opportunity to attract, motivate and retain high calibre and high performing executives; and
- Link part of executive remuneration directly with the achievement of DUG and individual key performance indicators (KPIs).

The Board has absolute discretion to determine the eligible participants for the Short Term Incentive Plan. A total of 20 participants, including the Executive Directors, Leadership Team and other key employees, have been selected to participate in the FY21 plan.

Participants who resign or are terminated during a plan year are not eligible for any payments. All payments under the Short Term Incentive Plan will be paid in cash.

In FY21, the Short Term Incentive Plan is based on the achievement of three key performance hurdles that are independently assessed, and carry the weighing outlined in the table below:

FY21 Short Term Incentive Performance Hurdles	Allocation
Third Party Revenue	20%
EBITDA Margin %	45%
Personal Target	35%

Payments for the achievement of the Personal Target is capped at 100%. The participant has the ability to earn base, median or stretch incentives based on the Financial Performance Targets set out below:

FY21 Short Term Financial Performance Targets	Base	Median	Stretch
Revenue Growth	10%	20%	30%
EBITDA Margin %	21%	23%	25%
% earned applied on a sliding scale	50%	100%	150%

Eligible participants under the Short Term Incentive Plan can be measured on business unit targets or on the Company as a whole depending on their specific contribution.

In the event Financial Performance Targets are between the base and expected performance range, or expected and stretch performance range, the payment will be apportioned between the levels of performance. Payment on the achievement of Financial Performance Targets under the Short Term Incentive Plan are capped at 150%, with the exception of the Dr Lamont, Ms Bower, Mr Schwan and Dr Thompson who will be entitled to payments up to a maximum of 200%, if the financial stretch targets under the Short Term Incentive Plan are exceeded.

2.4.5. Long Term Incentive Plan

The Board has also approved a new Long Term Incentive Plan to continue to reward DUG's employees by issuing equity incentives. This plan effectively replaced the Loan Share Plan.

The Long Term Incentive Plan has been implemented to align the interests of eligible participants with shareholders through the sharing of personal interest in the future growth and development of DUG and to provide a means of attracting and retaining skilled and experienced eligible participants.

The Long Term Incentive Plan provides flexibility to the Board to offer eligible participants' loan funded shares (Loan Shares), tax deferred options and performance rights (such options and performance rights, hereafter referred to as an Award). The grant of Loan Shares, and Shares issued, allocated or transferred to an eligible participant upon exercise of vested Awards will carry the same rights and entitlements as other Shares on issue, including as to voting and dividends. Awards will not carry any voting or dividend rights and participants will not, by virtue of holding an Award, be entitled to participate in a rights issue undertaken by the Company. A Loan Share is a Share whose acquisition has been fully or partly paid by a member of the Group through a limited resource loan.

An Award is an entitlement to acquire a Share upon satisfaction of the applicable vesting or exercising conditions, the exercise of the Award (if applicable) and payment of an exercise price (if applicable).

The Company will apply for the official quotation of any Shares (including Loan Shares) issued to an eligible participant under the Long Term Incentive Plan. Awards will not be quoted on the ASX.

Loan Shares issued under the Long Term Incentive Plan for FY21 have three-year vesting conditions, being:

- The eligible participant being actively involved in or an employee of the Group on 30 June 2023; and
- The achievement of two key financial performance hurdles, that are independently assessed, and carry the weighting outlined in the table below:

FY21 Long Term Incentive Performance Hurdles	Allocation
Total Shareholder return	50%
Earnings per Share	50%

The participant has the ability to earn base or median incentives based on the Financial Performance Targets set out below:

FY21 Long Term Incentive Targets –3-year vesting period	Base	Median
Increase in total Shareholder return	150%	325%
Increase in earnings per Share	125%	250%
% earned applied on a sliding scale capped at 100%	50%	100%

2.5. NED POLICY AND RATES FOR FY20/21

DUG’s NED fee policy is designed to attract and retain high-calibre directors who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence and objectivity.

The RNC reviews NED remuneration annually against comparable companies. The Board also considers advice from external advisors when undertaking the review process.

NED fees consist of a base fee and committee fees. The committee fee recognises the additional time commitment required by NEDs who service on Board committees.

Board Fees	A$
Chairperson	$180,000 (including Committee Fees)
Non-Executive Director	$75,000

Committees Fees	Chairperson (A$)	Member (A$)
Audit and Risk	$20,000	$5,000
Remuneration and Nomination	-	$5,000 (if not serving on any other Board Committee)

NED fees are determined within an aggregate NED fee pool limit which is periodically approved by shareholders. The maximum aggregate amount that may be paid to NEDs for their services is A$600,000 per annum. The Board will not seek an increase to the aggregate NED fee pool limit at the 2020 AGM.

2.6. STATUTORY AND SHARE-BASED REPORTING

2.6.1. Executive KMP remuneration for the years ended 30 June 2020 and 30 June 2019

	Year	Short-term Benefits				Share-based Payments	Total Remuneration	Total Remuneration	Performance Related
		Salary & fees	Cash bonus	Other	Super-annuation	Loan funded share plan			
		US$	US$	US$	US$	US$	US$	A$	%
Matt Lamont	**2020**	**303,167**	**-**	**11,903**	**16,930**	**(44,114)**	**287,886**	**470,753**	**(15)**
	2019	351,084	128,759	35,432	45,585	31,919	592,779	828,681	27
Louise Bower	**2020**	**203,841**	**-**	**-**	**19,365**	**(9,233)**	**213,973**	**347,592**	**(4)**
	2019	236,059	71,532	-	29,221	17,733	354,545	495,640	25
Phil Schwan	**2020**	**264,276**	**-**	**-**	**-**	**3,181**	**267,457**	**398,565**	**1**
	2019	264,138	-	-	7,357	3,585	275,080	387,434	1
Total executive KMP	**2020**	**771,284**	**-**	**11,903**	**36,295**	**(50,166)**	**769,316**	**1,216,910**	**(6)**
	2019	851,281	200,291	35,432	82,163	53,237	1,222,404	1,711,755	21

REPORTING CURRENCY

In this report, the remuneration benefits reported have been presented in US dollars, unless otherwise stated. This is consistent with the functional and presentation currency of the company.

Compensation for the Australian-based executives, Dr Lamont and Ms Bower, is paid in Australian dollars and, for reporting purposes, converted to US dollars based on the applicable exchange rate at the date of payment.

2.6.2. NED remuneration for the years ended 30 June 2020 and 30 June 2019

	Year	Short-term Benefits	Post-employment	Total	Total
		Board and committee fees	Superannuation		
		US$	US$	US$	A$
Wayne Martin	**2020**	**47,048**	**4,470**	**51,518**	**75,000**[1]
	2019	-	-	-	-
Charles Ramsden	**2020**	**20,607**	**-**	**20,607**	**30,000**[2]
	2019	21,460	-	21,460	30,000[2]
Frank Sciarrone	**2020**	**20,607**	**-**	**20,607**	**30,000**[2]
	2019	21,460	-	21,460	30,000[2]
Michael Malone	**2020**	**3,088**	**293**	**3,381**	**4,923**[3]
	2019	-	-	-	-
Mark Puzey	**2020**	**3,667**	**348**	**4,015**	**5,846**[3]
	2019	-	-	-	-
Total	**2020**	**95,017**	**5,111**	**100,128**	**145,769**
	2019	42,920	-	42,920	60,000[2]

1. Commenced 1 February 2020.
2. Paid via the issue of fully paid ordinary shares.
3. Commenced 9 June 2020.

REPORTING CURRENCY

In this report, NED remuneration has been presented in US dollars, unless otherwise stated. This is consistent with the functional and presentation currency of the Company.

All NEDs are paid in Australian dollars and, for reporting purposes, converted to US dollars based on the applicable exchange rate at the date of payment.

2.6.3. Shares awarded, vested and lapsed during the year

The table below discloses the number of shares granted, vested or lapsed during the year under the Loan Share Plan.

	Financial Year	Opening Balance	Shares awarded	Award date	Vesting date	Issue price	Lapsed	Closing Balance
Matt Lamont	**2020**	**741,478**	**-**	**N/A**	**N/A**	**N/A**	**(202,288)**	**539,190**
	2019	747,065	-	N/A	N/A	N/A	(5,587)	741,478
Louise Bower	**2020**	**1,212,147**	**-**	**N/A**	**N/A**	**N/A**	**(112,382)**	**1,099,765**
	2019	1,218,301	-	N/A	N/A	N/A	(6,154)	1,212,147
Phil Schwan	**2020**	**5,706,866**	**-**	**N/A**	**N/A**	**N/A**	**-**	**5,706,866**
	2019	5,706,866	-	N/A	N/A	N/A	-	5,706,866
Total	**2020**	**7,660,491**	**-**	**N/A**	**N/A**	**N/A**	**(314,670)**	**7,345,821**
	2019	7,672,232	-	N/A	N/A	N/A	(11,741)	7,660,491

All shares were fully vested on the admission of the Company to the ASX on 10 August 2020.

2.6.4. Shareholdings of KMPs

	Balance 1 July 2019	Granted as remuneration	Non vesting of loan share plan	Divested	Balance 30 June 2020
NEDs					
Wayne Martin	-	-	-	-	-
Charles Ramsden	199,167	15,000	-	-	214,167
Frank Sciarrone	156,055	15,000	-	-	171,055
Michael Malone	-	-	-	-	-
Mark Puzey	-	-	-	-	-
Executive Directors					
Matt Lamont	26,972,342	-	(202,288)	-	26,770,054
Louise Bower	1,512,147	-	(112,382)	(35,149)	1,364,616
Phil Schwan	9,206,866	-	-	-	9,206,866
Total	**38,046,577**	**30,000**	**(314,670)**	**(35,149)**	**37,726,758**

Wayne Martin had an indirect interest in 250,000 convertible notes and Frank Sciarrone had an indirect interest in 100,000 convertible notes. The convertible notes have a face value of A$1.00.

2.6.5. Loans to KMP and their related parties

(i) Details of aggregate loans to KMP and their related parties:

Total	Balance at beginning of period US$	Interest charged US$	Balance at end of period US$	Number of KMP in group
2020	874,227	25,977	900,204	1

(ii) Details of KMP and their related parties with aggregate of loans above $100,000 in the reporting period:

	Balance at beginning of period US$	Interest charged US$	Balance at end of period US$	Highest balance during period US$
Phil Schwan	874,227	25,977	900,204	900,204

(iii) Terms and conditions of loans to KMP and their related parties:

On 30 June 2012, DUG provided an unsecured loan to Mr Schwan amounting to A$870,000 to enable Mr Schwan to pay the acquisition price for 2,400,000 fully paid ordinary shares in the Company. This loan was not provided as part of the Loan Share Plan.

Pursuant to the Unsecured Loan Agreement, interest is charged at the benchmark interest rate stated by the Australian tax authorities on 31 March each year. Interest is capitalised to the loan at the end of each financial year being 30 June.

