PROSPECTUS

DUG TECHNOLOGY LTD

DUG TECHNOLOGY LTD ACN 169 944 334

For an Offer of Shares at A$1.35 per Share.

LEAD MANAGER, CANACCORD GENUITY (AUSTRALIA) LIMITED.

Important Notices

The Offer

This Prospectus is issued by DUG Technology Ltd ACN 169 944 334 (**DUG** or the **Company**) and Dr Matthew Lamont, Dr Troy Thompson and Mr Philip Schwan being the Selling Shareholders. The Offer contained in this Prospectus is an initial public offering for the purpose of Chapter 6D of the Corporations Act to acquire fully paid ordinary shares in DUG (**Shares**).

Refer to Section 7 for further information on the Offer, including as to details of the securities that will be issued under this Prospectus.

Lodgement and listing

This Prospectus is dated 10 July 2020 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

DUG will apply to the Australian Securities Exchange (**ASX**) within seven days of this Prospectus Date for admission to the Official List and for quotation of Shares on the ASX. None of ASIC, ASX or their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date

No Shares will be issued on the basis of this Prospectus later than 13 months after Prospectus Date (**Expiry Date**). No Shares will be issued or sold under this Prospectus after the Expiry Date.

Not investment advice

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation and particular needs (including financial and tax issues) of any prospective investor.

Consider risks of investments

It is important that you read this Prospectus carefully and in full before deciding whether or not to invest in DUG. In particular, in considering the prospects of DUG you should consider any forward looking statement, together with the risk factors that may affect DUG's business, financial condition and results of operations. Some of the risk factors that should be considered by prospective investors are set out in Section 5 of this Prospectus. You should consider these factors carefully in light of your investment objectives, financial situation and particular needs (including financial and taxation issues). There may be risk factors in addition to these that should be considered in light of your personal circumstances. If you have any queries in connection with this Prospectus or in relation to an investment in DUG, you should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether or not to invest in the Shares.

Disclosing entity

If admitted to the Official List, DUG will be a disclosing entity for the purposes of the Corporations Act and, as such, will be subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

Disclaimer

Except as required by law, and only to the extent so required, neither DUG, nor any other person warrants or guarantees the future performance of DUG, the repayment of capital by DUG, or the payment of a return on the Shares made pursuant to this Prospectus.

To the maximum extent permitted by law, DUG, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise to persons who sell or trade Shares before receiving a holding statement, even if such persons received confirmation of allocation from the Offer Information Line or confirmed their firm allocation through a broker.

No person is authorised to give any information or to make any representation in connection with the Offer which is not included in this Prospectus. Any information or representation not included in this Prospectus may not be relied on as having been authorised by DUG, the directors of DUG (**Directors**) or any other person involved in the preparation of this Prospectus or the making of the Offer. In making any investment decision, you should rely only on the information in this Prospectus.

Exposure Period

The Corporations Act prohibits DUG from processing applications to acquire Shares under this Prospectus (**Applications**) in the seven-day period after lodgement of this Prospectus with ASIC (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

Obtaining a copy of this Prospectus

During the Exposure Period, an electronic version of this Prospectus without an Application Form will be available at www.dug.com for Australian investors only. Application Forms will not be made available until after the Exposure Period has expired.

During the period that the Offer is open, this Prospectus is available to Australian investors in electronic form at www.dug.com. The Offer constituted by this Prospectus in electronic form is available only to persons within Australia. It is not available to persons in other jurisdictions (including the United States) in which it would not be lawful to make such an offer or invitation. If you access the electronic version of this Prospectus, you should ensure that you download and read this Prospectus in its entirety.

You may, before the close of the Offer, obtain an electronic copy of this Prospectus by emailing cga@psl.com.au or by telephoning the Offer Information Line on 1300 582 256 (toll free from within Australia) or +61 1300 582 256 (from outside of Australia) from 8.30 am to 5.00 pm Western Australia Standard Time (**WAST**), Monday to Friday, excluding public holidays (**Business Days**).

Applications for Shares may only be made during the period the Offer is open, on an Application Form attached to or accompanying this Prospectus. Refer to Section 7.4 and the Application Form for further information.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Statements of past performance

This Prospectus includes information regarding the past performance of DUG. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial Information and amounts

Section 4 of this Prospectus sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is also set out in Appendix A.

All references to FY appearing in this Prospectus are to the financial year ended or ending, 30 June, unless otherwise indicated.

The Financial Information is presented on both an actual and pro forma basis and has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**) (except where otherwise stated), which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board (**IASB**).

The Financial Information is presented in abbreviated form. It does not include all of the presentation and disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 4 and Appendix A.

All financial amounts contained in this Prospectus are expressed in United States dollars (**US$**) unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

An exchange rate of A$1:US$0.65 has been used throughout the Prospectus except where expressly noted otherwise.

Non-IFRS financial information

Investors should be aware that certain financial data included in this Prospectus is “non-IFRS financial information” under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. DUG believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of DUG. The non-IFRS measures do not have standardised meanings prescribed by Australian Accounting Standards and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

The Financial Information in this Prospectus should be read in conjunction with and is qualified by reference to the information contained in Section 4 and Appendix A.

Investigating Accountant’s Report

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act (**Financial Services Guide**). The Investigating Accountant’s Report and accompanying Financial Services Guide are provided in Section 8.

Forward looking statements

This Prospectus contains forward looking statements which may be identified by words such as “believes”, “considers”, “could”, “estimates”, “expects”, “intends”, “may”, “anticipate,” “likely,” “should”, “predict,” “plan,” “propose,” “will,” “forecast,” “target” and other similar words that involve risks and uncertainties. Certain statements, beliefs and opinions contained in this Prospectus, particularly those regarding the possible or assumed future financial or other performance of DUG, industry growth or other trend projections are or may be forward-looking statements.

Any forward looking statements are subject to various known and unknown risk factors that may cause DUG’s actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of DUG or its Directors and the Leadership Team. Forward looking statements should be read in conjunction with, and are qualified by reference to, risk factors as set out in Section 5 and other information in this Prospectus.

DUG and the Lead Manager cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. DUG has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except to the extent required by law.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. DUG has obtained significant portions of this information from market research and commentary prepared by third parties. There is no assurance that any of the forecasts or forward looking information contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. DUG has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the key risk factors in Section 5.

Selling restrictions in foreign jurisdictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia and New Zealand.

The taxation treatment of Australian securities, including the Shares, may not be the same as those for securities in jurisdictions outside Australia. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, this Prospectus may not be released or distributed in the United States. The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the US Securities Act or are offered and sold in transactions exempt from, or not subject to the registration requirements of the US Securities Act and any other applicable securities laws in the United States.

Hong Kong

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**the SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (**the FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- Is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- Meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- Is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- Is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- Is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**the SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Kingdom

Neither this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom (**UK**) and no prospectus (within the meaning of Section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the UK by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under Section 86(1) of the FSMA. This document is issued on a confidential basis in the UK to "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing Section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the UK.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the UK in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

In the UK, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

No cooling off rights

Cooling off rights do not apply to an investment in Shares offered under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets or products shown in them are, or on Completion will be, owned, sold or supplied by DUG. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at Prospectus Date.

Documents available on website

Any references to documents included on DUG's website at www.dug.com are provided for convenience only, and none of the documents or other information available on the website or any other website referred to in the sources contained in this Prospectus, is incorporated in this Prospectus by reference.

Defined terms, abbreviations and time

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meanings given in the Glossary of this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Perth, Australia.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Applications

Applications for Shares under this Prospectus may only be made during the Offer Period by completing an Application Form included in, or accompanying, this Prospectus in its hard copy form, or in its electronic form which must be downloaded in its entirety from www.dug.com, together with an electronic copy of this Prospectus (**Application Form**). By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its hard copy form or the complete and unaltered electronic copy of this Prospectus. Refer to Section 7.4 and the Application Form for further information.

Privacy

By filling out an Application Form to apply for Shares, you are providing personal information to DUG and the Share Registry, which is contracted by DUG to manage Applications. DUG, and the Share Registry on its behalf, may collect, hold, use and disclose that personal information for the purpose of processing your Application, servicing your needs as a Shareholder, providing facilities and services that you need or request and carrying out appropriate administration. If you do not provide the information requested in the Application Form, DUG and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Share register of DUG. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included in the Share register if you cease to be a Shareholder.

DUG and the Share Registry may disclose your personal information from time to time to inform you about other products and services offered by DUG which they consider may be of interest to you. Your personal information may also be provided to DUG's agents and service providers on the basis that they deal with such information in accordance with DUG's privacy policy. The members, agents and service providers of DUG may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared include those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- The Share Registry for ongoing administration of the Share register;
- The Lead Manager in order to assess your Application;
- Brokers for the purpose of providing their services;
- Printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- Market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, contractors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

Information contained in DUG's Share Register is also used to facilitate corporate communications (including DUG's financial results, annual reports and other information that DUG may wish to communicate to its Shareholders) and compliance by DUG with legal and regulatory requirements.

An applicant has a right to access, correct and update his or her personal information that DUG and the Share Registry hold about that person, subject to certain exemptions under law. A reasonable fee may be charged for access. Access requests must be made in writing or by telephone call to the Share Registry's office, details of which are disclosed in the corporate directory on the final page of this Prospectus. DUG will aim to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Share Registry if any of the details you have provided change.

Applicants can obtain a copy of DUG's privacy policy by visiting the DUG website www.dug.com. By submitting an Application, you agree that DUG and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

Use of trademarks

This Prospectus includes DUG's trademarks. All other trademarks, trade names and service marks appearing in this Prospectus are the property of their respective owners.

Questions

If you have any questions about this Prospectus or how to apply for Shares, you should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser. Instructions on how to apply for Shares are set out in Section 7.4.1 and on the Application Form. Alternatively, please contact the Offer Information Line on 1300 582 256 (toll free from within Australia) or +61 1300 582 256 (from outside of Australia) between 8.30 am and 5.00 pm WAST, Business Days during the Offer Period.

Offer management

This Offer is managed by Canaccord Genuity (Australia) Limited ACN 075 071 466 (**Canaccord**).

This document is important and should be read in its entirety before making any investment decision.

Contents

KEY DATES

Prospectus Date	10 July 2020
Offer opens	20 July 2020
Offer closes	5.00 pm on 10 August 2020
Settlement	13 August 2020
Expected despatch of holding statements	17 August 2020
Expected commencement of trading on the ASX	25 August 2020

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in WAST. DUG, in consultation with the Lead Manager, reserves the right to vary any and all of the above dates and times without notice (including, subject to ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the date the Offer closes, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before settlement, in each case without notifying any recipient of this Prospectus or any applicants). DUG may accept Applications in its discretion, and the Offer remains open for it to do so, under this Prospectus until admission of DUG to the Official List. If the Offer is cancelled or withdrawn before the allocation of Shares, then all application monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

HOW TO INVEST

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus. Instructions on how to apply for Shares are set out in Section 7.4.1 of this Prospectus and on the back of the Application Form.

QUESTIONS

Please call the Offer Information Line on 1300 582 256 (toll free from within Australia) or on +61 1300 582 256 (from outside of Australia) from 8.30 am to 5.00 pm WAST, Business Days. If you have any questions about whether to invest in DUG you should seek professional advice from your financial adviser, stockbroker, lawyer, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest in the Shares.

KEY OFFER STATISTICS

Current Shares on issue[1]	63,156,886
Shares to be issued under the Long Term Incentive Plan[2]	168,510
Current Convertible Notes on issue	18,240,000
Offer Price per Share	A$1.35
Total number of Shares available under the Offer	25,759,259
Number of New Shares under the Offer	19,259,259
Indicative number of Sale Shares under the Offer	6,500,000
Number of Shares issued on conversion of the Convertible Notes	16,888,889
Gross proceeds of the Offer	A$34.8m
Proceeds of the Offer paid to Selling Shareholders (before costs)	$A8.8m
Total number of Shares held by Existing Owners on Completion[3]	57.4%
Total number of Shares on Completion[3]	99,473,544
Indicative Market Capitalisation at the Offer Price[4]	A$134.3m
Pro forma net cash (as at 31 December 2019)[5]	A$(20.8m)
Enterprise value at the Offer Price[6]	A$113.5m

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[1] Comprised of 54,802,919 ordinary shares and 8,660,856 shares issued under the Loan Share Plan. Refer to Section 6.3.3. DUG is in the process of registering a buy-back of 306,889 shares in relation to non-vesting of shares under the Loan Share Plan. Any unvested shares under the historical Loan Share Plan will automatically vest on the date of the quotation of shares on the ASX.