The maturity date of the Unsecured Loan Agreement is 30 June 2022. If the loan is not repaid in full by the maturity date, Mr Schwan has agreed to repay a minimum of A$250,000 per annum until such time as the loan has been repaid in full.

The balance on the loan, at the option of the Company, becomes immediately due and payable if Mr Schwan is no longer engaged by the Company or fails to pay the minimum annual repayments. The Company will only have recourse to the proceeds paid or payable from the disposal of the abovementioned shares.

2.6.6. Other transactions and balances with KMP and their related parties

(i) Details and terms and conditions of other transaction with KMP and their related parties:

On 1 July 2016, the Company entered into an agreement with Rouge Rock Pty Ltd (**Rouge Rock**) to provide seismic processing services by the Company to Rouge Rock. DUG holds a 49% interest in Rouge Rock and the remaining 51% is held by Mr Charles Ramsden.

Dated at Perth on 25 September 2020.

Signed in accordance with a resolution of the Directors.

Mark Puzey
DIRECTOR

Louise Bower
DIRECTOR

3. Auditor's Independence Declaration

MOORE

Moore Australia Audit (WA)

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF DUG TECHNOLOGY LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

SHAUN WILLIAMS PARTNER	MOORE AUSTRALIA AUDIT (WA) CHARTERED ACCOUNTANTS

Signed at Perth this 25th day of September 2020.

4. Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	30 June 2020 US$	30 June 2019 US$
Sales revenue	8.7	**49,404,945**	**52,134,877**
Income/(Expenses)			
Depreciation and amortisation	8.18 & 8.19	(9,219,079)	(7,292,515)
Employee benefits	8.11	(30,425,508)	(29,647,580)
Other income	8.9	3,266	72,821
Other expense	8.9	(9,811,620)	(12,727,826)
Operating (loss)/profit		**(47,996)**	**2,539,777**
Finance income	8.8	49,756	65,465
Finance expense	8.8	(6,878,768)	(951,192)
Net finance expense		**(6,829,012)**	**(885,727)**
(Loss)/Profit before tax		**(6,877,008)**	**1,654,050**
Tax expense	8.12	(1,398,275)	(4,287,288)
Loss for the year		**(8,275,283)**	**(2,633,238)**
Attributable to:			
Equity holders of the parent		(8,301,842)	(2,632,399)
Non-controlling interest		26,559	(839)
TOTAL COMPREHENSIVE LOSS		**(8,275,283)**	**(2,633,238)**
Loss per share			
Basic and diluted loss per share (cents per share)	8.33	(13.04)	(4.19)
Adjusted basic and diluted loss per share* (cents per share)	8.33	(5.52)	(4.19)

*Adjusted basic and diluted loss per shares excludes “one off” finance expenses.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 35 to 72.

5. Consolidated Statement of Financial Position

As at 30 June 2020

	Note	30 June 2020 US$	30 June 2019 US$
ASSETS			
Current assets			
Cash and cash equivalents	8.13	12,032,545	1,987,849
Trade and other receivables	8.14	7,812,598	10,253,451
Prepayments		1,056,720	1,105,219
Contract assets	8.15	521,747	761,012
Other current assets	8.16	1,272,693	1,236,240
Total current assets		**22,696,303**	**15,343,771**
Non-current assets			
Deferred tax assets	8.12	5,786,974	3,232,039
Property, plant and equipment	8.18	35,033,515	26,888,879
Intangible assets	8.19	312,224	375,124
Other assets	8.20	918,690	874,227
Total non-current assets		**42,051,403**	**31,370,269**
Total assets		**64,747,706**	**46,714,040**
LIABILITIES			
Current liabilities			
Trade and other payables	8.21	3,035,263	6,021,837
Loans and borrowings	8.23	15,669,909	2,502,845
Contract liabilities	8.15	444,985	-
Lease liability	8.24	2,265,126	-
Current tax liabilities		-	23,192
Provisions	8.22	1,948,363	1,634,613
Total current liabilities		**23,363,646**	**10,182,487**
Non-current liabilities			
Trade and other payables	8.21	-	1,994,699
Loans and borrowings	8.23	24,385,081	22,038,334
Lease liability	8.24	12,986,703	-
Provisions	8.22	239,824	261,936
Total non-current liabilities		**37,611,608**	**24,294,969**
Total liabilities		**60,975,254**	**34,477,456**
NET ASSETS		**3,772,452**	**12,236,584**
EQUITY			
Share capital	8.25	5,518,900	5,477,686
Reserves	8.25	(962,998)	(1,283,818)
Retained earnings		(783,450)	8,042,716
TOTAL EQUITY		**3,772,452**	**12,236,584**
Equity split as follows:			
Equity attributable to equity holders of the parent		3,762,632	12,253,323
Non-controlling interest		9,820	(16,739)
TOTAL EQUITY		**3,772,452**	**12,236,584**

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 35 to 72.

6. Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

30 June 2020	Note	Share Capital US$	Translation Reserve US$	Share-based Payment Reserve US$	Retained Earnings US$	Total US$	Non-controlling Interests US$	Total Equity US$
Balance at 1 July 2019		**5,477,686**	**(2,177,382)**	**893,452**	**8,059,567**	**12,253,323**	**(16,739)**	**12,236,584**
(Loss)/Profit for the year		-	-	-	(8,301,842)	(8,301,842)	26,559	(8,275,283)
Opening balance adjustment (IFRS 16)		-	113	-	(550,995)	(550,882)	-	(550,882)
Opening balance adjustment (shares)		-	-	(11,148)	-	(11,148)	-	(11,148)
Total comprehensive (loss)/income for the year		-	113	(11,148)	(8,852,837)	(8,863,872)	26,559	(8,837,313)
TRANSACTIONS WITH EQUITY HOLDERS								
Share based payments recognised		-	-	331,967	-	331,967	-	331,967
Share issued during the year	8.25	41,214	-	-	-	41,214	-	41,214
Total transactions with equity holders		**41,214**	**-**	**331,967**	**-**	**373,181**	**-**	**373,181**
Balance at 30 June 2020		**5,518,900**	**(2,177,269)**	**1,214,271**	**(793,270)**	**3,762,632**	**9,820**	**3,772,452**

30 June 2019	Note	US$	US$	US$	US$	US$	US$	US$
Balance at 1 July 2018		**5,353,963**	**(2,177,382)**	**736,570**	**10,691,966**	**14,605,117**	**(15,900)**	**14,589,217**
Loss for the year		-	-	-	(2,632,399)	(2,632,399)	(839)	(2,633,238)
Total comprehensive loss for the year		**-**	**-**	**-**	**(2,632,399)**	**(2,632,399)**	**(839)**	**(2,633,238)**
TRANSACTIONS WITH EQUITY HOLDERS								
Shares issued during the year	8.25	123,723	-	-	-	123,723	-	123,723
Share based payments recognised	8.25	-	-	156,882	-	156,882	-	156,882
Total transactions with equity holders		**123,723**	**-**	**156,882**	**-**	**280,605**	**-**	**280,605**
Balance at 30 June 2019		**5,477,686**	**(2,177,382)**	**893,452**	**8,059,567**	**12,253,324**	**(16,739)**	**12,236,584**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 35 to 72.

7. Consolidated Statement of Cashflows

For the year ended 30 June 2020

	Note	30 June 2020 US$	30 June 2019 US$
CASHFLOWS FROM OPERATING ACTIVITIES			
Loss after tax		(8,275,283)	(2,633,238)
Adjustments for:			
Depreciation		9,097,679	7,017,060
Amortisation		121,400	275,455
Net finance expense		6,829,012	885,727
Tax expense		1,398,275	4,287,288
Unrealised foreign exchange gain		-	(72,821)
Loss on disposal of property, plant and equipment		1,583	5,626
Equity-settled share-based payment transactions		373,181	236,140
Research & development grant		(2,819,125)	(3,146,152)
		6,726,722	6,855,085
Changes in:			
Trade and other receivables		2,578,853	(1,408,403)
Prepayments		48,499	(87,373)
Contract assets/liabilities		684,249	2,042,401
Other current assets		(80,918)	(86,398)
Trade and other payables		(2,859,309)	1,986,828
Provisions		291,637	122,944
Cash generated from operating activities		**7,389,733**	**9,425,083**
Tax paid		(1,043,793)	(52,885)
Net cash flows from operating activities		**6,345,940**	**9,372,198**
CASHFLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(3,109,026)	(15,858,182)
Acquisition of intangible assets		(58,500)	(91,043)
Interest received		49,756	65,465
Proceeds from disposal of property, plant and equipment		1,583	-
Net cash used in investing activities		**(3,116,187)**	**(15,883,760)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		4,383,544	10,155,688
Proceeds from convertible notes		12,062,624	-
Costs relating to convertible notes issued		(602,514)	-
Repayment of borrowings		(4,572,653)	(2,415,219)
Lease payments on capitalised leases		(2,255,887)	-
Interest paid		(1,308,884)	(834,700)
Costs relating to capital raising/debt		(891,287)	(284,880)
Net cash flows from financing activities		**6,814,943**	**6,620,889**
Net increase in cash and cash equivalents		10,044,696	109,327
Cash and cash equivalents at the beginning of the year		1,987,849	1,878,522
Cash and cash equivalents at the end of the year	8.13	**12,032,545**	**1,987,849**

The Consolidated Statement of Cashflows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 35 to 72.

8. Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

8.1. REPORTING ENTITY

The consolidated financial statements of DUG Technology Ltd (formerly *DownUnder GeoSolutions (Australia) Pty Ltd*) as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as **the Group**) and were authorised for issue in accordance with a resolution of the directors on 25 September 2020. The Group is comprised of for-profit entities. DUG Technology Ltd is a limited company incorporated and domiciled in Australia and whose shares are publicly traded.

The principal activity of the Company during the course of the financial year was the provision of HPCaaS, with scientific data analysis and software solutions for the global technology and resource sectors. Historically used in the oil & gas sector, technology opportunities are increasingly being found in other industry sectors such as astrophysics, academia and biomedical research.

8.2. BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below in Note 8.6 and have been consistently applied unless stated otherwise.

8.3. FUNCTIONAL AND PRESENTATION CURRENCY

IAS 21 The Effects of Changes in Foreign Exchange Rates paras 9 describes the functional currency as “the primary economic environment in which an entity operates”. The Company has determined that the functional currency is United States dollars (US$) as the majority of revenues being transacted are in US$ (Para 9(a)(i) – “the currency that mainly influences sales prices”) and that principal sources of finance have been raised in US$ (Para 10(a) – “the currency in which funds from financing activities”).

The consolidated financial statements are presented in US$, which is the parent entity’s functional and presentation currency, unless otherwise stated.

8.4. BASIS OF MEASUREMENT

The consolidated financial statements, except for cashflow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the consolidated financial statements have been rounded to the nearest dollar.

8.5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the current circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial information are described in the following notes:

a) Judgements used in estimating revenue recognised overtime

Services revenue is recognised over time by reference to the Company's progress towards completion of the contract. The measure of progress is determined based on outputs delivered to or consumed by the customer.

Services contract revenue comprises the initial amount of revenue agreed in the contract and subsequent variations to the extent that it is highly probable that a significant reversal of revenue recognised will not occur when any uncertainty associated with the variable consideration is subsequently resolved.

Whilst there is a degree of estimation and judgement applied by management in determining revenue recognised, such estimates and judgements applied are not overly critical to the timing of revenue recognised in the financial statements.

b) Provision for impairment of receivables

The provision for impairment of receivables assessment requires, in some cases, a significant degree of estimation and judgement. The level of provision is assessed by applying the Expected Credit Loss model which takes into account forward looking attributes of the individual debtor as well as historical data such as recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

c) Estimation of useful lives of assets

The Company 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 decrease where the useful lives are greater than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

The Company periodically reviews and changes the estimated useful lives of assets with any changes being treated as a change in accounting estimates and accounted for in a prospective manner.

d) Impairment of non-financial assets

The Company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the company 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.

e) Income tax

The Company 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 company recognises liabilities for anticipated tax audit issues based on the company'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.

f) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

g) Employee benefits provisions

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

h) Government grants

The total value of government grants received in FY20 includes a "one off" amount of $1,478,762 relating to a loan from Silicon Valley Bank under the U.S. Small Business Administration Paycheck Protection Program (PPP Loan). The proceeds of the loan must be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule.

The PPP Loan has the following key terms:

- Interest rate: 1.0% per annum.
- Deferral period: 6 months.
- Principal and interest payments: Commencing one month after the deferral period in equal monthly instalments of principal and interest.
- Maturity date: 24 April 2022.
- Prepayments: Loan may be prepaid at any time without payment of any penalty or premium.

Borrowers are eligible for loan forgiveness for eligible payroll costs during a covered period (as defined in the agreement) or eligible non-payroll costs such as covered mortgage obligations, rent obligations and utility payments. Under the current legislation and guidance, the Company believes it qualifies for loan forgiveness for eligible payroll costs and therefore has treated the proceeds received as a government grant.

8.6. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

a) Basis of consolidation

SUBSIDIARIES

Subsidiaries are entities controlled by the Parent, DUG Technology Ltd. The Parent controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, where material, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US$ at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollars at the approximate average exchange rate for the month.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve.

c) Revenue

The Group has adopted AASB 15: *Revenue from Contracts with Customers* from 1 July 2018. In accordance with the transition provisions in AASB 15, the Group has applied the cumulative effective method; that is, by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under AASB 118: *Revenue*.

AASB 15 has not resulted in a material change in accounting policies (highlighted below). Therefore, no adjustments were made to the Statement of Profit or Loss and Other Comprehensive Income for the period ending 30 June 2018 and amounts recognised in the balance sheet at the date of initial application (1 July 2018).

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer gains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

HPCaaS REVENUE

Through the DUG McCloud platform, clients connect to and access DUG's HPC and storage under a contracted, committed or burst business model.

For these contracts, revenue is recognised at the end of each month based on resource utilisation. Compute is invoiced at an agreed rate per node hour. Storage is based on an agreed rate for petabytes used.

SERVICE REVENUE

The Company provides services to customers by way of contracts.

For these contracts, revenue is recognised over time by reference to the Company's progress towards completion of the contract. The measure of progress is determined based on the proportion of services delivered to or consumed by the customer to date compared to the estimated total services to be delivered under the contract ("output method").

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

Variable consideration is typically constrained and only recognised as revenue to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

SOFTWARE REVENUE

Revenue from the sale of software is predominantly in the form of annual licence fees.

Revenues relating to non-refundable licence fees are recognised at the point of sale, as licence agreements provide customers with a right to use the Company's software products as they exist at any given time during the licence term.

GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

The judgement and assumptions made by management in respect of the U.S. Small Business Administration Paycheck Protection Program are outlined in Note 8.5(h).

Government grants relating to costs expensed to profit and loss (such as research and development concessions) are recognised in profit and loss, rather than being recorded as a tax offset in income tax expense, over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to the purchase of property, plant and equipment are deducted from the cost of the asset and are credited to profit and loss over the expected lives of the related assets.

MANAGEMENT FEES

The parent Company charges management fees for performing various services on behalf of the Subsidiaries.

INTEREST INCOME

Revenue is recognised when the Company's right to receive payment is established.

d) Employee benefits

SHORT-TERM EMPLOYEE BENEFITS

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

OTHER LONG-TERM EMPLOYEE BENEFITS

Provision is made for employees' statutory long service leave and annual leave entitlements not expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Group's obligations for long-term statutory employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period, in which case the obligations are presented as current provisions.

DEFINED CONTRIBUTION PLANS/PENSION OBLIGATIONS

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial periods. Such contributions are recognised as an expense in the period in which the related service is performed. As required by law, companies in Australia make such contributions to the Superannuation Fund (SUPER).

LOAN FUNDED SHARE PLAN

The loan funded share plan allows certain employees to acquire shares in DUG Technology Ltd. The grant date fair value of the shares issued is recognised as an employee share based payment in the profit and loss with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the shares. The fair value of the shares granted is measured using a Black-Scholes pricing model, taking into account the terms and conditions upon which the shares were granted. Employees have been granted a limited recourse ten-year loan to acquire the shares. The loan has not been recognised as the Company only has recourse to the value of the shares.

e) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

CURRENT TAX

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to tax payable or receivable in respect of previous periods. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

DEFERRED TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates;
- temporary differences where the Company is unable to control the timing of the reversal and it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

The Company and its wholly owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is DUG Technology Ltd.

f) Goods and services tax (GST) and value added tax (VAT)

Revenue, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the relevant tax authorities.

Receivables and payables are stated inclusive of the amount of GST or VAT receivable or payable. The net amount of GST or VAT recoverable from, or payable to, the relevant tax authorities is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST or VAT components of cash flows arising from investing or financing activities, which are recoverable from or payable to the relevant tax authorities, are presented as operating cash flows included in receipts from customers or payments to suppliers.

g) Property, plant and equipment

RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost is the fair value of consideration given to acquire the assets at the time of its acquisition.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit and loss.

SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

DEPRECIATION

Depreciation is calculated to write off the cost of property, plant and equipment less their residual values over their estimated useful lives and is generally recognised in profit and loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The HPC pool comprises compute, storage and data centre infrastructure. The leasehold improvement pool is made up of the Group's office fit-out costs.

The estimated useful lives of property, plant and equipment for current periods are as follows:

○ Compute and storage	5 years from 1 July 2019 (Previously 3 to 4 years)
○ Data centre infrastructure	20 years from 1 July 2019 (Previously no longer than period of lease)
○ Leasehold improvements	No longer than period of lease
○ Right of use asset	No longer than period of lease
○ Office equipment and motor vehicles	3 to 4 years

The impact on the statement of profit or loss for the year ended 30 June 2020, as a result of the change in useful lives of the HPC pool, had it been applied to all such assets owned as at 1 July 2019, would have been to increase the net profit before tax by approximately US$550,000.

h) Intangible assets

Intangible assets acquired separately are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

MULTI-CLIENT STUDIES

Development costs related to multi-client studies are capitalised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how that asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of income generated from the related project.

OTHER INTANGIBLE ASSETS

Other intangible assets acquired separately are measured at cost. Following initial recognition, other intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of other intangible assets are assessed to be either finite or infinite. Other intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for other intangible assets with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on other intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit and loss as incurred.

AMORTISATION

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over the estimated useful life of the asset.

The estimated useful lives for current and comparative periods are as follows:

- Multi-client studies 5 years
- Software 2.5 to 4 years
- Website 2.5 to 4 years
- Trademarks 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

i) Financial instruments

INITIAL RECOGNITION AND MEASUREMENT

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in IFRS 15.63.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit and loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which IFRS 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit-taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses are taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial assets
Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit and loss
  on the basis of the two primary criteria, being:
- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost when it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal; and
- interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income when it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal; and
- interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit or loss.

The Group initially designates financial instruments as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings was documented appropriately, so the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit and loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments
At initial recognition, as long as the equity instrument is not held for trading or not a contingent consideration recognised by an acquirer in a business combination to which IFRS 3: *Business Combinations* applies, the Group did not make an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

Derecognition
Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities
A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets
A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Entity no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity which the Group elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Compound Financial Instruments
Compound financial instruments (such as convertible notes) issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the arrangement.

Impairment
The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the simplified approach to impairment, as applicable under IFRS 9: *Financial Instruments*.

Simplified approach
The simplified approach does not require tracking of changes in credit risk in every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables; and
- lease receivables.

In measuring the expected credit loss a provision matrix for trade receivables and contract assets (work in progress) has been used, taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience, etc).

For intergroup loan receivables, the Group recognises 12 month expected credit losses i.e. the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date.

Recognition of expected credit losses in financial statements
At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. An amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

j) Finance costs

Finance costs are generally expensed as incurred except where they relate to the financing of assets requiring a substantial period of time to prepare for their intended future use.

k) Trade and other receivables

Receivables which generally have 30 day terms are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the entity may not be able to collect the debt. Bad debts are written off as incurred.

l) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

m) Leases (the Company as a lessee)

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the of the obligation.

When the Group expects all or some of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current interest rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

o) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

p) Determination of fair values

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company 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.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

q) Impact of the application of new accounting standards

The Group has adopted IFRS 16: *Leases* retrospectively with the cumulative effect of initially applying IFRS 16 recognised at 1 July 2019. In accordance with IFRS 16, the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: *Leases* where the Group is the lessee.

The lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for the leases were measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Group in applying IFRS 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied;
- leases that have remaining lease term of less than 12 months as at 1 January 2019 have been accounted for in the same way as short-term leases;
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate,
- applying IFRS 16 to leases previously identified as leases under AASB 117 and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application;
- not applying IFRS 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

r) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

8.7. SALES REVENUE

	30 June 2020 US$	30 June 2019 US$
HPCaaS	1,469,392	1,125,804
Services	36,963,268	40,227,421
Software	6,641,703	7,635,500
Government grants	4,330,582	3,146,152
Sales Revenue	**49,404,945**	**52,134,877**

8.8. FINANCE INCOME/(EXPENSE)

	30 June 2020 US$	30 June 2019 US$
Interest income	49,756	65,465
Finance income	**49,756**	**65,465**
Interest expense	(1,193,939)	(834,700)
Debt arrangement fees	(123,837)	(116,492)
Lease interest expense	(788,027)	-
Finance expense	**(2,105,803)**	**(951,192)**
"One off" finance expense		
Convertible note - interest expense and foreign exchange	(871,933)	-
Convertible note - transaction cost	(602,514)	-
Convertible note - fair value loss (non-cash)	(2,545,671)	-
IPO and capital raising fees	(752,847)	-
	(4,772,965)	**-**
Total finance expense	**(6,878,768)**	**(951,192)**
Finance expense - net	**(6,829,012)**	**(885,727)**

8.9. OTHER INCOME/(EXPENSE)

	30 June 2020 US$	30 June 2019 US$
Realised foreign exchange gain – net	3,266	72,821
Other income	**3,266**	**72,821**
Sales and marketing	(1,489,632)	(2,035,261)
Facilities	(1,244,499)	(3,088,697)
Consultants	(1,156,383)	(1,236,183)
Loss on disposal of property, plant and equipment	(1,583)	(5,626)
Unrealised foreign exchange gain/(loss) – net	134,927	(10,581)
IT facilities and related costs	(2,544,132)	(3,768,776)
Professional fee	(838,128)	(674,950)
Other	(2,672,190)	(1,907,752)
Other expense	**(9,811,620)**	**(12,727,826)**

8.10. AUDITOR'S REMUNERATION

	30 June 2020 US$	30 June 2019 US$
Audit and review services		
Auditors of the Group – Moore Australia Audit (WA)		
o Audit and review of financial statements	239,012	150,652
Non-audit services		
o Investigating Accountant's Report	53,874	-
	292,886	**-**

FY20 audit and review services include the audit of H1FY20 for inclusion in the Prospectus.

8.11. EMPLOYEE BENEFITS

	30 June 2020 US$	30 June 2019 US$
Salaries and fees	24,838,412	24,320,063
Superannuation	1,822,040	1,846,503
Payroll tax	1,553,756	1,479,764
Other benefits	1,879,333	1,765,110
Share based payments	331,967	236,140
	30,425,508	**29,647,580**

8.12. INCOME TAXES

a) Amounts recognised in consolidated profit or loss and other comprehensive income

	30 June 2020 US$	30 June 2019 US$
The components of tax expense/(benefit) comprise:		
Current tax	1,405,102	4,782,674
Withholding tax	561,175	38,190
Adjustment for prior years	293,261	(51,302)
Total current tax expense	**2,259,538**	**4,769,562**
Deferred tax	(832,057)	(609,254)
Adjustment for prior years	(29,206)	126,980
Total deferred tax benefit	**(861,263)**	**(482,274)**
Tax expense	**1,398,275**	**4,287,288**

b) Numerical reconciliation of tax expense

	30 June 2020 US$	30 June 2019 US$
(Loss)/Profit before tax	**(6,877,008)**	**1,654,050**
Tax using the Company's domestic tax rate of 30%	(2,063,102)	496,215
Add/(Less) the tax effect of:		
○ Effect of tax rates in foreign jurisdictions	(9,438)	807,299
○ Change in tax rates	(218,074)	55,721
○ Non-assessable income		
○ Research and development	(845,738)	(943,845)
○ Pioneer status income not subject to tax	(526,141)	(747,401)
○ Other non-assessable income	(299,170)	-
○ Other deductible items	(93,427)	(124,260)
○ Non-allowable items		
○ Other non-deductible expenses	1,857,393	556,176
○ Research and Development expenditure	2,412,426	2,450,965
○ Temporary differences	(171,569)	2,075
○ Temporary differences not recognised	529,884	1,778,100
○ Under/Over provision in respect of prior years	264,056	(76,233)
○ Withholding tax	561,175	32,476
○ Income tax attributable to entity	**1,398,275**	**4,287,288**

c) Amounts recognised in consolidated statement of financial position

	30 June 2020 US$	30 June 2019 US$
Deferred tax assets	5,786,974	3,232,039
	5,786,974	**3,232,039**

d) Movement in temporary differences during the year ended 30 June 2020

	Balance 1 July 2019 US$ (Note 2)	Recognised in Income US$	Balance 30 June 2020 US$
Deferred tax liabilities			
Property, plant and equipment	(3,023,460)	590,768	(2,432,692)
Cash and cash equivalents	(64,568)	46,824	(17,744)
Deferred tax assets			
Trade and other receivables	4,548	117,139	121,687
Leases	-	540,248	540,248
Trade and other payables	131,580	(161,936)	(30,356)
Provisions	568,965	87,491	656,456
Other current assets	234,602	247,209	481,811
Carry forward revenue losses/tax offsets	5,380,372	1,087,192	6,467,564
	3,232,039	**2,554,935**	**5,786,974**
Carry forward revenue losses and other deferred tax items not recognised	4,130,548	396,725	4,527,273

DownUnder GeoSolutions (America) LLC, has carried forward tax losses of US$35,529,640 (30 June 2019: US$35,604,661) available for future use. These tax losses have arisen due to the investment in data centre infrastructure and compute and favourable capital allowances in this jurisdiction. The deferred tax asset (21% US tax rate) of $7,461,224 (2019: $7,476,979) from the tax losses, offset by deferred tax liabilities of

$2,933,951 (2019: $3,346,431) from other temporary differences, resulted in the net deferred tax asset position of $4,527,273 (2019: $4,130,548), not being recognised in the current financial year. The ability of the Company to utilise the carried forward tax losses of $35,529,640 (2019: $35,604,661) is subject to the relevant domestic tax loss recoupment rules.

e) Movement in temporary differences during the year ended 30 June 2019

	Balance 1 July 2018 US$ (Note 2)	Recognised in Income US$	Balance 30 June 2019 US$ (Note 2)
Deferred tax liabilities			
Property, plant and equipment	(970,792)	(2,052,668)	(3,023,460)
Cash and cash equivalents	(20,295)	(44,273)	(64,568)
Deferred tax assets			
Borrowings	27,057	(27,057)	-
Trade and other receivables	1,152	3,396	4,548
Trade and other payables	79,935	51,645	131,580
Provisions	532,082	36,883	568,965
Other current assets	210,820	23,782	234,602
Carry forward revenue losses/tax offsets	4,314,427	1,065,945	5,380,372
	4,174,386	**(942,347)**	**3,232,039**
Carry forward revenue losses and other deferred tax items not recognised	1,891,978	2,238,570	4,130,548

Note 1 - Corporate tax rate

The corporate tax rate for eligible companies will reduce from 30% to 25% by 30 June 2022 providing certain turnover thresholds and other criteria are met. Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The Directors have determined that the deferred tax balances be measured at the tax rates stated.

Note 2 – Comparatives

The June 2019 comparative figures for income tax note have been reinstated to be consistent with the June 2020 year presentation format. The overall reported tax position has not changed.

8.13. CASH AND CASH EQUIVALENTS

	30 June 2020 US$	30 June 2019 US$
Cash at bank and on hand	12,441,703	2,409,982
Cash at bank and on hand	**12,441,703**	**2,409,982**
Bank overdrafts	(409,158)	(422,133)
Cash and cash equivalents in the Statement of Cashflows	**12,032,545**	**1,987,849**

A secured bank overdraft facility of A$1,000,000 (2019: A$1,000,000) is in place, with an applicable floating charge rate based on an overdraft index rate plus a margin.

8.14. TRADE AND OTHER RECEIVABLES

	30 June 2020 US$	30 June 2019 US$
Current asset		
Trade receivables	7,905,276	10,103,809
Provision for impairment	(92,769)	-
Trade receivables - net	**7,812,507**	**10,103,809**
Indirect taxes receivable	-	127,209
Other receivables	91	22,433
Trade and other receivables	**7,812,598**	**10,253,451**

Credit terms for trade receivables average 30 days.

The following table shows the movement in lifetime expected credit loss that has been recognised for trade and other receivables in accordance with the simplified approach set out in AASB 9: *Financial Instruments*.

	30 June 2020 US$	30 June 2019 US$
As at 1 July	-	-
Provision for expected credit losses	(92,769)	-
As at 30 June	**(92,769)**	**-**

a) Expected credit loss lifetime credit: impaired

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 8.27. The main source of credit risk to the Group is considered to relate to the class of assets described as "trade and other receivables" which at the end of 30 June 2020 is US$ 92,769 (30 June 2019: Nil).

The table below details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality.

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses below also incorporate forward-looking information.

30 June 2020	Current US$	31-60 days US$	61-90 days US$	>90 days US$	Total US$
Expected loss rate	0%	0%	0%	7%	1%
Gross carrying amount	3,975,373	1,308,050	1,206,337	1,415,516	7,905,276
Loss allowing provision	-	-	-	(92,769)	(92,769)

30 June 2019	Current US$	31-60 days US$	61-90 days US$	>90 days US$	Total US$
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount	6,800,840	1,326,622	1,429,558	696,431	10,253,451
Loss allowing provision	-	-	-	-	-

b) Financial assets measured at amortised cost

	30 June 2020 US$	30 June 2019 US$
Trade and other receivables		
Current	7,812,598	10,253,451
Non-current	-	-
Total financial assets classified as loans and other receivables	**7,812,598**	**10,253,451**

c) Collateral pledged

There is a fixed charge on all freehold, leasehold, book debts and other assets of the Group, in respect of a financing facilities referred to in Note 8.23.

8.15. CONTRACT ASSETS/LIABILITIES

	30 June 2020 US$	30 June 2019 US$
Contract Assets - Current	521,747	761,012
Loss allowance	-	-
	521,747	**761,012**
Contract Liabilities - Current	**444,985**	**-**

Contract assets are in relation to projects where the Group has progressed the project towards completion but contractually is not entitled to invoice the client.

Contract liabilities relate to projects where the Group has invoiced the client in advance of progress towards project completion. When invoicing takes place, any amount that has previously been classified as a contract liability will be reclassified to trade receivables.

a) Impairment of contract assets

The Group applied the expected credit loss module based on lifetime expected loss allowance for contract assets.

Based on the above, the loss allowance was determined as follows:

30 June 2020	Current US$	31-60 days US$	61-90 days US$	>90 days US$	Total US$
Contract assets	238,362	146,975	-	136,410	521,747
Expected loss rate	0%	0%	0%	0%	0%
Loss allowing provision	-	-	-	-	-

30 June 2019	Current US$	31-60 days US$	61-90 days US$	>90 days US$	Total US$
Contract assets	366,354	87,913	-	306,745	761,012
Expected loss rate	0%	0%	0%	0%	0%
Loss allowing provision	-	-	-	-	-

8.16. OTHER CURRENT ASSETS

	30 June 2020 US$	30 June 2019 US$
Bonds and Security deposits	714,376	744,841
Bank guarantee	558,317	491,399
	1,272,693	**1,236,240**

8.17. INTERESTS HELD IN ASSOCIATES

The Group has interests in the following associates:

	30 June 2020	30 June 2019
Rouge Rock Pty Ltd	49%	49%

DUG has a 49% interest in Rouge Rock. Rouge Rock was incorporated in 2016 and NED, Charles Ramsden holds the remaining interest. Rouge Rock was formed for the purpose of earning participation rights in exploration petroleum permits. DUG considers its interest in Rouge Rock to be a non-core asset.