[2] The Board has agreed to issue an additional 168,510 shares to executive management, the Leadership Team and key employees under the new Long Term Incentive Plan in the form of Loan Shares prior to the date of the quotation of shares on the ASX.

[3] Refer to Section 7.1.5 for further details on the ownership structure of DUG at Prospectus Date and on Completion.

[4] Indicative Market Capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on Completion.

[5] Pro forma net cash calculated as actual cash and cash equivalents as at 31 December 2019, plus the cash proceeds raised under the Offer, less the costs of the Offer is US$(13.5m) (A$(20.8m)). Refer to Section 4.6 for further details.

[6] Enterprise value at the Offer Price is defined as the indicative Market Capitalisation at the Offer Price, less pro forma net cash as at 31 December 2019.

Letter from the Chairperson

Dear Investor

On behalf of the Board, I am pleased to invite you to become a shareholder of DUG Technology Ltd ("DUG").

DUG is a great Australian success story, from humble beginnings in a backyard shed to an international business with offices on four continents. Our company owns and operates some of the most powerful and greenest supercomputers on Earth, which allow us to compete successfully on the global stage.

We are now looking to raise capital for our next phase of growth. This is an exciting investor opportunity, and we invite you to join us on our exciting journey.

Full details of the Offer, the DUG business and the risks of investing in the Company are contained in this Prospectus. I encourage you to read it carefully.

Together with my fellow Directors, I look forward to welcoming you as a shareholder of DUG.

Yours sincerely

Wayne Martin

Hon. Wayne Martin AC QC
CHAIRPERSON

Letter from the Managing Director

Dear Investor

This is an exciting time for fellow co-founder, Troy Thompson, and I. This journey has taken us from my backyard in Perth to a global operation, and now to IPO. The DUG team's passion to solve problems on big compute continues to drive us forward!

The IPO is a gateway to the future for DUG. The 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.

It is with these opportunities in mind that I, on behalf of the Directors and the Leadership Team of our company, invite you to become a shareholder of DUG.

The Offer comprises the issue of 19,259,259 New Shares at A$1.35 per Share, to raise A$26 million.

Please read this Prospectus in its entirety before making any investment decision, and consult with your independent professional adviser in connection with the Offer. Investment in DUG is not without risk and I encourage you to pay particular attention to the risks outlined in Section 5 of this Prospectus.

Yours sincerely

Matthew Lamont Ph.D.
MANAGING DIRECTOR

1 INVESTMENT HIGHLIGHTS

1. Investment Highlights

1.1. OVERVIEW OF DUG

Topic	Summary
Who is DUG?	DUG is a technology company providing high performance computing as a service (**HPCaaS**), scientific data analysis services, 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. DUG's constant focus on research and development (**R&D**), highly experienced and qualified team and proprietary knowledge, have enabled these solutions. DUG's offering can either be delivered directly to the client or through the DUG McCloud platform. For further information, refer to Section 3.1.
What is DUG's history?	DUG was founded in Perth by Dr Matthew Lamont and Dr Troy Thompson in 2003 to provide HPC-based solutions for scientific data analysis. In 2007 DUG began expanding and establishing a global presence to serve international clients. From two people in a back shed in Perth, Western Australia, DUG has grown to 317 staff spread over four international offices. HPCaaS to analyse large datasets has, and continues to be, the key focus of the Company. Traditionally, the Company's expertise in this area has been utilised to provide seismic data processing and imaging (**P&I**) services to the resource sector. The fully-integrated DUG McCloud platform was developed in 2018. DUG has identified the advantages that its data processing expertise provides to companies outside of the resource sector, an avenue of business development which the Company is actively pursuing. DUG continues to invest in R&D to improve its existing HPCaaS assets, scientific data analysis services and software solutions for its clients. For further information, refer to Section 3.2.
What industry and market does DUG operate in?	Most of DUG's traditional clients are in the resource sector. However, since 2019 DUG has been providing HPCaaS, scientific data analysis services and software solutions to a broader range of scientific endeavours. For example, the Square Kilometre Array (**SKA**) radio astronomy project is a multi-billion dollar international scientific project. Multiple groups within Australia that are involved in the SKA, such as the International Centre for Radio Astronomy Research (**ICRAR**), are now working with DUG. This is just one example of a client that DUG is working with outside of the resource sector in Australia. For further information, refer to Sections 2 and Appendix A.
Who are DUG's competitors?	Within the resource sector, DUG's main competitors are Schlumberger and CGG.

1.2. KEY FEATURES OF DUG'S BUSINESS MODEL

Topic	Summary
What are DUG's key services and products?	DUG provides HPCaaS and Services for scientific data analysis. This includes processing and visualisation of scientific data, and R&D of software and associated algorithms. Any industry that has a need to manage, visualise, and/or process large and complex scientific datasets is a potential client. Clients can access these products directly or through the DUG McCloud platform, an innovative and collaborative cloud model. DUG McCloud allows people to work together on a project whether they are co-located or spread around the world. HPCaaS: DUG's business plan is centred on selling reliable HPC cycles at competitive prices. DUG provides a secure, 'ready to use' HPC environment with significant support available, if required. The Company's supercomputers, located in four global locations, provide substantial compute and storage capabilities. Computer room fit-out and infrastructure, computers and expertise are all owned by DUG. Services: DUG provides clients with two types of services: o Data loading, quality control (**QC**) and management. o Scientific data analysis including high-frequency full-waveform inversion (**HF-FWI**), capable of producing better images in a shorter timeframe, with much less human-time, equating to lower drilling risk. All services utilise DUG's proprietary software. That is, where possible algorithms are patented and the software package itself was written by and belongs to DUG. Software: o DUG Insight - A modern, intuitive and interactive software package for scientific signal processing and visualisation. o Software and algorithm support - The Company provides all the necessary support for a client to successfully run an algorithm on DUG's HPC. Additionally, the Company offers software and associated algorithm development for clients running on DUG's HPC. DUG McCloud: A client-focussed collaborative cloud platform that enables clients to mix and match DUG's three main offerings with their own codes and expertise, to suit their needs and desired outcomes. For further information, refer to Section 3.5.
What intellectual property (IP) does DUG own?	DUG's key differentiating technology is patented or is the subject of pending patent applications. It has not relied on acquisitions to build out its IP capabilities. DUG's IP has predominantly been developed in-house by the Company's R&D team. Ownership of IP in software developed by DUG is generally maintained exclusively by DUG. DUG Insight is home to more than 160 scientific data analysis algorithms. For further information, refer to Sections 3.9 and 9.
Who are DUG's clients?	DUG had over 230 clients in FY19, including some of the largest Fortune 500 companies. Clients for DUG's products and services include: HPCaaS: ICRAR, Curtin Institute for Computation, Polarcus, Geoprocesados, Fairfield Geotechnologies.

Topic	Summary
	Services: Shell, Santos, Chevron. **Software:** Apache, INPEX, Murphy Oil, TGS. For further information, refer to Section 3.7.
How does DUG generate its revenue and what are its main expenses?	DUG currently generates most of its revenue from scientific data analysis services. DUG continues to increase its focus on growing the HPCaaS and software product lines, especially outside of the resource sector. DUG has been built on the back of repeat business in relation to services and recurring revenue streams in relation to software. For further information, refer to Section 3.8.
How does DUG market and sell its products?	DUG's key marketing and sales strategies are: o Recurring and repeat business and existing relationships; o Presentations, reports and refereed scientific papers; o Scientific conferences; o Positioning itself as a leading provider of HPCaaS; and o Advertising in appropriate industry publications. For further information, refer to Section 3.10.

What are the key competitive advantages of DUG's business?	DUG has acquired substantial knowledge regarding the challenges faced in the processing of large, complex scientific datasets. This has provided a detailed understanding of many of the issues and challenges faced by its clients, which has been distilled into a well-defined service offering.
	DUG has a number of key differentiators and advantages including:
	o People
	  o Multi-disciplined talented team.
	  o Core competencies in HPC, scientific R&D and scientific data analysis.
	o Software
	  o Comprehensive scientific data analysis.
	  o HF-FWI.
	o Computer rooms/compute/data storage
	  o Cost effective solutions.
	  o Environmental benefits from the DUG Cool solution.
	  o High levels of security and privacy.
	  o Current capacity: compute 19.0 PF (+ 10.1* PF on order); and storage 24.8 PB (+ 7.0* PB on order).
	  o Potential for expansion.
	o Opportunity
	  o Genuine HPC cloud offering with only a small number of competitors.
	  o Growing client demand.
	  o In management’s opinion, there is a shortage of HPC, related software and expertise in Australia.
	For further information, refer to Section 3.6.

What is DUG's growth strategy?	DUG's growth strategy leverages its competitive advantages of expertise, experience, and the products it has built since incorporation. **HPCaaS:** The strategy for DUG is to leverage its software engineering capabilities (R&D, support, performance optimisation) to sell HPC cycles. The Company plans

Topic	Summary
	to continue to build computer room facilities (long lead time items) and populate them 'just in time' with compute and storage, in order to meet demand. Services: DUG's traditional service business 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). DUG’s wave-equation based inversion and imaging solutions including HF-FWI, which gives rise to high machine-time/low human-time projects, is expected to lead to larger and more profitable projects. Service opportunities from other industries are now also presenting themselves. Software: DUG's focus at present revolves around DUG Insight, which is continually being developed. DUG McCloud: The DUG McCloud platform is the vehicle that enables the growth of all of the above. For further information, refer to Section 3.11.

1.3. KEY FINANCIAL INFORMATION

Topic	Summary
What is DUG’s historical financial performance?	A condensed version of DUG's Pro Forma Historical Income Statement and Statutory Historical Income Statement is set out below. The financial information presented contains non-IFRS financial measures. It is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information set out in Section 4, including the assumptions and management discussion, as well as the key risks set out in Section 5.

Pro Forma Historical Income Statement			
US$	FY18	FY19	H1FY20
Revenue	48,901	52,135	26,840
EBITDA	8,657	10,985	5,091
NPAT	(1,768)	(2,554)	(1,987)

The pro-forma EBITDA and NPAT, as set out in the above table, are reconciled to the statutory EBITDA and NPAT in Section 4.3.2 with an explanation as to each pro-forma adjustment made.

Statutory Historical Income Statement			
US$	FY18	FY19	H1FY20
Revenue	48,901	52,135	26,840
EBITDA	7,695	9,730	5,091
NPAT	(1,915)	(2,633)	(2,513)

For further information, refer to Section 4.

Topic	Summary
What is DUG’s dividend policy?	Payment of dividends by DUG will depend upon the availability of distributable earnings, operating results, available cash flows, financial condition, taxation position, future capital requirements, general business and financial conditions, and other factors the Directors consider relevant. In determining whether to declare future dividends, the Directors will have regard to DUG's earnings, overall financial condition and requirements, the

Topic	Summary
	outlook for each of the areas in which DUG operates, DUG's taxation position, future capital requirements, and applicable legal requirements. For further information, refer to Section 4.10.
What will DUG's capital structure be on Completion?	On Completion, DUG will have 99,473,544 Shares on issue comprised of the following:

Shareholders	Number of Shares on Completion[1]	% of Shares held on Completion[1]
Directors and Leadership Team[2]	37,331,521	37.5
Other Employees[3]	3,605,553	3.6
Other Convertible Note Holders[4]	16,564,815	16.7
Other Existing Owners	16,212,396	16.3
New Shareholders	25,759,259	25.9
Total	99,473,544	100.0

Notes:

1. Includes the Shares which vest under the historical Loan Share Plan, the issue of new Shares under the Long Term Incentive Plan and the Convertible Note Shares. This assumes all Shares are subscribed for under the Offer.

2. Refer to Section 6.3 for a summary of the direct and indirect interests of each Director and member of the Leadership Team at Prospectus Date and on Completion.

3. Refer to Section 6.3.3 for a summary of the Loan Share Plan and the Shares and Loans issued under the Loan Share Plan.

4. Refer to Section 10.5 for a summary of the terms of the Convertible Notes.

For further information, refer to Section 7.1.5.