8.18. PROPERTY, PLANT AND EQUIPMENT

	HPC US$	Leasehold improvements US$	Right of use assets US$	Office equipment and motor vehicles US$	Under construction US$	Total US$
Cost						
Balance at 1 July 2018	37,783,172	4,915,774	-	1,691,995	74,399	44,465,340
Additions	14,005,469	7,568	-	1,783	1,843,362	15,858,182
Assets recommissioned	157,896	-	-	-	-	157,896
Reclassification	13,201	-	-	-	(13,201)	-
Disposals	(383,504)	-	-	(2,376)	-	(385,880)
Balance at 30 June 2019	**51,576,234**	**4,923,342**	**-**	**1,691,402**	**1,904,560**	**60,095,538**
Balance at 1 July 2019	51,576,234	4,923,342	-	1,691,402	1,904,560	60,095,538
Additions	3,425,389	118,767	17,756,585	85,248	(520,378)	20,865,611
Reclassifications	(1,646)	-	-	-	412	(1,234)
Disposals	(455,170)	-	-	-	-	(455,170)
Balance at 30 June 2020	**54,544,807**	**5,042,109**	**17,756,585**	**1,776,650**	**1,384,594**	**80,504,745**
Accumulated depreciation						
Balance at 1 July 2018	24,171,829	1,203,008	-	1,029,640	-	26,404,477
Depreciation	6,117,299	566,145	-	333,616	-	7,017,060
Assets recommissioned	157,896	-	-	-	-	157,896
Reclassification	5,821	-	-	-	-	5,821
Disposals	(376,219)	-	-	(2,376)	-	(378,595)
Balance at 30 June 2019	**30,076,626**	**1,769,153**	**-**	**1,360,880**	**-**	**33,206,659**
Balance at 1 July 2019	30,076,626	1,769,153	-	1,360,880	-	33,206,659
Leased assets	-	-	3,616,258	-	-	3,616,258
Depreciation	6,387,126	584,934	1,873,452	252,167	-	9,097,679
Reclassification	(1,212)	-	-	-	-	(1,212)
Disposals	(448,154)	-	-	-	-	(448,154)
Balance at 30 June 2020	**36,014,386**	**2,354,087**	**5,489,710**	**1,613,047**	**-**	**45,471,230**
Carrying amounts						
At 30 June 2019	21,499,608	3,154,189	-	330,522	1,904,560	26,888,879
At 30 June 2020	**18,530,421**	**2,688,022**	**12,266,875**	**163,603**	**1,384,594**	**35,033,515**

Refer to Note 8.24 for details on right of use assets.

8.19. INTANGIBLE ASSETS

	Multi-client studies US$	Website US$	Software US$	Patents and trademarks US$	Total US$
Cost					
Balance at 1 July 2018	2,295,002	5,192	91,263	1,385,393	3,776,850
Acquisitions	-	19,707	-	71,336	91,043
Disposals	-	(5,192)	-	-	(5,192)
Balance at 30 June 2019	**2,295,002**	**19,707**	**91,263**	**1,456,729**	**3,862,701**
Balance at 1 July 2019	2,295,002	19,707	91,263	1,456,729	3,862,701
Acquisitions	-	-	-	58,500	58,500
Balance at 30 June 2020	**2,295,002**	**19,707**	**91,263**	**1,515,229**	**3,921,201**
Accumulated amortisation					
Balance at 1 July 2018	2,295,002	5,192	69,095	848,025	3,217,314
Amortisation	-	2,701	14,000	258,754	275,455
Disposals	-	(5,192)	-	-	(5,192)
Balance at 30 June 2019	**2,295,002**	**2,701**	**83,095**	**1,106,779**	**3,487,577**
Balance at 1 July 2019	2,295,002	2,701	83,095	1,106,779	3,487,577
Amortisation	-	4,925	8,167	108,308	121,400
Balance at 30 June 2020	**2,295,002**	**7,626**	**91,262**	**1,215,087**	**3,608,977**
Carrying amounts					
At 30 June 2019	**-**	**17,006**	**8,168**	**349,950**	**375,124**
At 30 June 2020	**-**	**12,081**	**1**	**300,142**	**312,224**

The Group generates a revenue stream from multi-client studies, which are available for sale. Development costs of the multi-client assets to-date have been capitalised and are being amortised over a period of five years.

8.20. OTHER ASSETS

	30 June 2020 US$	30 June 2019 US$
Loan Mr Schwan	900,204	874,227
Other Loans	18,486	-
	918,690	**874,227**

On 30 June 2012, DUG provided an unsecured loan to Mr Schwan amounting to A$870,000 to enable Mr Schwan to pay the acquisition price of 2,400,000 fully paid ordinary shares in the Company. This loan was not provided as part of the Loan Share Plan.

Pursuant to the Unsecured Loan Agreement, interest is charged at the benchmark interest rate stated by the Australian tax authorities on 31 March each year. Interest is capitalised to the loan at the end of each financial year being 30 June.

The maturity date of the Unsecured Loan Agreement is 30 June 2022. If the loan is not repaid in full by the maturity date, Mr Schwan has agreed to repay a minimum of A$250,000 per annum until such time as the loan has been repaid in full.

The balance on the loan, at the option of the Company, becomes immediately due and payable if Mr Schwan is no longer engaged by the Company or fails to pay the minimum annual repayments. The Company will only have recourse to the proceeds paid or payable from the disposal of the abovementioned shares.

8.21. TRADE AND OTHER PAYABLES

	30 June 2020 US$	30 June 2019 US$
Current		
Trade payables	1,209,900	4,542,797
Accruals	901,837	887,102
Other	923,526	591,938
	3,035,263	**6,021,837**
Non-current		
Deferred rent	-	1,994,699
	-	**1,994,699**

The normal trade credit terms granted by trade creditors to the Company are 30 days.

8.22. PROVISIONS

	30 June 2020 US$	30 June 2019 US$
Current		
Provision for annual leave	1,297,855	1,164,636
Provision for long service leave	650,508	469,977
	1,948,363	**1,634,613**
Non-current		
Provision for long service leave	239,824	261,936
	239,824	**261,936**
Reconciliation of movement in provisions:		
Provision for annual leave		
Balance at beginning of year	1,164,636	1,168,310
Net movement during the financial year	133,219	(3,674)
Balance at end of year	**1,297,855**	**1,164,636**
Provision for long service leave		
Balance at beginning of year	731,913	605,295
Net movement during the financial year	158,419	126,618
Balance at end of year	**890,332**	**731,913**

8.23. LOANS AND BORROWINGS

30 June 2020	Bank Loan US$	Convertible Notes US$	Promissory Note US$	Bank Guarantee US$	Total US$
Carrying value	**23,669,622**	**15,480,228**	**346,823**	**558,317**	**40,054,990**
Current	-	15,480,228	189,681	-	15,669,909
Non-current	23,669,622	-	157,142	558,317	24,385,081
	23,669,622	**15,480,228**	**346,823**	**558,317**	**40,054,990**

30 June 2019	Bank Loan US$	Convertible Notes US$	Promissory Note US$	Bank Guarantee US$	Total US$
Carrying value	**21,191,118**	**-**	**2,858,662**	**491,399**	**24,541,179**
Current	-	-	2,502,845	-	2,502,845
Non-current	21,191,118	-	355,817	491,399	22,038,334
	21,191,118	**-**	**2,858,662**	**491,399**	**24,541,179**

1. The following facilities are currently in place:
   a. Revolving facility of US$7,000,000 (2019: US$7,000,000).

      This facility is comprised of two sub facilities covering growth capex and working capital purposes. Interest is calculated as LIBOR plus a margin.

      The Financier conducts an annual review of the facilities. The Financier has absolute discretion, to determine the roll over for a further 12 months.

   b. Term debt facilities of US$17,805,000 (2019: US$17,805,000).

      These facilities are key refinancing facilities comprised of three term debt components. Interest is calculated as LIBOR plus a margin.

      The Group has provided the following security in relation to the bank facilities:

      i. A first ranking general security to Commonwealth Bank of Australia (CBA) over all present and future rights, property and undertakings.
      ii. General security deed and working capital guarantee recourse deed with Export Finance Insurance Corporation (EFIC) in Australia to partially guarantee facilities provided by CBA.
      iii. There is a fixed charge on all freehold, leasehold, book debts and other assets of the Group, in respect of a bank loan drawdown. The bank also has a floating charge over all the assets of the Group.

      Maturity date: 16 November 2021.

Covenants are imposed by the bank on a quarterly basis and include:

a. A gross leverage ratio based on financial indebtedness less cash reserves divided by Group EBITDA; and
b. A debt service coverage ratio of after debt cashflows as a proportion of debt servicing.

The weighted average effective interest rate on the bank loans is 4.72% per annum (30 June 2019: 5.53%).

The amount drawn-down and available for each facility at 30 June 2020 is as follows:

	Facility available US$	Amount drawn US$	Balance available US$
Revolving loan	7,000,000	6,000,000	1,000,000
Term debt	17,805,000	17,796,236	8,764
Overdraft	683,900	409,158	274,742
Total	**25,488,900**	**24,205,394**	**1,283,506**

The available bank overdraft is A$1,000,000.

2. Promissory notes are payable to Wells Fargo Equipment Finance Inc and from G Tower Sdn Bhd. The Wells Fargo debt is secured by compute reported in the US subsidiary, DownUnder GeoSolutions (America) LLC. Intel Corporation have provided a guarantee to Wells Fargo through a recourse agreement. The Loan from G Tower relates to funding of data centre fit-out in DownUnder GeoSolutions (Asia) Sdn Bhd. The carrying value of promissory notes is shown net of deferred finance charges of US$57,030 (30 June 2019: US$130,792).

3. Convertible notes have the following key terms:
   a. Number on issue: 18,240,000.
   b. Dates of issue: 25 February 2020, 26 February 2020 and 6 March 2020.
   c. Face value: A$1.00.
   d. Interest rate: 10% per annum.
   e. Maturity date: Six months from the date of issue; or if a prospectus is lodged with ASIC within the six-month period, three months from the date of lodgement;
   f. Conversion events: The convertible notes may be converted within 10 business days of the occurrence of any of the following:
      i. Completion of the IPO;
      ii. The Company undertaking a capital raising of A$5.0m (excluding any capital raising as part of the IPO); or
      iii. An event which results in a change of control of the Company.
   g. Conversion price: If the convertible notes are converted into shares on completion of the IPO, then the conversion price is the lesser of the price equal to 80% of the IPO price and 80% of the market capitalisation of A$130m. If the convertible notes are converted on the maturity date, then the lesser of the price equal to 70% of the fair market value and A$2.00.

8.24. LEASE LIABILITY

	30 June 2020 US$	30 June 2019 US$
Carrying value	**15,251,829**	**-**
Current	2,265,126	-
Non-current	12,986,703	-
	15,251,829	**-**

Right-of-use assets

The Group's lease portfolio includes buildings. These leases have an average of 10 years as their lease term.

Options to extend

The option to extend is contained in the property leases of the Group. These clauses provide the Group opportunities to manage leases in order to align with its strategies. All of the extension options are only exercisable by the Group. The extension options which were probable to be exercised have been included in the calculation of the right-of-use asset.

IFRS 16 related amounts recognised in the Statement of Financial Position

	30 June 2020 US$	30 June 2019 US$
Right of use assets		
Leased buildings	17,756,585	-
Accumulated depreciation	(5,489,710)	-
Total right of use asset	**12,266,875**	**-**
Movement in carrying amounts:		
Leased buildings		
Recognised on initial application of IFRS 16	14,140,327	-
Depreciation expense	(1,873,452)	-
	12,266,875	**-**

IFRS 16 related amounts recognised in the Statement of Profit or Loss

	30 June 2020 US$	30 June 2019 US$
Depreciation charge related to right of use assets	1,873,452	-
Interest expense on lease liabilities	788,027	-

Total cash outflow for leases

	30 June 2020 US$	30 June 2019 US$
Total cash outflow for leases	2,255,887	-

The difference of US$3,309,421 between the lease liabilities of US$16,279,086 as at 1 July 2019 and the previously disclosed operating lease commitments as at 30 June 2019 of US$19,588,507 comprises the effect of discounting as well as low value and short-term leases.

8.25. CAPITAL AND RESERVES

a) Share capital

Share capital comprises ordinary shares. The holders of these shares are entitled to receive dividends as declared from time to time.

	30 June 2020		30 June 2019	
	No.	US$	No.	US$
Fully paid up shares				
Balance at beginning of period	54,394,769	5,477,686	54,310,877	5,353,963
Issued and fully paid shares	33,150	41,214	83,892	123,723
Balance at end of year	**54,427,919**	**5,518,900**	**54,394,769**	**5,477,686**

	30 June 2020		30 June 2019	
	No.	US$	No.	US$
Issued under loan funded share plan				
Balance at beginning of year	8,960,059	-	8,239,465	-
Vesting conditions not met	(706,668)	-	(51,316)	-
Issued during the year	100,576	-	771,910	-
Balance at end of period	**8,353,967**	**-**	**8,960,059**	**-**
Performance Shares				
Balance at beginning of year	-	-	-	-
Performance Shares issued for services	375,000	-	-	-
Balance at end of year	375,000	-	-	-
Total shares issued	**63,156,886**	**5,518,900**	**63,354,828**	**5,477,686**

1. 30,000 fully paid ordinary shares were issued to the NEDs for services rendered during the year ended 30 June 2020 (FY19: 30,150 shares were issued).
2. A total of 375,000 fully paid performance shares were issued to a key technology advisor during the year ended 30 June 2020 (FY19: 53,742 fully paid shares were issued to new employees).
3. The Company invites key employees to acquire shares in DUG Technology Ltd under a Loan Funded Share Plan. During the year ended 30 June 2020, 100,576 shares were offered (FY19: 771,910). The shares are granted at market value with the assistance of a limited recourse loan for a term of ten years. Any dividends payable in respect of these shares are repayable against the loan, until the loan is fully repaid. The balance of the limited recourse loan at 30 June 2020 is US$7,195,731 (FY19: US$7,906,517).
4. During the year ended 30 June 2020, 50% of shares under the 2017 loan funded share plan vested and no shares issued under the 2016 loan funded share plan, achieved the vesting conditions, resulting in the cancellation of 706,668 shares. (FY19: 97% of shares under the 2015 loan funded share plan met the vesting conditions resulting, in the cancellation of 51,316 shares).

The fair value of the shares granted under the loan funded share plan are measured using the Black-Scholes method. Expected volatility is estimated by considering historic average share price volatility. A probability of 100% has been applied to the valuation of all unvested shares as at 30 June 2020, reflecting the liquidity event which was triggered by the Company’s listing on the ASX on 10 August 2020.

b) Reserves

	30 June 2020 US$	30 June 2019 US$
Share based payments reserve	1,214,271	893,452
Translation reserve	(2,177,269)	(2,177,382)
	(962,998)	**(1,283,930)**
Reconciliation of movement in reserves		
Share based payments reserve		
Balance at beginning of year	893,452	736,570
Opening balance adjustment	(11,148)	-
Share based payment expense	331,967	156,882
Balance at end of year	**1,214,271**	**893,452**
Translation reserve		
Balance at beginning of year	(2,177,382)	(2,177,382)
Opening balance adjustment	113	-
Balance at end of year	**(2,177,269)**	**(2,177,382)**

1. The share-based payment reserve comprises expenses incurred from the issue of Company's shares under the employee loan funded share plan.
2. The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group where the functional currencies are different to the presentation currency for reporting purposes, including the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

8.26. DIVIDENDS PAID

	30 June 2020 US$	30 June 2019 US$
Distributions paid:		
Declared and paid unfranked ordinary dividend	-	-

8.27. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

a) Financial risk management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans and leases.

The total for each category of the financial instruments, measured in accordance with AASB 9: *Financial Instruments*, as detailed in the accounting policies to these financial statements, are as follows:

	30 June 2020 US$	30 June 2019 US$
Financial assets		
Cash and cash equivalents	12,032,545	1,987,849
Trade and other receivables	7,812,598	10,253,451
	19,845,143	12,241,300
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	(3,035,263)	(6,021,837)
Lease liabilities	(15,251,829)	-
Loans and borrowings	(40,054,990)	(24,541,179)
	(58,342,082)	**(30,563,016)**

b) Financial risk management policies

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management is reviewed by the Board of Directors (the Board) on a regular basis. This includes the credit risk and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations. The Company does not have any derivative instruments at 30 June 2020. (FY19: Nil).

c) Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to interest rate risk and another price risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous year.

CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from the date of invoice.

Risk is also minimised through investing surplus funds into financial institutions that maintain a high credit rating.

The Group trades with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis, with the result that the Group's bad debt exposure is not significant.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties.

30 June 2020	Carrying amount US$	Past due and impaired US$	Current US$	31-60 days US$	61-90 days US$	>90 days US$	Within trade terms US$
Trade and term receivables	7,905,276	92,769	1,244,435	1,308,050	1,206,337	1,322,747	2,730,938
Provision for impairment	(92,769)	(92,769)	-	-	-	-	-
Other receivables	91	-	-	-	-	-	91
	7,812,598	**-**	**1,244,435**	**1,308,050**	**1,206,337**	**1,322,747**	**2,731,029**

30 June 2019	Carrying amount US$	Past due and impaired US$	Current US$	31-60 days US$	61-90 days US$	>90 days US$	Within trade terms US$
Trade and term receivables	10,103,809	-	3,726,151	1,326,622	1,429,558	696,431	2,925,047
Other receivables	149,642	-	-	-	-	-	149,642
	10,253,451	**-**	**3,726,151**	**1,326,622**	**1,429,558**	**696,431**	**3,074,689**

LIQUIDITY RISK

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities.

30 June 2020	Carrying amount US$	Contractual cash outflows US$	6 months or less US$	6-12 months US$	1-2 years US$	2-5 years US$	More than 5 years US$
Bank loans	23,669,622	23,796,236	-	-	23,796,236	-	-
Lease liabilities	15,251,829	18,472,066	1,338,768	1,347,659	2,703,581	7,335,909	5,746,149
Convertible note	15,480,228	13,439,921	13,439,921	-	-	-	-
Promissory note	346,823	403,853	155,188	55,259	110,518	82,888	-
Trade and other payables	3,035,263	4,547,126	4,547,126	-	-	-	-
	57,783,765	**60,659,202**	**19,481,003**	**1,402,918**	**26,610,335**	**7,418,797**	**5,746,149**

30 June 2019	Carrying amount US$	Contractual cash outflows US$	6 months or less US$	6-12 months US$	1-2 years US$	2-5 years US$	More than 5 years US$
Bank loans	21,682,517	21,682,517	-	-	-	21,682,517	-
Promissory note	2,858,662	2,858,662	1,297,077	1,205,768	192,783	163,034	-
Trade and other payables	6,021,837	6,021,837	6,021,837	-	-	-	-
	30,563,016	**30,563,016**	**7,318,914**	**1,205,768**	**192,783**	**21,845,551**	**-**

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timings of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts (refer to Note 8.23 for further details).

MARKET RISK

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The financial instruments that expose the Group to interest rate risk are limited to borrowings, and cash and cash equivalents.

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

	30 June 2020 US$	30 June 2019 US$
Impact on profit		
2% increase in interest rates	(801,100)	(307,214)
2% decrease in interest rates	801,100	307,214

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

The Group also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

d) Capital management

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issued.

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

There have been no changes in the strategy adopted by management to manage the capital of the Company.

8.28. KEY MANAGEMENT PERSONNEL COMPENSATION

The total of remuneration paid to key management personnel of the Group during the year is as follows:

	30 June 2020 US$	30 June 2019 US$
Short term benefits	919,610	1,212,087
Other long term benefits	-	-
Share based payments	(50,166)	53,237
Total compensation paid to key management personnel	**869,444**	**1,265,324**
Comprising:		
Senior Executives	769,316	1,222,404
Non-Executive Directors	100,128	42,920
	869,444	**1,265,324**

There are no other key management compensation transactions for the year ended 30 June 2020 or 30 June 2019.

8.29. RELATED PARTY TRANSACTIONS

The Group's main related parties are as follows:

a) Entities exercising control over the Group

The ultimate Parent Entity, which exercises control over the Group, is DUG Technology Ltd.

b) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity, is considered key management personnel. Phil Schwan, an Executive Director of DUG Technology Ltd, has an existing loan from the Company. The balance as at 30 June 2020 is US$900,204 (30 June 2019: US$874,227).

For other details of disclosures relating to key management personnel, refer to Note 8.28.

Fees paid to executive and non-executive directors are disclosed in Remuneration Report.

c) Entities subject to significant influence by the Group

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity that holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

Rouge Rock is an entity over which the Group exercises significant influence by holding 49% voting power.

For details of interests held in associates, refer to Note 8.17.

8.30. CONSOLIDATED ENTITIES

Name of entity	Country of incorporation	Ownership interest 30 June 2020 %	30 June 2019 %
Parent entity:			
DUG Technology Ltd	Australia		
Subsidiaries:			
DownUnder GeoSolutions Pty Ltd	Australia	100	100
DownUnder GeoSolutions (UK) Ltd	United Kingdom	100	100
DownUnder GeoSolutions (London) Pty Ltd	United Kingdom	100	100
DownUnder GeoSolutions (America) LLC	USA	100	100
DownUnder GeoSolutions (Asia) Sdn Bhd	Malaysia	100	100
DownUnder GeoSolutions (Malaysia) Sdn Bhd	Malaysia	49	49

8.31. PARENT ENTITY DISCLOSURES

As at, and throughout, the year ended 30 June 2020 the parent entity of the Group was DUG Technology Ltd (formerly *DownUnder GeoSolutions (Australia) Pty Ltd*).