1.4. KEY RISKS

Topic	Summary
Launch of new products	The development schedule for new products, or the adoption of new products may take longer than expected, delaying the development of new revenue streams. New third party technologies could prove more advanced and be developed in less time than DUG's new products. DUG's strategy is that over time, revenue from new products will contribute to DUG's total revenue. There is a risk that DUG's new products may not be well received by clients or that DUG may not be able to generate sufficient adoption of its new products. For further information, refer to Section 5.1.1.
New technologies and business processes	There is no guarantee that a return on investment in technology will meet expectations and DUG's technology may become obsolete or outdated through the investment of its peers in superior technology and/or product offerings. A failure to maintain appropriate technology and business processes could also cause disruptions in DUG's operations or cause its products and services to be less competitive. This could require DUG to undertake substantial investment in updating or improving its current technology platform and product offering, which could have an adverse impact on DUG's business, operating and financial performance, and/or growth. For further information, refer to Section 5.1.2.

Topic	Summary
Patent rights	There is a risk that patent applications may not proceed to granted patents and even if granted the scope of DUG's claim may have changed pursuant to an examination and may not be of commercial benefit to DUG, or may not afford DUG adequate protection from competing products. Patent applications may also be challenged. Further, even if DUG succeeds in obtaining patent protection for its products, its patents could be wholly or partially invalidated following challenges by third parties. For further information, refer to Section 5.1.3.
Patent litigation	Two of the Company's wholly owned subsidiaries are co-respondents in litigation commenced in the Federal Court of Australia in December 2018 by PGS Australia Pty Ltd (**PGS**). PGS claims in the proceeding that the DUG co-respondents have infringed, and/or have infringed in the pursuit of a common design with the Polarcus co-respondents, two Australian registered patents owned by PGS with respect to the acquisition and processing of seismic data by using the methods comprised in those claims. PGS has sought relief including injunctive relief and damages. The outcome of the litigation is inherently uncertain. Should PGS be partially or wholly successful in its claims against the DUG co-respondents, the DUG co-respondents may be required to pay damages to PGS and/or be required to alter its operations so as to avoid being in breach of any injunction. For further information, refer to Section 5.1.4.
Protection of its IP	There is a risk that DUG's IP may be compromised in a number of different ways. The Company may be unable to detect unauthorised use of its IP rights in all instances. The actions DUG takes to protect its IP may not be adequate or enforceable and thus may not prevent the misappropriation of its IP and proprietary information. Breach of the Company’s IP may result in the need for DUG to commence legal action. DUG's failure to protect its IP rights could have an adverse impact on DUG's business, operating and financial performance, and/or growth. For further information, refer to Section 5.1.5.
DUG may suffer a loss of, or be unable to attract, key personnel	There is a risk that DUG may not be able to attract and retain adequately skilled employees and management, or be able to find effective replacements for individuals who leave the business. Failure to attract, train and/or retain appropriate employees could have a materially adverse impact on DUG's business, operating and financial performance, and/or growth given the reliance of the Company on its highly experienced and qualified team. For further information, refer to Section 5.1.6.

Topic	Summary
Disruption or failure of technology and data security breaches	There is a risk that DUG's technology platform may experience downtime or interruption. Cyber-attacks, data theft or human error or malfeasance may also result in data breaches resulting from unauthorised access to, or disclosure of information, including sensitive and/or confidential information, whether malicious or inadvertent. Any disruption, breach or failure of technology or data security may result in loss of client data or supplier data. For further information, refer to Section 5.1.7.
DUG may not successfully execute one or all of its growth strategies	There is no guarantee that all or any of DUG's growth strategies, including expanding HPCaaS outside of the resource sector and increasing data management work from the use of the DUG McCloud platform, will be successfully implemented, deliver the expected returns or ultimately be profitable. There is also a risk that the growth strategies may be subjected to unexpected delays and additional implementation costs. The Company may also fail to adopt and execute growth strategies that will enable it to successfully maintain or improve its product and service offering and match any change in client preferences. For further information, refer to Section 5.1.8.
DUG operates in a competitive market, with a range of alternative products available	DUG's direct competitors may seek to imitate the Company's strategies, and/or may attempt to aggressively take market share from DUG. With the launch of DUG's new products, there is also a risk that competitors gain a market share to a greater extent than expected. The level of current and future competition in the market and changes in competitive behaviour may result in behaviours having a material adverse impact on DUG's business, financial condition, operating and financial performance, and/or growth. For further information, refer to Section 5.1.9.
DUG's brand or reputation may be damaged	DUG's brand, image or reputation may be impacted through negative publicity which could lead to heightened regulatory focus or negative client experience. Actions or failures by other market participants could also negatively impact the reputation of the industry and/or the Company. For further information, refer to Section 5.1.10.
Country/Region specific legal and regulatory risks	As DUG increases its operations in existing regions or enters newer regions there is a risk that it fails to understand the laws, regulations and business customs of these regions. There is also a risk that these regions may have political, legal and economic instability or less sophisticated legal and regulatory regimes. This in turn gives rise to risks relating to labour practices, foreign ownership restrictions, tax regulation, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regimes and issues in foreign jurisdictions in which DUG may operate. For further information, refer to Sections 5.1.11 and 5.1.12.

Topic	Summary
Macroeconomic conditions and cyclical nature of the resource sector	DUG's clients are exposed to the general economic cycle. A substantial number of its clients are in the resource sector which is particularly cyclical and is impacted significantly by the COVID-19 pandemic which has impacted the price of oil. The global movement toward the increasing use of renewable and cleaner energy sources is another factor that is likely to impact the current and future outlook for the resource sector. This may potentially impact companies which are servicing the resource sector (such as DUG) in the near term. For further information, refer to Section 5.1.13
Exposure to potential security breaches and data protection	Through the ordinary course of business, DUG collects a large amount of data (both confidential and publicly available). Cyber-attacks may compromise or breach DUG’s barriers. There is a risk that the measures taken by DUG to protect its data may not be sufficient to detect or prevent unauthorised access to, or disclosure of, such data. For further information, refer to Section 5.1.17.
Counterparty risk	DUG's operations require the involvement of a number of third parties, including suppliers and contractors. Financial failure, default or contractual non-performance on the part of such third parties, including late payment of amounts owing to the Company or failure to pay such amounts, may have a material impact on the operations and performance of DUG. For further information, refer to Section 5.1.18.
COVID-19 impact	The outbreak of COVID-19 is having a material effect on global economic markets and the global economic outlook is uncertain. This has and may continue to have a significant impact on capital markets, commodities, supply chains and international travel and trade. DUG's clients may be required to shut down operations in the short-term or be impacted financially by the uncertainty created by COVID-19 and this may impact those client's need or ability to utilise the Company’s products and services. For further information, refer to Section 5.2.3.
Other risks	The above risks are a summary of some of the key risks, but not an exhaustive list of all of the risks associated with DUG or an investment in the Shares. Full details of the risks summarised in this Section and other key risks are included in Section 5, and investors are recommended to review all of those risks carefully before making an investment decision.

1.5. DUG DIRECTORS AND LEADERSHIP TEAM

<table>
<tr><th>Topic</th><th>Summary</th></tr>
<tr><td>Who are the Directors of DUG?</td><td>The Directors of DUG are:
o Hon. Wayne Martin AC QC - Independent Chairperson and Chair of the Remuneration and Nomination Committee.
o Dr Matthew Lamont - Managing Director.
o Ms Louise Bower - Chief Financial Officer and Executive Director.
o Mr Philip Schwan - Chief Technology Officer and Executive Director.
o Mr Francesco Sciarrone - Independent Non-Executive Director.
o Mr Charles Ramsden - Non-Executive Director.
o Mr Michael Malone - Independent Non-Executive Director.
o Mr Mark Puzey - Independent Non-Executive Director and Chair of the Audit and Risk Committee.

For further information, refer to Section 6.1.</td></tr>
<tr><td>Who is the Leadership Team of DUG?</td><td>The Leadership Team includes:
o Dr Matthew Lamont - Managing Director.
o Ms Louise Bower - Chief Financial Officer and Executive Director.
o Mr Philip Schwan - Chief Technology Officer and Executive Director.
o Dr Troy Thompson - Research Principal.
o Mr Simon Davey - General Counsel and Company Secretary.
o Mr Gunaseelan Cumaran - Chief Operating Officer.
o Mr Mark Lommers - Chief Engineer.
o Dr Stuart Midgley - System Architect.

For further information, refer to Section 6.2.</td></tr>
<tr><td>Who are the Existing Owners and what will their interest in DUG be on Completion?</td><td>Existing Owners will hold approximately 57.4% of Shares on Completion. The table below sets out the interests of Existing Owners at Prospectus Date, and on Completion.
<table>
<tr><th>Shareholder</th><th>Number of Shares held at Prospectus Date</th><th>% of Shares held at Prospectus Date[1]</th><th>Number of Shares held on Completion[2]</th><th>% of Shares held on Completion[3]</th></tr>
<tr><td>Directors and Leadership Team</td><td>43,380,470</td><td>68.7</td><td>37,331,521</td><td>37.5</td></tr>
<tr><td>Other Employees</td><td>3,564,020</td><td>5.6</td><td>3,605,553</td><td>3.6</td></tr>
<tr><td>Other Existing Owners</td><td>16,212,396</td><td>25.7</td><td>16,212,396</td><td>16.3</td></tr>
<tr><td>Total</td><td>63,156,886</td><td>100.0</td><td>57,149,470</td><td>57.4</td></tr>
</table>
Notes:
1. Assumes 63,156,886 of Shares at Prospectus Date , including the Shares under the historical Loan Share Plan that will be fully vested on Completion.
2. Includes the issue of new Shares under the Long Term Incentive Plan, the Convertible Note Shares and the issue of New Shares under the Offer.
3. Assumes 99,473,544 of Shares on Completion.

For further information, refer to Section 6.3.2.</td></tr>
</table>

<table>
<tr><th>Topic</th><th>Summary</th></tr>
<tr><td>What interests do the Directors have in the securities of the Company?</td><td>
The table below summarises Directors' interests in Shares as at Prospectus Date and on Completion.

<table>
<tr><th>Director</th><th>Interests in Shares held at Prospectus Date</th><th>% of Shares held at Prospectus Date[1]</th><th>Interests in Shares held on Completion[2]</th><th>% of Shares held on Completion[3]</th></tr>
<tr><td>Hon. Wayne Martin[4]</td><td>-</td><td>-</td><td>231,481</td><td>0.2</td></tr>
<tr><td>Dr Matthew Lamont[5]</td><td>26,770,054</td><td>42.4</td><td>23,807,321</td><td>23.9</td></tr>
<tr><td>Ms Louise Bower[6]</td><td>1,364,616</td><td>2.2</td><td>1,389,672</td><td>1.4</td></tr>
<tr><td>Mr Philip Schwan[7]</td><td>9,206,866</td><td>14.6</td><td>7,232,760</td><td>7.3</td></tr>
<tr><td>Mr Francesco Sciarrone[8]</td><td>171,055</td><td>0.2</td><td>263,648</td><td>0.3</td></tr>
<tr><td>Mr Charles Ramsden[9]</td><td>214,167</td><td>0.3</td><td>214,167</td><td>0.2</td></tr>
<tr><td>Mr Michael Malone[10]</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Mr Mark Puzey[11]</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>37,726,758</td><td>59.7</td><td>33,139,049</td><td>33.3</td></tr>
</table>

Notes:

1. Assumes 63,156,886 of Shares at Prospectus Date including the Shares under the historical Loan Share plan that will be fully vested on Completion.

2. Includes the issue of new Shares under the Long Term Incentive Plan, the Convertible Note Shares and the issue of New Shares under the Offer.

3. Assumes 99,473,544 of Shares on Completion.

4. Refer to Section 6.3.2.10 for a summary of Mr Martin's direct and indirect interests in the Shares as a Director at Prospectus Date and on Completion.

5. Refer to Section 6.3.2.10 for a summary of Dr Lamont's direct and indirect interests in the Shares as a Director at Prospectus Date and on Completion. Dr Lamont and his associates are selling 3,000,000 Shares via the Offer.

6. Refer to Section 6.3.2.10 for a summary of Ms Bower's direct and indirect interests in the Shares as a Director at Prospectus Date and on Completion.

7. Refer to Section 6.3.2.10 for a summary of Mr Schwan's direct and indirect interests in the Shares as a Director at Prospectus Date and on Completion. Mr Schwan is selling 2,000,000 Shares via the Offer.

8. Refer to Section 6.3.2.10 for a summary of Mr Sciarrone's direct and indirect interests in the Shares as a Director at Prospectus Date and on Completion.

9. Refer to Section 6.3.2.10 for a summary of Mr Ramsden's direct and indirect interests in the Shares as a Director at Prospectus Date and on Completion.

10. Refer to Section 6.3.2.10 for a summary of Mr Malone’s direct and indirect interests in the Shares as a Director at Prospectus Date and on Completion.

11. Refer to Section 6.3.2.10 for a summary of Mr Puzey’s direct and indirect interests in the Shares as a Director at Prospectus Date and on Completion.
</td></tr>
<tr><td>What significant benefits and interests are payable to Directors and other persons connected with DUG or the Offer?</td><td>
Directors are entitled to apply for Shares under the Offer.

The Company has entered into separate Non-Executive Director letters of appointment with each of Mr Martin, Mr Sciarrone, Mr Ramsden, Mr Malone and Mr Puzey. The Company has agreed to pay each of the Non-Executive Directors A$75.0k per annum (inclusive of superannuation) with additional amounts paid for membership and chairing Board Committees. The Company has agreed to pay the Chairperson a total of A$180.0k per annum (inclusive of superannuation).

Each of Dr Lamont, Ms Bower and Mr Schwan have entered into an executive employment agreement with the Company and also are entitled to participate in
</td></tr>
</table>

Topic	Summary
	the Short Term Incentive Plan and Long Term Incentive Plan. Details of remuneration and specific terms are described in Section 6.3.2. Advisers and other service providers are entitled to fees for services and have other interests as disclosed in Section 6.3.1. For further information, refer to Section 6.3.
Will any Shares be subject to restrictions on disposal following Completion?	Yes. Certain Existing Owners have agreed to enter into voluntary escrow arrangements in relation to Shares retained by them on Completion. The proportion of Shares that will be subject to escrow (on Completion of the Offer) is expected to be approximately 34.7% of the total issued capital of the Company. For further information, refer to Section 7.1.7.

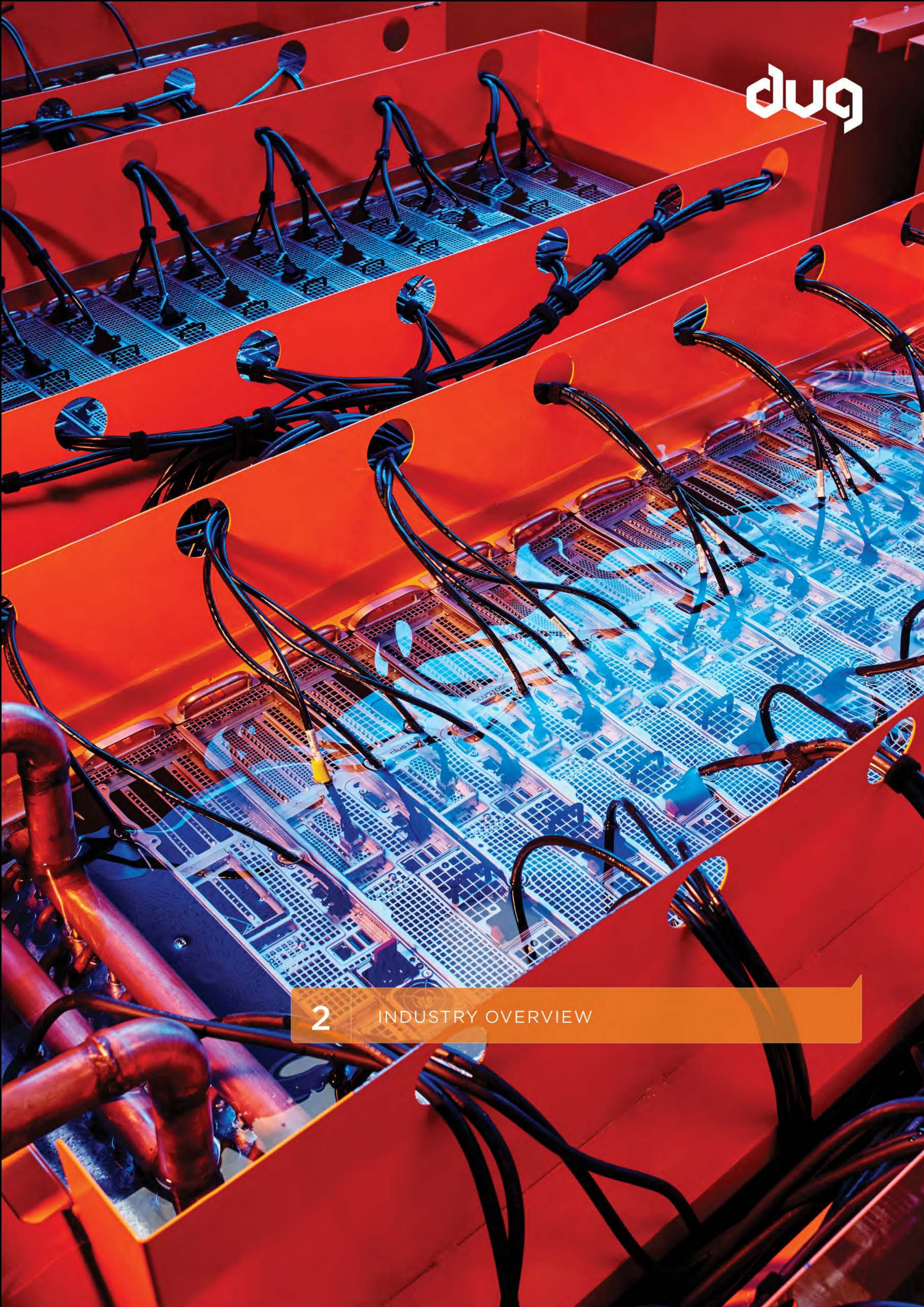
1.6. PROPOSED USE OF FUNDS AND KEY TERMS AND CONDITIONS OF THE OFFER

Topic	Summary
What is the Offer?	The Offer comprises an offer of the issue of 19,259,259 New Shares by DUG, and the sale of a total of 6,500,000 by Dr Lamont, Dr Thompson and Mr Schwan. For further information, refer to Section 7.1.
What is the structure of the Offer?	The Offer is comprised of: o The Institutional Offer, which consists of an offer to institutional investors in Australia and a number of other eligible jurisdictions to apply for Shares; o The Broker Offer, which is open to Australian resident retail clients of brokers who receive a firm allocation of Shares from the Lead Manager; o The Chairman's List Offer, which is open to investors who have received an invitation from the Company to participate in the Chairman's List Offer; o The General Offer, which is open to members of the general public with registered addresses in Australia and New Zealand. For further information, refer to Section 7.3.
Who are the Selling Shareholders and what is their involvement in the Offer?	Dr Lamont, Dr Thompson and Mr Schwan are selling up to 6,500,000 Shares into the Offer, primarily to deal with oversubscriptions. Dr Lamont and Dr Thompson are founding Shareholders of the Company and each of the Selling Shareholders is a key executive and member of the Leadership Team of the Company.
Who are the issuers of this Prospectus?	DUG Technology Ltd. Dr Lamont, Dr Thompson and Mr Schwan.
What is the proposed use of funds raised under the Offer?	The proceeds of the Offer will be applied as follows:

Uses	US$m	A$m	%
Computers	7.8	12.0	46
Storage	2.6	4.0	15
Network expansion	2.0	3.0	12
Payment of the costs of the Offer	2.0	3.0	12
Working Capital	2.6	4.0	15
Total	17.0	26.0	100

Topic	Summary
	The above table is a statement of DUG's current intentions as at Prospectus Date. Investors should note that the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, and market and general economic conditions. DUG reserves its right to alter the way funds are applied. In addition, as the Offer will be in Australian dollars and the expenditure will be in US dollars, the actual amount of the proceeds used for each of the items above will depend on the A$:US$ exchange rate at the time the funds are converted to US dollars. The Board believes that funds raised from the Offer will provide the Company with sufficient working capital to achieve its stated objectives as detailed in this Prospectus. For further information, refer to Section 7.1.2.
What is the Offer Price?	The price payable under the Offer is A$1.35 per Share. For further information, refer to Section 7.1.
Is the Offer underwritten?	No, the Offer is not underwritten. For further information, refer to Section 7.1.1.
Who is the Lead Manager on the Offer?	The Lead Manager is Canaccord.
Will the Shares be quoted on the ASX?	DUG will apply to the ASX for admission to the Official List and quotation of Shares on the ASX under the code 'DUG'. Completion is conditional on the ASX approving its application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all application monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. For further information, refer to Section 7.7.
What is the allocation policy?	DUG and the Lead Manager have absolute discretion regarding allocation of Shares to applicants under the Offer and may reject an Application or allocate a lesser number of Shares than applied for. DUG and the Lead Manager also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person. For further information, refer to Section 7.4.3.
Is there any brokerage, commission or stamp duty payable by applicants?	No brokerage, commission or stamp duty is payable by applicants on acquisitions of Shares under the Offer. For further information, refer to Section 7.2.
What are the tax implications of investing in the Shares?	You may be subject to Australian income tax or withholding tax on any future dividends paid. Tax consequences of any investment in Shares will depend upon your particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. For further information, refer to Section 10.7.

Topic	Summary
When will I receive confirmation that my application has been successful?	It is expected that initial holding statements will be sent electronically on or about 17 August 2020. For further information, refer to Section 7.2.
What is the minimum application size?	The minimum Application size is A$2,000 worth of Shares (1,482 Shares) and thereafter in multiples of A$500 worth of Shares (371 Shares). For further information, refer to Section 7.4.1.
How can I apply for Shares?	You may apply for Shares by completing a valid Application Form (attached to or accompanying this Prospectus). To the extent permitted by law, an Application under the Offer is irrevocable. For further information, refer to Section 7.4.1.
Can the Offer be withdrawn?	DUG reserves the right not to proceed with the Offer at any time before the issue of Shares to successful applicants. If the Offer does not proceed, application monies will be refunded to applicants. No interest will be paid on any application monies refunded as a result of the withdrawal of the Offer. For further information, refer to Section 7.6.
When can I sell my Shares on the ASX?	It is expected that the dispatch of the holding statements will occur on or about 17 August 2020 and trading of the Shares on will commence on or about 25 August 2020. It is the responsibility of each applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. For further information, refer to Section 7.2.
Where can I find more information about this Prospectus or the Offer?	Please call the Offer Information Line on 1300 582 (toll free within Australia) or on +61 1300 582 256 (from outside of Australia) from 8.30 am to 5.00 pm WAST, Business Days. If you are unclear about any matter or are uncertain as to whether DUG is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.



2 INDUSTRY OVERVIEW

2. Industry Overview

Cloud computing is the practice of using a network of remote servers on the internet to store, manage and process data rather than on a local server or computer ("on-premises"). The 'cloud' has now become omnipresent in many industry sectors worldwide.

A rise in concerns relating to data recovery and protection is anticipated to drive the global cloud storage market.

2.1. HPCaaS

2.1.1. High performance computing (HPC)

HPC is the use of supercomputers and parallel processing techniques for solving very complex computational problems.

HPC technology focuses on developing parallel processing algorithms by incorporating both administration and parallel computational techniques. An HPC installation or cluster consists of hundreds or thousands of compute servers that are networked together. The nodes in each cluster work in parallel with each other, boosting processing speed to deliver high performance computing. HPC has the ability to synthesise, refine and process data from massive sets of information to generate meaningful insights quickly and can therefore accelerate the time required to solve complex problems and generate accurate, timely and insightful results for organisations to gain, or protect, a competitive advantage.

The advent of exascale computing capacity will change the way vast quantities of information and data has - 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 and generate a whole new era of learning, problem solving, R&D, invention, discovery and innovation.

2.1.2. Storage

There are two broad categories of storage. The first is HPC storage, the second is data archive. The characteristics of HPC storage are fast access and huge bandwidth. HPC storage has to keep the HPC cluster 'fed' and then store the results as they come off. If compute nodes have to wait to either read or write data, then efficiency is lost.

Traditionally, DUG used a Lustre-based system for its HPC storage, based on commodity hardware aggregated by DUG. Lustre was the product developed by Cluster File Systems (**CFS**), a company started by DUG's CTO, Mr Philip Schwan. DUG is in the process of migrating its HPC storage to appliances produced by VAST Data Inc. The VAST solution is a unique design based on SSD storage devices rather than spinning disks, and as such has a number of advantages including the random reading of huge datasets.[7]

DUG has recently brought to market an 'online archive' solution (as opposed to HPC storage). This is based on Lustre and spinning disk technology. Under this offering, the data is instantly available. Other archive solutions can have 15-hour retrieval delays.

In the resource sector, DUG is targeting seismic and well data specifically. Seismic datasets have always been large but are gaining in size year on year. DUG's first data-specific DUG McCloud contract was for 4.5 PB of data. A field dataset on a recent project was 1.3 PB in size (Utsira ocean bottom node seismic data project for AGS).