	30 June 2020 US$	30 June 2019 US$
Results of parent entity:		
Loss for the year	(4,316,383)	(289,656)
Other comprehensive income/(expense)	-	-
Total comprehensive expense for the year	**(4,316,383)**	**(289,656)**
Financial position of parent entity:		
Current assets	12,078,378	2,188
Total assets	15,922,422	4,165,605
Current liabilities	15,731,637	31,619
Total liabilities	15,731,637	31,619
Total equity of parent entity comprising of:		
Share capital	5,518,900	5,477,686
Reserves	145,340	(186,627)
Retained earnings	(5,473,456)	(1,157,073)
Total equity	**190,784**	**4,133,986**

a) Parent entity contingent liabilities

There were no contingent liabilities of the parent entity as at 30 June 2020 and as at 30 June 2019.

b) Parent entity capital commitments for acquisition of property, plant and equipment

There were no capital commitments of the parent entity as at 30 June 2020 and as at 30 June 2019.

8.32. FAIR VALUE MEASUREMENTS

The Group does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

8.33. LOSS PER SHARE

	30 June 2020 US$	30 June 2019 US$
Basic and diluted loss per share (cents per share)	(13.04)	(4.19)
Adjusted basic and diluted loss per share (cents per share)	(5.52)	(4.19)
Loss used in calculating basic and diluted loss per share	(8,275,283)	(2,633,238)
Loss used in calculation adjusted basic and diluted loss per share	(3,502,319)	(2,633,238)

The loss used in calculating adjusted basic and diluted loss per share excludes "one off" finance expenses

	30 June 2020 Number	30 June 2019 Number
Weighted average number of ordinary shares used in calculating basic and adjusted diluted loss per share	63,438,429	62,865,740

8.34. SHARE BASED PAYMENTS

Loan Funded Share Plan

The table below details the shares issued under the Loan Share Plan and the related Loans.

		Number of shares and balance of recourse loans on 30 June 2020			
Tranche	No. of shares	Price per share A$	Loan A$	Loan US$	Loan Maturity
1	400,879	0.80	409,464	280,032	30/06/24
2	487,183	1.04	640,197	437,830	30/06/25
3	5,665,279	0.90	6,172,532	4,221,395	27/07/25
4	-	-	-	-	-
5	288,106	1.25	390,404	266,998	30/06/28
6	704,148	1.49	1,240,847	848,615	19/02/27
7	617,574	1.99	1,280,840	875,967	30/06/29
8	90,222	2.00	180,444	123,406	15/05/29
9	100,576	2.05	206,884	141,488	19/03/30
Total	**8,353,967**		**10,521,612**	**7,195,731**	

Loan share plan terms are stated in A$, and converted to US$ at the closing spot rate on 30 June each year.

On 12 August 2020, the Company listed on the ASX and all the unvested shares outstanding at this date vested immediately.

		Number of shares and balance of recourse loans on 30 June 2019			
Tranche	No. of shares	Price per share A$	Loan A$	Loan US$	Loan Maturity
1	400,879	0.80	390,542	274,512	30/06/24
2	487,183	1.04	606,770	426,499	30/06/25
3	5,665,279	0.90	6,172,532	4,338,673	27/07/25
4	316,863	1.49	531,966	373,919	30/06/27
5	632,858	1.25	832,161	584,926	30/06/28
6	704,148	1.49	1,186,810	834,209	19/02/27
7	662,627	1.99	1,347,199	946,946	30/06/29
8	90,222	2.00	180,444	126,833	15/05/29
Total	**8,960,059**		**11,248,424**	**7,906,517**	

During the year ended 30 June 2020, 50% of shares under the 2017 loan funded share plan (tranche 5) vested and no shares issued under the 2016 loan funded share plan (tranche 4), achieved the vesting conditions, resulting in the cancellation of 706,668 shares. (FY19: 97% of shares under the 2015 loan funded share plan met the vesting conditions resulting, in the cancellation of 51,316 shares).

The Company invites key employees to acquire shares in DUG Technology Ltd under a Loan Funded Share Plan. During the year ended 30 June 2020, 100,576 shares were offered under tranche 9. (FY19: 771,910).

The shares are granted at market value with the assistance of a limited recourse loan for a term of ten years. Any dividends payable in respect of these shares are repayable against the loan, until the loan is fully repaid. The balance of the limited recourse loan at 30 June 2020 is US$7,195,731 (FY19: US$7,906,517).

Repayment of loans

The loan can be voluntarily repaid at any time however compulsory repayment is required on an occurrence of:

- The date on which the recipient's shares are compulsorily divested, if required under the Loan Share Plan rules;

- The date the recipient disposes or, attempts to dispose of its shares; and
- The date which is 10 years after the date the shares were issued to the recipient of the loan.

The loan is a limited recourse loan and the Company, in seeking repayment, will have recourse only to the proceeds paid or payable for a disposal of shares and after tax dividends and distributions connected with the shares (unless it has waived its entitlement to such dividends or distributions).

The expense recognised for equity settled share – based payments during the year is shown in the following table:

	30 June 2020 US$	30 June 2019 US$
Expense arising from equity-settled share-based payment transactions	331,967	236,140
Total expense arising from share-based payment transactions	**331,967**	**236,140**

The fair value of the shares granted under the loan funded share plan are measured using the Black-Scholes method. Expected volatility is estimated by considering historic average share price volatility. A probability of 100% has been applied to the valuation of all unvested shares as at 30 June 2020, reflecting the liquidity event which was triggered by the Company's listing on the ASX on 10 August 2020.

8.35. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on its products and services and has three reportable segments, as follows:

1. The HPCaaS segment, allows clients to connect to DUG's HPC and storage in a complete HPC environment. The Company's supercomputers, located in four global locations, provide substantial compute and storage capabilities.
2. The Services segment, provides clients with two types of services:
   a. Data loading, quality control and management.
   b. Scientific data analysis.
3. The Software segment, has two main products:
   a. DUG Insight – A modern, intuitive and interactive software package for scientific processing and visualisation; and
   b. Software and algorithm support and development to enable a client to successfully run on DUG's HPC.

DUG McCloud is a collaborative cloud platform that enables clients to mix and match the three product offerings with their own codes and expertise, to suit their needs and desired outcomes.

The Company monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. The Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments. No operating segments have been aggregated to form the above reportable segments.

The Services segment is a significant user of compute and is charged by the HPCaaS segment for their use. This results in inter-segment revenue reported in the HPCaaS segment with the corresponding costs recorded in other expenses in the Services segment. These inter-segment values eliminate on consolidation.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

30 June 2020	HPCaaS US$	Services US$	Software US$	Total segments US$	Eliminations US$	Consolidated US$
Revenue						
External customers	1,469,392	36,963,268	6,641,703	45,074,363	-	45,074,363
Inter-segment	15,047,789	-	-	15,047,789	(15,047,789)	-
Government grants	277,997	1,003,445	3,049,140	4,330,582	-	4,330,582
Total revenue	**16,795,178**	**37,966,713**	**9,690,843**	**64,452,734**	**(15,047,789)**	**49,404,945**
Expenses						
Depreciation & amortisation	7,490,449	1,281,600	447,030	9,219,079	-	9,219,079
Employee benefits & consultants	5,615,179	19,748,707	6,109,168	31,473,054	-	31,473,054
IT facilities, related costs & consultants	2,203,390	400,241	506,053	3,109,684	-	3,109,684
Other expenses	1,579,671	16,690,875	2,428,367	20,698,913	(15,047,789)	5,651,124
	16,888,689	38,121,423	9,490,618	64,500,730	(15,047,789)	49,452,941
Segment EBIT[1]	**(93,511)**	**(154,710)**	**200,225**	**(47,996)**	**-**	**(47,996)**
Segment EBITDA	**7,396,938**	**1,126,890**	**647,255**	**9,171,083**	**-**	**9,171,083**
EBITDA %	**44.04%**	**2.97%**	**6.68%**			**18.56%**

30 June 2019	HPCaaS US$	Services US$	Software US$	Total segments US$	Eliminations US$	Consolidated US$
Revenue						
External customers	1,125,804	40,227,421	7,635,500	48,988,725	-	48,988,725
Inter-segment	9,851,843	-	-	9,851,843	(9,851,843)	-
Government grants	251,692	-	2,894,460	3,146,152	-	3,146,152
Total revenue	**11,229,339**	**40,227,421**	**10,529,960**	**61,986,720**	**(9,851,843)**	**52,134,877**
Expenses						
Depreciation & amortisation	6,369,185	513,469	409,861	7,292,515	-	7,292,515
Employee benefits & consultants	2,540,029	22,145,852	5,831,654	30,517,535	-	30,517,535
IT facilities, related costs & consultants	3,027,667	1,060,777	369,849	4,458,293	-	4,458,293
Other expenses	1,090,562	13,309,385	2,778,653	17,178,600	(9,851,843)	7,326,757
	13,027,443	37,029,483	9,390,017	59,446,943	-	49,595,100
Segment EBIT[1]	**(1,798,104)**	**3,197,938**	**1,139,943**	**2,539,777**	**-**	**2,539,777**
Segment EBITDA	**4,571,081**	**3,711,407**	**1,549,804**	**9,832,292**	**-**	**9,832,292**
EBITDA %	**40.71%**	**9.22%**	**14.72%**			**18.86%**

1. Profit before interest and tax.

Reconciliation of profit

	30 June 2020 US$	30 June 2019 US$
Segment EBIT	(47,996)	2,539,777
Finance income	49,756	65,465
Finance expenses	(2,105,803)	(951,192)
"One-off" finance expenses:		
Convertible note – interest expense and foreign exchange	(871,933)	-
Convertible note – transaction cost	(602,514)	-
Convertible note – fair value (non-cash)	(2,545,671)	-
IPO and capital raising fees	(752,847)	-
(Loss)/Profit before tax	**(6,877,008)**	**1,654,050**

Geographic information

	30 June 2020 US$	30 June 2019 US$
Revenue from external customers		
Australia	11,939,203	17,692,050
United Kingdom	17,898,492	13,944,130
United States of America	10,636,144	9,792,844
Malaysia	8,928,106	10,705,853
Total	**49,404,945**	**52,134,877**

	30 June 2020 US$	30 June 2019 US$
Non-current operating assets		
Australia	4,321,485	3,246,177
United Kingdom	4,751,229	2,094,200
United States of America	24,008,207	19,598,006
Malaysia	2,264,818	2,325,620
Total	**35,345,739**	**27,264,003**

Non-current operating assets for this purpose consist of property, plant and equipment, right of use assets and intangible assets.