Because of the extremely large size of the historical seismic data inventory, many cloud companies are targeting this business.

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[7] Vast Data, "Homepage", 2020. [Online]. Available: www.vastdata.com. [Accessed May 2020].

2.1.3. Competitive analysis

There are few truly integrated pure HPCaaS companies. In the oil & gas space, *Kimberlite* survey data[8] (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.[9]

The market for cloud-based computing and data storage is serviced by very large companies, including Microsoft (**Azure**), Amazon (**AWS**), Google, and Oracle Corporation.

2.2. SERVICES

2.2.1. Seismic processing and imaging (P&I)

The resource sector collects large and complex datasets as part of exploration and production activities. Seismic surveys are, in particular, an essential component of successful oil & gas exploration as data collected from these surveys allows geoscientists to visualise and interpret the subsurface of the earth.

Seismic surveys are conducted by deploying an array of energy sources and an array of sensors or receivers in an area of interest.

All newly acquired seismic data needs to be processed to provide an image of the subsurface. Frequently, legacy data will be reprocessed using new algorithms to improve the quality of the image. The quality of the final image and the time it takes to produce it are both important factors for clients.

P&I projects, depending on their size and complexity, can take between 6 and 18 months to complete, and consist of the following five stages.

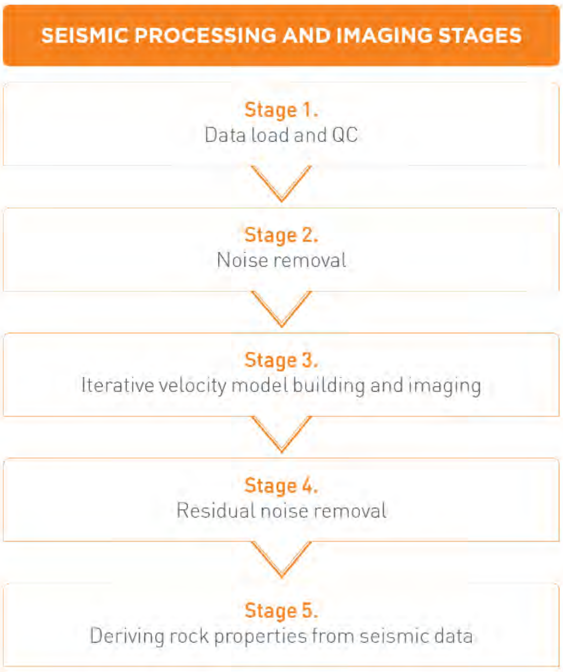

Figure 1: Seismic P&I stages.

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

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

Traditional imaging (Stage 3) is based on the processing of primary reflections only. A primary reflection and a series of other echoes are recorded off every sub-surface interface between different layers of rock, as well as other unwanted noise. When the imaging steps require only the primary reflections, all other energy in the recordings is effectively unwanted 'noise'. This noise significantly degrades the final image if not dealt with appropriately. Hence Stage 2 of the P&I sequence involves one or two dozen noise attenuation steps, with associated QC. Depending on the dataset, Stages 1 and 2 can often take six months or longer.

The imaging stage then iterates through velocity-model-building cycles, which in total may take another 4-6 months. The velocity model describes how sound waves travel through the earth. This needs to be known accurately in order to transform the recorded primary reflections into an interpretable image. This imaging workflow is often followed by an inversion in order to derive useful rock property information for further analysis.

Full-waveform inversion (**FWI**) on the other hand is capable of utilising the entire seismic wavefield. This means that the input dataset is the raw field data and does not require all of the pre-processing described above. FWI is a technique that builds and refines a detailed model of the earth. This technique has become popular in recent years - but used in a limited fashion at low frequencies to derive more accurate near-surface velocity models for use in traditional seismic imaging. DUG started to use FWI in this way in 2014 - running up to frequencies of 12 Hz to complement the time-consuming and manual steps of traditional P&I.

While there is no strict definition for 'high-frequency' in the context of FWI, frequencies of 15-20 Hz are often considered high. DUG, however, considers these frequencies as a routine part of a modern P&I workflow.

DUG has delivered FWI results over 50 Hz and has the capability to run much higher frequencies. HF-FWI at frequencies approaching 50 Hz and beyond requires significant software engineering and very large HPC installations. It also requires significant and advanced algorithmic development, both from a computer science and a geophysical perspective.

2.3. SOFTWARE

DUG Insight is a modern, intuitive, and interactive software package for scientific data analysis. It is offered both in a traditional manner and under a software as a service (**SaaS**) model.

The seismic data flow goes from seismic acquisition to P&I to interpretation. DUG Insight is used in all three, but is traditionally marketed for interpretation. Most oil & gas exploration companies use interpretation software.

Visualisation and fundamental signal processing/mathematical tools are common between scientific sectors. DUG Insight is easily reconfigured for other industries. For example, radio astronomy and meteorological data has been loaded into DUG Insight for visualisation and processing.

2.3.1. Competitive analysis

Within the oil & gas market, DUG's principal interpretation software competitors are Landmark (Halliburton), Petrel (Schlumberger), Kingdom (IHS Markit), and Paradigm (Emerson). Reveal (Shearwater), ProMAX (Halliburton), Omega (Schlumberger) and Geovation (CGG) are other available P&I packages.

3 COMPANY OVERVIEW

3. Company Overview

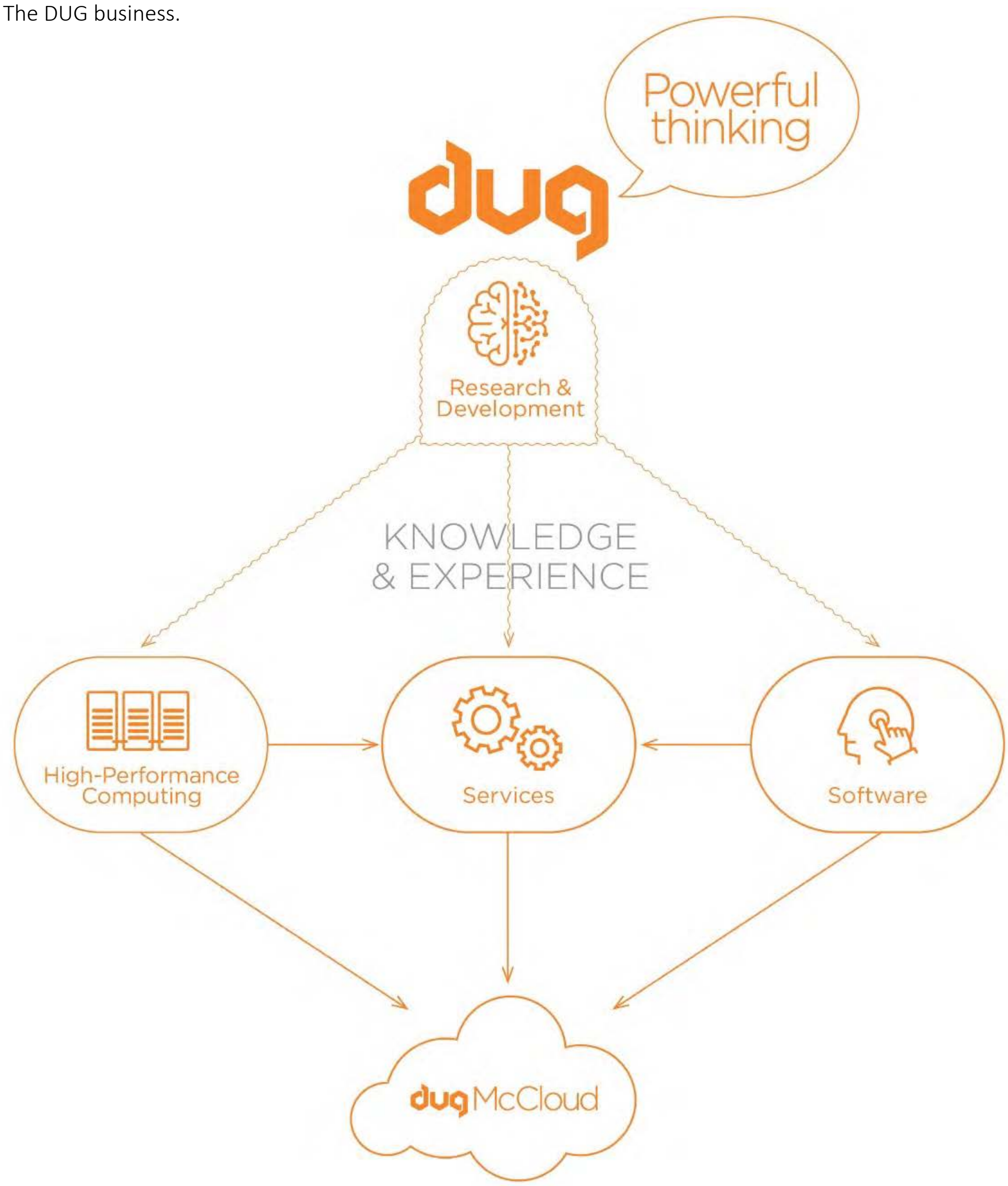
3.1. WHO IS DUG?

DUG is a technology company providing HPC with a foundation in applied physics. The Company's innovative hardware and software solutions for the global technology and resource sectors enable clients to leverage large and complex scientific datasets.

A constant focus on R&D combined with extensive industry experience has equipped DUG with the knowledge, skills and core technology competencies needed to provide HPC as a service (**HPCaaS**) to its clients. DUG's solutions include big data management, multi-tiered support for optimising third-party algorithms, and integrated scientific software and services. DUG has designed, built, owns and operates some of the largest and greenest supercomputers in the world. (refer to Section 3.5.1.1)

DUG's expertise and proprietary knowledge underpins the provision of its unique offering, which can be delivered either direct-to-client or via the DUG McCloud platform. Proprietary IP and an experienced workforce enable the delivery of DUG's products and services to clients.

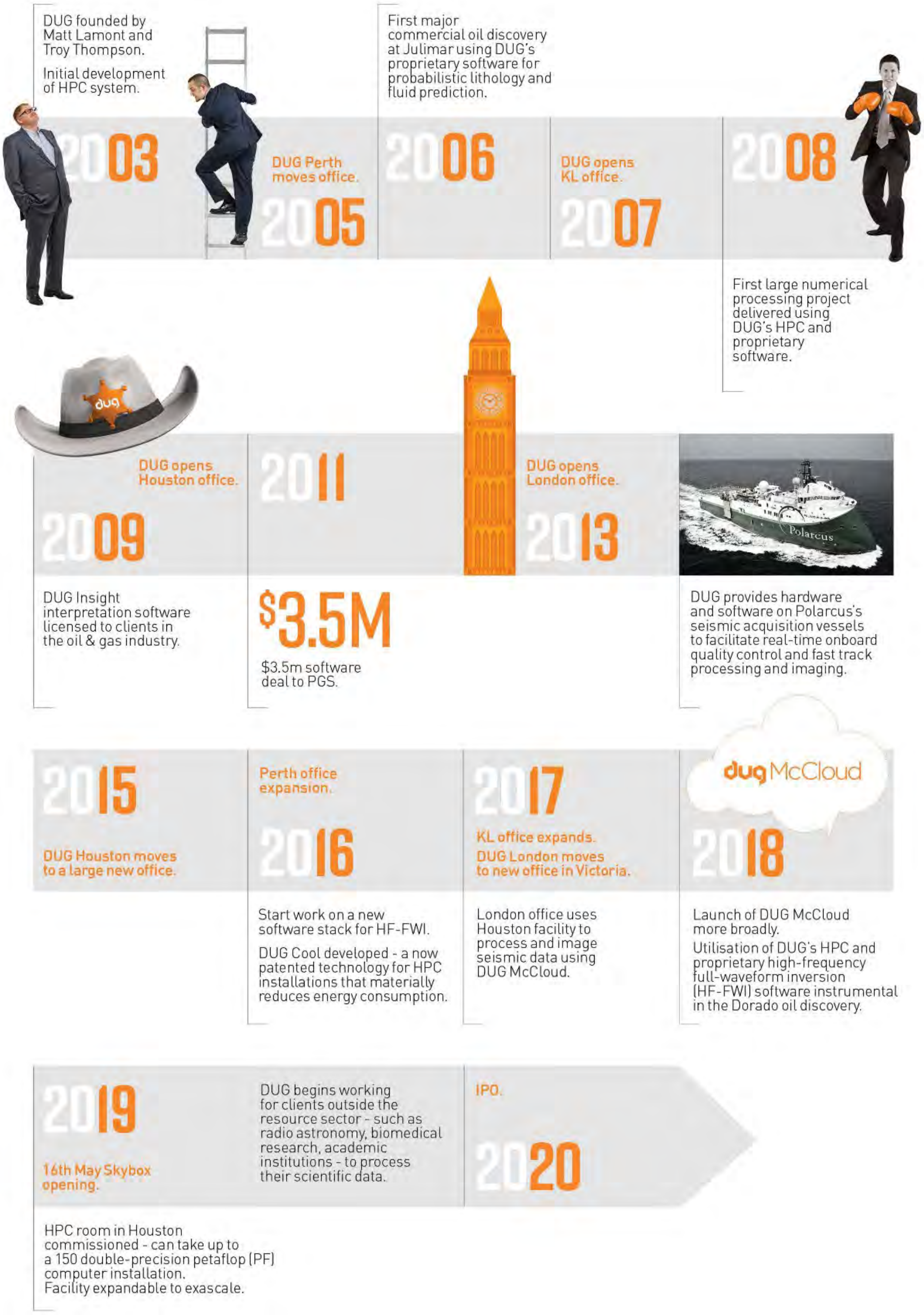
Figure 2: The DUG business.



3.2. DUG'S HISTORY

DUG was founded in Perth by Dr Matthew Lamont and Dr Troy Thompson in 2003. Returning to Australia after years working in the US, Dr Lamont recognised a gap in the geoscience technology market, and DUG was established. Since incorporation, DUG has converted from a proprietary company limited by shares to a public company, and has also changed its name from DownUnder GeoSolutions (Australia) Pty Ltd to DUG Technology Ltd. Below is a snapshot of DUG'S key operational milestones.

Figure 3: Company history and key achievements.



2003

DUG founded by Matt Lamont and Troy Thompson.

Initial development of HPC system.

2005

DUG Perth moves office.

2006

First major commercial oil discovery at Julimar using DUG's proprietary software for probabilistic lithology and fluid prediction.

2007

DUG opens KL office.

2008

First large numerical processing project delivered using DUG's HPC and proprietary software.

2009

DUG opens Houston office.

DUG Insight interpretation software licensed to clients in the oil & gas industry.

2011

$3.5M

$3.5m software deal to PGS.

2013

DUG opens London office.

DUG provides hardware and software on Polarcus's seismic acquisition vessels to facilitate real-time onboard quality control and fast track processing and imaging.

2015

DUG Houston moves to a large new office.

2016

Perth office expansion.

Start work on a new software stack for HF-FWI.

DUG Cool developed - a now patented technology for HPC installations that materially reduces energy consumption.

2017

KL office expands.

DUG London moves to new office in Victoria.

London office uses Houston facility to process and image seismic data using DUG McCloud.

2018

dug McCloud

Launch of DUG McCloud more broadly.

Utilisation of DUG's HPC and proprietary high-frequency full-waveform inversion (HF-FWI) software instrumental in the Dorado oil discovery.

2019

16th May Skybox opening.

HPC room in Houston commissioned - can take up to a 150 double-precision petaflop (PF) computer installation. Facility expandable to exascale.

DUG begins working for clients outside the resource sector - such as radio astronomy, biomedical research, academic institutions - to process their scientific data.

2020

IPO.

3.3. GLOBAL FOOTPRINT

DUG is a global company with offices in Perth, Houston, London and Kuala Lumpur (**KL**). These four locations position the Company to service existing clients and access new international markets. DUG's global spread of significant HPC installations is aligned with and complements these client-facing office locations.

DUG's custom-designed and built supercomputers are affectionately named 'Bruce' (in Perth), 'Bubba' (in Houston), 'Bazza' (in London) and 'Bodhi' (in KL). 'Bubba' resides at Skybox, a state-of-the-art, secure data facility located approximately six miles from DUG's Houston office. Construction of the 15-megawatt (**MW**) data hall was completed, and the computer room commissioned in May 2019. DUG is populating the room with compute and storage as demand dictates.

Location	Compute double-precision PF	HPC Storage PB
'Bubba' (Houston)	11.0 + 9.9*	13.2 + 5.0*
'Bruce' (Perth)	4.8 + 0.2*	5.8 + 2.0*
'Bodhi' (KL)	3.0	4.1
'Bazza' (London)	0.2	1.7
Total Global Capacity	**19.0 + 10.1* PF**	**24.8 + 7.0* PB**

*On order.

SIDE NOTE 1: The number of "flops" (floating point operations per second) is used to measure a computer's processing speed. A common unit is the petaflop (**PF**), which is equal to one thousand trillion (10^{15}) flops. An exaflop is one thousand PF's. Floating point numbers can be expressed in different ways, such as single- or double-precision, depending on the number of bits (a bit is the smallest unit of data in a computer) required. All PF numbers in this Prospectus are double-precision values. Likewise, storage of digital information can be measured in terms of the number of petabytes (**PB**) of data.

Figure 4: The Skybox facility in Houston. DUG entered a long-term lease at this secure and well-engineered site, which is built to withstand 190+ mile per hour winds, has a 6-inch concrete ceiling, and dual power feeds from the north and south.

DUG’s business model is to build long-term facilities in strategic geographic locations and to install expensive, short-lead-time items (such as compute and storage) just in time. As a result of these global facilities, the Company has delivered data processing services, traditionally to the resource sector but now to a range of sectors, to every corner of the world.

Figure 5: DUG's global presence.

	HOUSTON	KUALA LUMPUR	LONDON	PERTH	TOTAL
Employees	56	88	74	99	317
Employees with Masters/Ph.D.	20	11	52	40	123
Office capacity	72	177	85	136	470

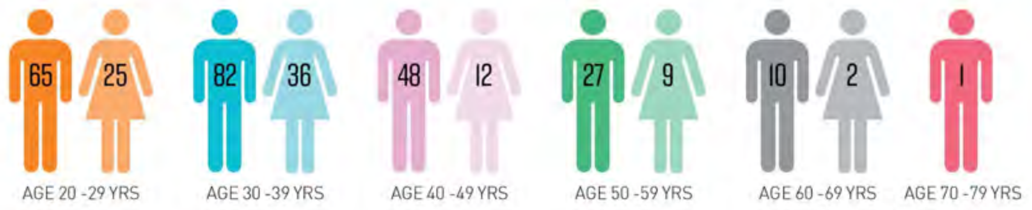
DUG’s global network from London to Houston is in place. Other links are contracted but not yet operational.

3.4. LEADERSHIP TEAM

Employee	Experience
	**MATTHEW LAMONT Ph.D. | Managing Director** Matt is founder and Managing Director of DUG. He sets the Company's strategic direction and remains intimately involved in its R&D and DUG McCloud initiatives. Prior to founding DUG, Matt held senior technical positions at Woodside in Perth and BHP Billiton in Houston. Matt holds a Ph.D. in geophysics from Curtin University, Australia. He is an adjunct Associate Professor at Curtin.
	**LOUISE BOWER | Chief Financial Officer and Director** Louise 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 SCHWAN | Chief Technical Officer and Director** Since joining DUG in 2008, Phil 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.
	**TROY THOMPSON Ph.D. | Research Principal** Troy is a founding partner and Research Principal. Troy holds a Ph.D. in geophysics from Curtin University, Australia. Troy leads the team developing DUG's industry-leading P&I algorithms.
	**SIMON DAVEY | General Counsel and Company Secretary** Simon brings more than 20 years' experience and legal expertise to the Company having worked in legal, technology, and oil & gas firms in the UK and Australia. Simon holds a Bachelor of Laws and a Bachelor of Commerce (majoring in Finance), from Murdoch University, Australia.
	**GUNASEELAN CUMARAN | Chief Operating Officer** An accomplished geophysicist, Guna began his career in 2006. He gained considerable experience in seismic data processing while working with Shell and Exxon, prior to joining DUG in 2013. Guna holds a Bachelor of Science (Honours) from Universiti Kebangsaan, Malaysia.
	**MARK LOMMERS | Chief Engineer** Mark joined DUG following years developing and managing infrastructure and support systems for DUG's immersion cooled HPC systems in Perth, KL, London and Houston, as a consultant. Mark was pivotal in the development of DUG Cool. Mark holds a Bachelor of Engineering degree from Curtin University, Australia.
	**STUART MIDGLEY Ph.D. | System Architect** Stuart joined DUG as Head of IT in 2007. Now the Company's System Architect, Stuart developed DUG's HPC systems, and also designed and developed the DUG Cool system of immersive cooling technology. Stuart was instrumental in the construction of DUG's supercomputer facility at Skybox in Houston. Stuart was awarded his Ph.D. by the University of Western Australia.

DUG has a global talent pool of highly qualified employees. The team includes exceptional physicists, mathematicians, engineers, and computer programmers, 39% of whom have either a doctorate or a master's degree. DUG has a diverse employee base.

Figure 6: Employee male and female age group numbers.



As indicated in Section 6.3.3, under the Loan Share Plan, DUG has issued Loan funded Shares to incentivise and retain employees. DUG has implemented a new Short Term Incentive Plan and Long Term Incentive Plan to continue to reward its employees. These are described in Sections 6.3.4 and 6.3.5.

3.5. PRODUCTS

DUG provides HPCaaS, Services and Software to all industries that have a need to manage and/or process very large and complex datasets.

Clients can access these products directly or through the DUG McCloud platform, an innovative and collaborative HPCaaS cloud model.

Figure 7: DUG's product offering.

High-Performance Computing as a Service (HPCaaS)

Global spread of significant compute and storage

A complete HPC environment:
- Security
- Software stack
- Job scheduling
- Cluster file system
- Monitoring including black-hole mitigation

Data centre design services utilising DUG's green computer room technology (patent pending)

DUG designs, builds, owns and runs its own computer rooms and everything in them!

Services

Data
- Loading
- QC
- Management

Job management

Seismic
- Processing
- Imaging
- High-frequency FWI
- Quantitative interpretation

Sophisticated project management system and expert staff

Turnkey pricing

Software

DUG Insight - scientific data analysis suite
- Many modules including signal processing and visualisation
- API for clients to add their own programs

Multi-tiered code support
- Onboarding of user codes
- Optimisation of algorithms and software for different architectures (e.g. GPUs)

Algorithm development (Extensive physics, maths, and IT capability and experience)

Domain specific language (DSL) development-interactive HPC

Customer focussed

McMix & McMatch HPC/services/software

Customise to suit your needs

Globally connected/AARNet enabled

3.5.1. High performance computing as a service (HPCaaS)

DUG's business plan is centred on selling reliable HPC cycles at affordable prices. DUG's systems are engineered to be reliable, interchangeable and fault tolerant.

DUG provides a complete HPCaaS environment, which includes the following features:

1. Job scheduling: DUG provides a queuing system in order to control and manage job submission onto the cluster.
2. High-performance file system: As described in Section 2.1.2.
3. Custom DUG monitoring system: DUG provides a monitoring system that monitors dozens of system properties and automatically addresses many maladies.
4. Security:
    a. DUG McCloud is a private cloud with a reduced attack surface.
    b. It is accessed only via heavily firewalled, individually issued Virtual Private Network (**VPN**) accounts.
    c. Jobs are run on bare metal, not on virtual machines (**VM**). This means jobs run traditionally within an operating system on the hardware directly. A VM emulates the hardware.
5. Rolling maintenance rather than whole system down time.

SIDE NOTE 2: The attack surface of a compute environment is the sum of the different points where an unauthorised user can try to enter data to or extract data from an environment.

As discussed in Section 2, regardless of whether a client chooses their own on-premises HPC installation or a general-purpose cloud option, they will likely require significant HPC skills and system software.

DUG has 253 data scientists and software engineers on staff and has spent 17 years incorporating all of these features into its HPC environment. This means DUG clients can leverage a truly integrated HPCaaS offering. They can run on whole machines without virtualisation, providing reliability and security.

DUG is continually upgrading and installing new compute and storage. The Company is not tied to a rigid procurement regime that guarantees outdated equipment.

The Company has close relationships with Intel and NVIDIA, and has participated in joint research projects with Intel and NVIDIA (**Mellanox**).

3.5.1.1. DUG COOL – PATENTED TECHNOLOGY

DUG has practiced continuous improvement - with particular focus on total cost of ownership (**TCO**) and performance - for many years. This commitment has produced DUG Cool "one of the greenest computer rooms on Earth" technology.