8.36. CONTINGENT LIABILITIES

Contingent liabilities as at 30 June 2020 were as follows:

DownUnder GeoSolutions Pty Ltd (DUG PL) and DownUnder GeoSolutions (Asia) Sdn Bhd (DUG Asia) are defendants to proceedings in the Federal Court of Australia brought by PGS Australia Pty Ltd. Those proceedings, which were commenced against DUG PL in December 2018 and to which DUG Asia were joined in June 2019, involve allegations of patent infringement being made against DUG PL and DUG Asia in relation to the processing of seismic data acquired in the course of a number of maritime surveys. DUG PL and DUG Asia have challenged the validity of the two patents registered in the name of PGS which are relevant to the proceedings by way of cross-claim.

8.37. COMMITMENTS

a) Operating lease commitments

	30 June 2020 US$	30 June 2019 US$
Within one year	-	2,592,411
After one year but not more than five years	-	10,517,698
Longer than five years	-	6,478,398
	-	**19,588,507**

As a result of the adoption of IFRS 16: *Leases*, operating leases are recognised as a liability on the balance sheet as at 30 June 2020.

b) Capital commitments

At 30 June 2020, the Group had HPC capital commitments of US$4,435,021 (30 June 2019: US$Nil).

8.38. SUBSEQUENT EVENTS

On 3 July 2020, the Company issued 168,510 Shares to executive management, the leadership team and key employees of the Company under the Long Term Incentive Plan.

On 10 July 2020, the Company lodged a prospectus with the Australian Securities & Investments Commission (ASIC) in connection with the initial public offering of fully paid ordinary shares (Shares) in the Company.

On 29 July 2020, DUG signed a McCloud Agreement to provide a multi-national energy company, with access to HPCaaS and DUG Insight software and Services through the DUG McCloud platform. Commencing on 1 August 2020, the initial contract is for one year with renewal options. The committed value of the contract, excluding potential burst utilisation, is US$2.7m per annum.

On 29 July 2020, the Company issued 16,888,889 Shares to Convertible Note Holders on conversion of the convertible note at a price equal to 80% of the Offer Price, being A$1.08.

On 4 August 2020, the Company issued 19,259,259 Shares to investors at an issue price of A$1.35 per Share raising A$26m (US$18.7m).

On 4 August 2020, the sale and transfer of 6,500,000 Shares from Selling Share Holders to investors under the Prospectus for a consideration equal to A$1.35 per Share.

On 5 August 2020, the Company lodged a Supplementary Prospectus with ASIC to provide detail on the material contract award discussed above.

On 10 August 2020, the Company was admitted to the Official List of the ASX.

On 12 August 2020, the Company's ordinary fully paid shares were quoted on the ASX.

On 25 September 2020, in consideration of feedback from our shareholders and a review of best practice, the Board composition was reduced from eight to six with the acceptance of resignations from Phil Schwan and Charles Ramsden.

No other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

9. Directors' Declaration

In accordance with a resolution of the Directors of DUG Technology Ltd (formerly *DownUnder GeoSolutions (Australia) Pty Ltd*) (the Company), we state that:

In the opinion of the directors:

(a) the financial statements and notes of DUG Technology Ltd, as set out on pages 31 to 72, for the financial year ended 30 June 2020 are 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 2020 and of its performance for the year ended on that date; and

ii. complying with Accounting Standards and Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 8.2; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Managing Director and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

Dated at Perth on 25 September 2020.

Signed in accordance with a resolution of the Directors.

Mark Puzey
DIRECTOR

Louise Bower
DIRECTOR

10. Independent Auditor's Report

MOORE

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DUG TECHNOLOGY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of DUG Technology Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of 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, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DUG TECHNOLOGY LIMITED (CONTINUED)

Key Audit Matters (continued)

Existence and Ownership of Assets – Plant and Equipment	
Refer to Note 8.18 "Property, Plant & Equipment"	
Existence and ownership of plant and equipment is a key audit matter. It is due to the size of this account balance, the number and location of plant and equipment (situated at DUG Technology Limited offices in Australia, United Kingdom, United States of America and Malaysia) that this is a key area of audit focus.	Our procedures included: • Agreed a sample of plant and equipment additions to supplier invoices. • Physically sited a sample of higher value plant and equipment at their respective locations across the four jurisdictions.

Recognition of Revenue	
Refer to Note 8.7 "Sales Revenue"	

The Group's revenue is predominantly derived from the following key areas.
• HPCaaS (high performance compute as a service)
• Services
• Software
• Government grants
 	
The accurate recording of revenue is highly dependent upon the following key factors:
• Knowledge of the individual characteristics and status of contracts
• Management's invoicing process including:
  – accurate measurement of work done and services provided each month
  – invoices prepared in compliance with contract terms such as services performed and rates charged
• Recognition of variations and claims, in accordance with contractual terms and based on an assessment as to when the Group believes it is highly probable that a significant reversal in the amount of revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently removed.
 	
We focused on this matter as a key audit matter due to the significance of contract-based revenue to the Group combined with the need to comply with a variety of contractual conditions as well as relevant accounting standards, leading to significant risk associated with revenue recognition.
	Our procedures included, amongst others:
	• Evaluated management's processes regarding occurrence and accuracy of the Group's contract revenues.
	• Assessed the Group's accounting policies for revenue recognition to ensure compliance with Australian Accounting Standards.
	• Selected a sample of sales invoices raised during the year (and post year-end) and performed the following procedures:
	  – agreed to contractual terms and rates
	  – agreed to general ledger accounts and subsequent receipts from the customer
	  – for variations or claims we checked they were in accordance with contract terms and evaluated for risk of non-recovery
	  – revenue cut-off testing
	• Reviewed appropriateness of revenue recognition pertaining to jobs not invoiced at year end (work in progress).
	• Evaluated contract performance during and subsequent to year-end to reflect on revenue recognition judgements.

MOORE

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DUG TECHNOLOGY LIMITED (CONTINUED)

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Implementation of AASB 16 Leases</th></tr>
<tr><td colspan="2">Refer to Note 8.18 “Property, Plant & Equipment”, Note 8.24 "Lease Liability" and Note 8.6 (q) “Impact of the application of new accounting standards”</td></tr>
<tr><td>The Group adopted AASB 16 Leases from 1 July 2019. The new policy is disclosed in Note 8.18 and the transition impacts disclosed in Note 8.6 (q).

Implementation of AASB 16 Leases is a key audit matter due to the:

• significance of the impact on transition to the Consolidated Balance Sheet, Statement of Comprehensive Income and Statement of Cash Flows; and
• the estimation uncertainty involved in applying the new AASB 16 requirements to determine an incremental borrowing rate to discount lease payments.</td><td>Our procedures included, amongst others:

• Assessed whether the Group's new accounting policies are in accordance with the requirements of AASB 16 through consideration of the Group's accounting paper on key areas of judgement.
• For a sample of lease agreements, we:
  – evaluated the lease calculations against terms within the lease agreement and the requirements of Australian Accounting Standards;
  – assessed the incremental borrowing rates applied to the lease calculations; and
  – assessed the mathematical accuracy of the lease calculations.
• Evaluated the adequacy of the disclosures made in Note 8.18 and 8.6 (q) in light of the requirements of Australian Accounting Standards.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DUG TECHNOLOGY LIMITED (CONTINUED)

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our audit report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of DUG Technology Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

SHAUN WILLIAMS
PARTNER

Moore Australia

MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 25th day of September 2020.

11. Corporate Governance Statement

DUG Technology Ltd has established a strong governance framework and continues to be committed to a high level of integrity and ethical standards in all its business practices.

Effective and transparent corporate governance is of critical importance to DUG and its Board of Directors. The Board fully supports the intent of the Australian Securities Exchange (ASX) Corporate Governance Council's new 4th edition of Corporate Governance Principles and Recommendations.

The Corporate Governance Framework continues to evolve as it seeks continual improvement in the way it conducts its business. Further details on DUG's Governance Principles can be found in the Company's Corporate Governance Statement available at www.dug.com.

12. ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 24 September 2020.

DISTRIBUTION OF EQUITY SECURITIES

a) Ordinary share capital

99,473,544 fully paid shares are held by 1,463 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

Range of Fully Paid Shares	Number of Investors	Number of Securities	Percentage
1 - 1,000	293	175,899	0.18
1,001 - 5,000	551	1,542,655	1.55
5,001 - 10,000	238	1,764,239	1.77
10,001 - 100,000	312	9,194,959	9.24
100,001 Over	69	86,795,792	87.26
Total	**1,463**	**99,473,544**	**100.00**

b) Substantial shareholders

Ordinary shareholders	Fully paid	
	Number	Percentage
MR MATTHEW LAMONT	23,807,321	23.90
PERENNIAL VALUE MANAGEMENT LIMITED	11,388,329	11.45
MR PHILIP IMPERIAL SCHWAN	7,232,760	7.30
REGAL FUNDS MANAGEMENT PTY LTD	5,888,890	5.92
TIGA TRADING PTY LTD	5,090,743	5.12
THORNEY TECHNOLOGIES LTD	5,090,743	5.12

c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid	
	Number	Percentage
MR MATTHEW GORDON LAMONT	12,300,000	12.37
MS SHEILA TERESA LAMONT	10,900,000	10.96
NATIONAL NOMINEES LIMITED	8,091,312	8.13
MR PHILIP IMPERIAL SCHWAN	7,232,760	7.27
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	6,070,507	6.10
BNP PARIBAS NOMS PTY LTD <DRP>	5,440,835	5.47
MS SHARON MCINTYRE	4,500,000	4.52
UBS NOMINEES PTY LTD	3,957,155	3.98
MR TROY ALAN THOMPSON <THE THOMPSON FAMILY A/C>	3,501,371	3.52
IXORA PRINCE PTY LTD	2,814,003	2.83
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,253,541	2.27
ALPINE NOMINEES PTY LTD <THE ASHLEY FAMILY A/C>	1,815,467	1.83
CITICORP NOMINEES PTY LIMITED	1,379,178	1.39
KAYNADAN PTY LTD <THE BOWER FAMILY A/C>	1,124,821	1.13
MS SONYA CRUTE	1,000,000	1.01
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	979,705	0.98
JAM SYSTEMS PTY LTD	895,834	0.90
MR DONALD RODERICK HUNTER	590,890	0.59
LAMONT GEOPHYSICAL SERVICES PTY LTD <SHEILA LAMONT FAMILY A/C>	576,457	0.58
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD	518,561	0.52
Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	**75,942,397**	**76.34**

d) Unquoted equity securities shareholdings greater than 20%

NONE.

e) On market share purchases for executive LTI plan

NONE.

1 July 2019 to 30 June 2020
DUG Technology Ltd
ABN 99 169 944 334

For any queries related
to DUG's Annual Report
please contact us at
investor@dug.com