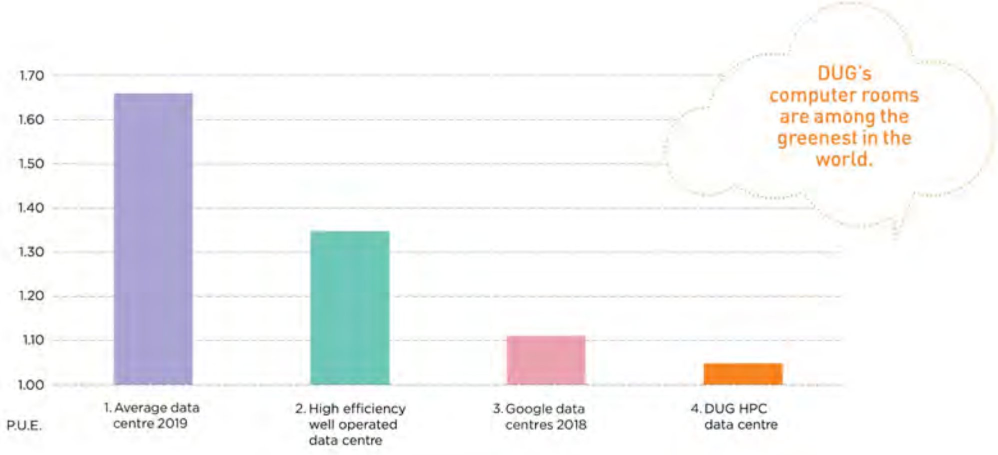
The Company does not use air cooling for its compute machines. Instead, DUG has developed an immersive cooling solution with heat exchangers submerged along with the computer equipment. The DUG Cool solution means the rooms in which 'Bubba' and 'Bruce' are housed are exceptionally quiet compared to normal HPC rooms. DUG Cool technology features enabled these rooms to achieve:

1. Up to 46% reduction in facility energy use compared to conventional computer rooms;
2. Significantly reduced hardware failure rates;
3. Streamlined modular system design to reduce maintenance and increase uptime; and
4. Fivefold increase in average IT power density available in DUG's data centres compared to typical data centre designs.

Figure 8: 'Bruce' (DUG's Perth-based supercomputer) is immersed in an advanced, flexible and modular dielectric-fluid cooling solution.[10]

Power usage effectiveness (**PUE**), is the ratio of the total amount of energy used by a computer data facility to the energy delivered to computing equipment. As shown in Figure 9, DUG's HPC data centres perform well.

Figure 9: Comparative graph of HPC energy use.[11.]



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

In 2019, Data Centre 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.

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[10] ExxonMobil, Material safety data sheet [14 November 2011].

[11] 1. Uptime Institute, Annual Data Center Survey Results, 2019. Available: https://uptimeinstitute.com/2019-data-center-industry-survey-results. [Downloaded May 2020].

2. Equinix, "Equinix Design PUE", [Online]. Available: https://www.equinix.com.au/data-centers/design/green-data-center/pue-metrics/. [Accessed May 2020].

3. Google, "Google Environmental Report 2019", 2019 [Online]. Available: https://services.google.com/fh/files/misc/google_2019-environmental-report.pdf/. [Accessed May 2020].

4. PUE monitoring of 'Bruce' has been ongoing since November 2019 and has averaged 1.052.

> *"This award recognises innovation in data centre design within the enterprise space. Often referred to as on-premise data centre, they make up a large part of the global data centre inventory."*
>
> *"Completely designed in-house, the DUG 150 PF, 15 MW high performance cluster is entirely cooled by complete liquid immersion. They use their supercomputer to produce high quality seismic processing services."*[12]

This technology is available to others through licensing DUG Cool and its design services.

3.5.2. Services

DUG provides its clients with two groups of services. The first is focussed on data and encompasses loading, QC, and management. The second is scientific data analysis. This includes processing and visualisation of scientific data, and R&D of new algorithms and software for applied physics applications.

In the resource sector, DUG has rapidly grown to become one of the largest proprietary P&I providers in the world.

3.5.3. High-Frequency FWI (HF-FWI)

At high frequency, FWI enables both velocity model building and imaging utilising the entire wavefield. This led DUG to develop a hypothesis that HF-FWI could produce superior images in shorter timeframes. DUG's hypothesis was based on the following two, related observations:

1. The ability of FWI to utilise the entire wavefield for imaging means that what was previously considered unwanted noise now forms part of the desired signal. This equates to Stages 2 to 4 (Section 2.2.1) collapsing into a vastly simplified workflow as the majority of these steps are no longer required. Hence the turnaround time of an FWI project is simply determined by how big the compute engine is relative to the size of the dataset and the frequency to which the inversion is run.
2. What was noise is now signal. Having more signal should lead to better images.

The Company formulated and actioned a plan (in 2016) to test its hypothesis:

1. The compute time required for FWI increases at a rate related to the fourth power of frequency. For example, if 12 Hz for a particular dataset requires 1,000 compute hours, then 62 Hz will require 713,000 compute hours. Therefore, DUG needed to develop exascale compute ability. To be clear, DUG has a site, plans, power and everything required to build an exascale facility. The first DUG room on this site is a 15 MW room. It will be grown potentially to exascale size as demand dictates.
2. A ground-up redesign and rewrite of DUG's FWI software in order to:
    a. Efficiently and robustly run an instance of HF-FWI on a huge machine.
    b. Facilitate and accelerate more efficient internal research.
    c. Run on commodity computer hardware.
3. Case studies to support the R&D effort and demonstrate the rewards of this technology to clients.

DUG has become aware of other industry initiatives that align with its strategy in this area. For example, ExxonMobil attributed their discovery in the Liza Field in Guyana, to the application of their HF-FWI: *"In most published FWI studies, only the lowest frequency portion of the data (less than 10 Hz) is inverted, resulting in low-resolution models. At ExxonMobil, we have run FWI on 3D seismic surveys using much higher frequencies, generating high resolution models of the subsurface. The*

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[12] Data Centre Dynamics, "DCD>Awards 2019: Winners announced", 2019. [Online]. Available: https://www.datacenterdynamics.com/en/news/dcd-awards-2019-winners-announced/. [Accessed June 2020].

improved imaging and reservoir characterization provided by FWI has quickly translated to improved results in the field.”[13]

In 2018 the use of DUG’s HF-FWI technology was instrumental in Quadrant Energy’s and Carnarvon Petroleum’s Dorado discovery in Australia. *“Repeated FWI-driven migration and inversion sharpened this image in Dorado trap, up to a 41% pre-drill change of success.”*[14]

Four years into this plan DUG has made significant progress towards realising all of these goals.

3.5.3.1. HF-FWI CASE STUDY

The images in Figure 11 depict two versions of the same input dataset. Each version has been processed using a different workflow. The left image was produced using a traditional seismic P&I workflow, as described in Section 2.2.1. The right image was produced using a workflow incorporating HF-FWI. These results illustrate what is possible using HF-FWI. HF-FWI can deliver results in an order of magnitude less wall-clock time and human-time respectively, but with two order of magnitude more compute cycles.

Figure 10: Map showing the Duyfken 3D survey, location of the dataset slice displayed in Figure 11.

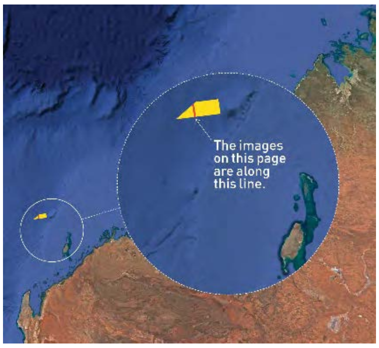
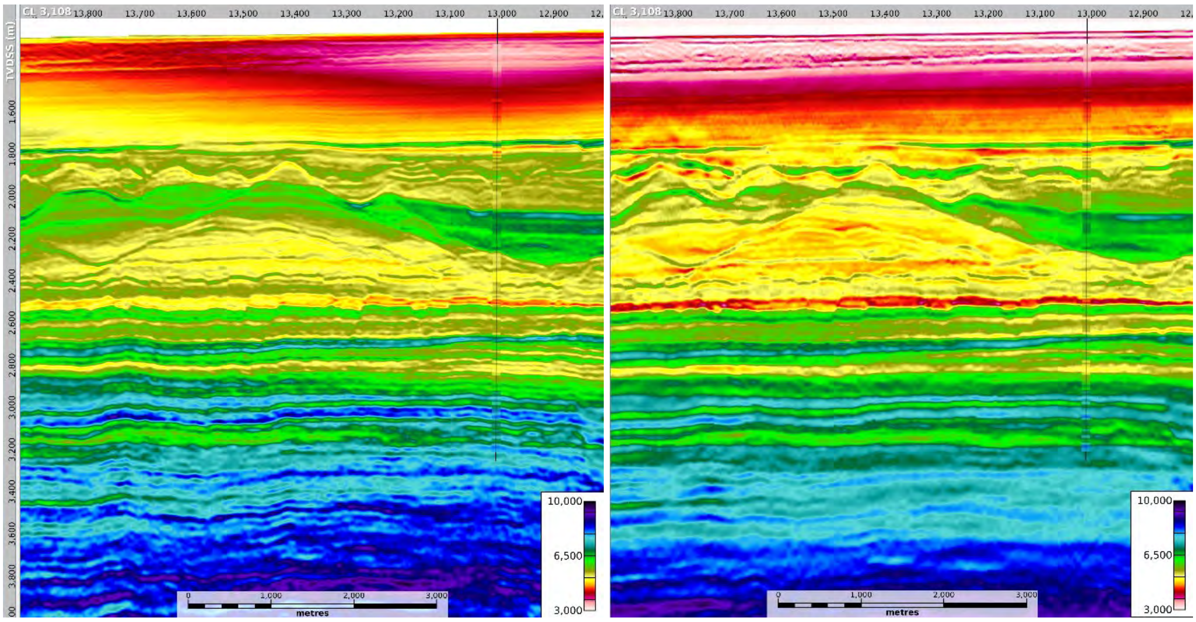


Figure 11: Comparison of conventional P&I results (left) and HF-FWI result (right).



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[13] ExxonMobil Europe, "Overview", [Online]. Available: https://www.exxonmobil.eu/en-eu/technology/exploration-and-production/full-wavefield-inversion/overview. [Accessed June 2020].

[14] PESA, PESA News, Fourth Quarter 2019, Tech Talk, “The background believers of Dorado who had the vision & drive to make it all happen”. [Accessed May 2020].

3.5.4. Software

3.5.4.1. DUG INSIGHT

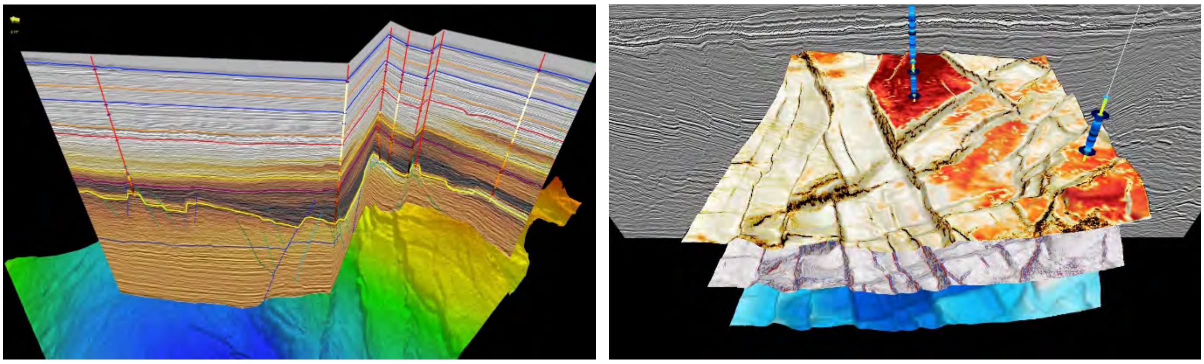
DUG Insight is a modern, intuitive, and interactive software package for scientific data analysis.

The Company initially developed DUG Insight for its internal use to load, process, image, visualise, invert and interpret seismic data on client projects.

In 2009, following client requests, the Company began licensing the interpretation modules in DUG Insight. DUG Insight is now being used in the resource sector by 159 clients in 30 countries. In 2019, other industries outside of the resource sector started to use DUG Insight to visualise and process their data. The Company's R&D team is continually working on expanding DUG Insight functionality to process different types of scientific datasets from other industries.

Following the launch of DUG McCloud, the Company has made all modules available, including P&I, for licensing by third parties.

Figure 12: DUG Insight is a scientific data analysis system.



3.5.4.2. SOFTWARE AND ALGORITHM SUPPORT

DUG acknowledges that an important part of selling HPC compute time and storage is ensuring that DUG's products complement and improve a client's business. A client's inability to run their codes on HPC, and, more specifically on DUG's HPC, may impede their success. For this reason, DUG provides all the support necessary to make this process as efficient as possible. Clients focus on their business while the HPC support and onboarding aspects are handled by DUG.

The key attributes to DUG's software and algorithm support product are:

- DUG will strive to ensure that its products improve clients' business.
- DUG welcomes and encourages collaboration and discussion with its clients.
- Software and algorithm support are available to all clients that use DUG's HPC.

To this end, DUG offers three tiers of software and algorithm support:

1. Code onboarding
    - Client-specific, tailored support to help clients progress and succeed.
2. Software development
    - Taking existing high-level, less-mature, or proof-of-concept codes, and rewriting or modifying them to optimise general or hardware-specific performance.
3. Algorithm development
    - DUG has world-class research physicists, mathematicians, and engineers on staff.
    - DUG has developed and continues to develop cutting-edge algorithms for signal processing.

Recently DUG's HPC experts optimised code for the International Centre for Radio Astronomy Research (**ICRAR**), achieving run times that were significantly faster and processed their full suite of historical data. This had not previously been achievable.[15] The optimised code was run on DUG's HPC allowing the client to process its data backlog in three hours using one-quarter of 'Bruce', DUG's Perth-based supercomputer.

ICRAR is part of the global Square Kilometre Array (**SKA**) Project, which has significant funding for compute in the coming years. DUG has a team comprised of technology and business people focussed on this opportunity. More than 60 members of SKA's global project team visited DUG's Perth office - including 'Bruce' - for a technology update in early 2020.

Figure 13: SKA project team members visit DUG's Perth office in 2020.

3.5.5. DUG McCloud

DUG McCloud is a client-focussed and collaborative cloud solution that encapsulates the Company's HPC environment. The innovative platform allows clients to combine HPCaaS, professional services and software to suit their needs and desired outcomes. Although Services and Software can be accessed directly, HPCaaS relies on DUG McCloud.

An example of how this may be brought to bear in the resource sector is outlined below.

Many resource companies do not have comprehensive in-house P&I capabilities which span HPC and software; they tend to outsource this to seismic P&I companies. In response, DUG has developed HPC skills and intuitive, interactive P&I and visualisation software, called 'DUG Insight', to deliver these services to third party clients.

In some instances, the client may have certain, key, value adding, algorithms they wish to apply to the data while it is being processed. Using the DUG McCloud platform, the client can 'splice' their algorithms into the DUG data processing flow.

Outside of the resource sector, other groups such as radio astronomy, military, biomedical research, and aviation face similar challenges when it comes to the processing of large data sets which require significant HPC and software code optimisation. Although the expansion of DUG's services outside the resource sector is in its early days, significant progress has been achieved. "Significant" means DUG is working with multiple groups, which are happy. Revenue is not yet significant.

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[15] International Centre for Radio Astronomy Research, "WA Science and Industry Leaders put their Heads Together to Search for the First Stars and Galaxies", [Online]. Available: https://www.icrar.org/dug-data/. [Accessed June 2020].

3.6. SUMMARY OF COMPETITIVE STRENGTHS

DUG has many key differentiators and operational advantages:

3.6.1. Core competencies in HPC, software development and optimisation

- A world-class team with proven strengths in HPC capability spanning from the know-how and set-up through to the system software.
- Quality HPC facilities with significant upside.
- A high-class, global R&D team assembled over the last 17 years. To become a member of DUG's R&D team, a candidate needs to:
  - Have an interview;
  - Pass a test; and
  - Spend a week in the DUG office writing code to solve a 'problem'.

  Every candidate that successfully completed this assessment has been hired.

3.6.2. Genuine HPC cloud offering with few competitors

DUG McCloud is a unique offering across multiple industries, due to the combination of:

- HPCaaS running on DUG's compute and storage within DUG's proprietary data centres;
- DUG Insight for data:
  - QC;
  - Visualisation and interpretation; and
  - P&I.

- DUG data services.
- Onboarding of client codes and data.
- Software and algorithm services:
  - Rewriting;
  - Algorithm development; and
  - Optimisation.

3.6.3. HF-FWI

As documented in Section 3.5.3, DUG is four years into a plan to enable HF-FWI. Data centres have been built, research undertaken, patents applied for, significant software engineering completed, and case studies published. DUG is ready to take this to market.

3.6.4. Blue-chip client base

DUG's business tends to be downturn adverse, due to:

- Its client base, with a repeat Services revenue stream.
- Recurring Software business.

3.6.5. Early success in the radio astronomy field in Australia

The value DUG brings to the HPCaaS arena is demonstrated in the ICRAR press release about DUG processing the historical backlog of data, which had not previously been achieved, in record time.[16]

3.6.6. Talented team

As summarised in Section 6.2, beyond the HPCaaS and R&D teams, DUG has a very talented Leadership Team and a pool of highly qualified data scientists. DUG has been actively building and refining its staff for 17 years. The Company has taken every opportunity to find, attract and retain its talented workforce.

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[16] International Centre for Radio Astronomy Research, "WA Science and Industry Leaders put their Heads Together to Search for the First Stars and Galaxies", [Online]. Available: https://www.icrar.org/dug-data/. [Accessed June 2020].

3.6.7. Cost competitive solutions

DUG's operations are very competitive, by design. DUG has had a continual focus on TCO since inception. This allows DUG to put in data centres and computers in a cost-effective manner and hence makes the Company competitive on price for the overall solution provided. All of DUG's HPC facilities have been designed from the ground up to maximise both construction and operational efficiencies.

3.6.8. Environmental benefits

DUG Cool is increasingly recognised as providing tangible, measurable and sustainable energy saving benefits, including reporting on corporate social responsibility. DUG's patented technology, DUG Cool, currently underpins one of the greenest computer room solutions in the world. This provides clients with comfort around the environmental impact of DUG's product offerings.

DUG and its clients leverage DUG Cool for their social license to operate.

3.6.9. Security and privacy

The private nature of DUG's cloud (accessed via VPNs) and its singular purpose, enables DUG McCloud to be very secure:

- DUG McCloud is a private cloud with a dramatically reduced attack surface.
- It is accessed only via heavily firewalled, individually issued VPN accounts.
- Jobs are run on bare metal, not on VM's.

3.6.10. Expansion

DUG is very well placed to expand its existing compute capacity and develop an exascale supercomputer to service future demands in both the United States of America and Australia.

DUG has studied and understands the complexities of scaling a machine to exascale and already deploys some of these solutions in its existing data centres.

DUG has plans to build an exascale supercomputer, which Skybox can support with power and land available on the existing site.

Australian HPCaaS current and potential users sometimes require, and at other times desire their compute and storage to be in country.

For these reasons, DUG is considering a large HPC datacentre located in the Perth/Geraldton region of Western Australia. Very similar to DUG's datacentre at Skybox, although based on green power to complement the green datacentre (utilising DUG Cool). This centre would need to be able to grow to exascale, but with an initial room of 150 PF.

A 'go ahead' decision has not been made by DUG on an exascale facility, either in Houston or in Australia. This will occur when demand dictates.

3.6.11. DUG McCloud case study

A good case study candidate for the DUG McCloud platform is Geoprocesados. Geoprocesados is one of the largest seismic P&I companies in Mexico. They have offices in Villahermosa, Mexico City, Rio de Janeiro, Bogota and Buenos Aires.

DUG Insight on the DUG McCloud platform is Geoprocesados' core technology for P&I. The DUG McCloud platform gives Geoprocesados access to high-end algorithms such as HF-FWI and least-squares imaging, allowing them to effectively compete on all tenders.

Geoprocesados has allowed DUG to have a presence in South America without opening an office, leveraging DUG's software and HPC facility in Houston.

3.7. CLIENTS AND CONTRACTS

DUG has established a broad client base, including some of the largest businesses in the world.[17] In FY19, DUG had 239 Services and Software clients, including but not limited to the following:

Sample of DUG's HPCaaS clients

Polarcus
Geoprocesados
Axxis Geo Solutions
Santos
Murphy Oil
Beach Energy
Fairfield Geotechnologies
ICRAR
Biotome
Curtin Institute for Computation

Sample of DUG's Service clients

Polarcus
Carnarvon Petroleum
Axxis Geo Solutions
Santos
Apache Corporation
Chevron
MCR
Shell
Geophysical Pursuit
Woodside Energy
Multiclient Geophysical
Silverthorne Seismic
RPS
Occidental Petroleum
INPEX
TGS
Petronas
JOGMEC
Lundin Petroleum
Tulip Oil

Sample of DUG's Software clients (long-term/recurring users)

Polarcus
Geoprocesados
ION
Santos
Apache
Murphy Oil
Beach Energy
Searcher Seismic
FAR Limited
EnQuest
INPEX
TGS
ROC
Cooper Energy

3.8. KEY REVENUE AND COSTS

In FY19, DUG's recorded annual audited revenues of US$52.1m (A$80.1m), with an audited EBITDA of US$9.7m (A$14.9), comprised of the following primary areas of operational focus:

HPCaaS: Generated nominal revenue in the last financial year of US$1.4m (A$2.1m), but as summarised in Section 3.5 has secured strong interest from existing resource clients and clients in other industries.

Services: The Services business accounted for the majority of DUG's revenue US$40.2m (A$61.8m).

Software: DUG Insight, Polarcus onboard processing and other technology contributed revenue of US$10.5m (A$16.2m).

Refer to DUG's Financial Information in Section 4 for further details on DUG's revenue and costs, including key assumptions.

DUG's main costs are:

HPCaaS: Depreciation, power and maintenance of computer rooms and machines.

Services: Human time, and HPCaaS cost.

Software: Investment in R&D, resulting in marginal costs for additional sales.

All cost associated with R&D are expensed in the profit and loss statement.

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[17] Fortune, "Fortune 500", [Online]. Available: http://fortune.com/fortune500. [Accessed June 2020].

3.8.1. HPCaaS

Through the DUG McCloud platform, clients can connect to and access DUG's HPC and storage in a complete HPC environment.

DUG has three tiers of compute offering:

Tier 1 - Committed nodes: Are available to clients for all of the committed period. As the machines are for their exclusive use during the period, they can be customised.

Tier 2 - Committed node hours: Clients commit to use a set number of node hours per month. Machines are from the standard DUG machine pool.

Tier 3 - Burst compute: Clients come on to run a project on DUG McCloud. They can use whatever compute is available. DUG's aim is to have significant compute available as burst attracts premium pricing. Committed users get priority.

Tier 1 and Tier 2 commitments are designed for inclusion in budgets. Tier 3 is for companies needing to keep their costs project-based. Commitment periods can vary from 12 to 36 months depending on the client's requirements and pricing varies accordingly.

Utilisation of compute and storage is charged at the agreed rate per node hour in the case of compute or PB for storage, at the end of each month.

With infrastructure in place, except for the proposed Geraldton-based centre, the strategy is now to populate the data centres with short lead time compute in line with revenue growth, funded by the capital raised from the Convertible Notes and Offer.

3.8.2. Services

Service projects are undertaken on a fixed cost basis.

DUG has master service agreements (**MSA**) in place with a significant number of its resource clients under which it typically provides seismic processing and related services. These services include P&I data acquired from proprietary seismic surveys, re-processing legacy seismic data using new and enhanced seismic processing techniques such as HF-FWI to uplift the quality of the imaging (and being outsourced seismic P&I company of choice for multiclient companies).

The average project value is circa US$0.4m and of eight months' duration. Clients are invoiced on a monthly basis in line with project progress. Payment terms are generally 30 days.

A summary of the key terms of DUG's MSA is set out in Section 10.6.1.2.

3.8.3. Software

Clients can licence DUG Insight for use on their own computer systems, provided they meet specific minimum requirements, or use it on DUG's HPC.

A workstation software licence can be for a single user or floating. Single user licences are designated for a single computer (node-locked). A floating licence may be used by any member of the client's organisation who is based in the country of purchase. Each floating licence allows one concurrent user.

Workstation DUG Insight licences are provided for a fixed-term and price - mainly 12 months - providing DUG with software business that has a strong recurring revenue stream.

Clients are invoiced at the commencement of the term with 30-day payment terms. Licences are subject to automatic renewal, unless agreed otherwise.

If a client uses DUG Insight on DUG's HPC, then a cluster software fee is charged in addition to the workstation software licence and the fee for the use of the compute nodes. The cluster software fee is dependent on the module and the number of node hours used. As this is utilisation-based, the client is invoiced at the end of each month with 30-day payment terms.

3.9. INTELLECTUAL PROPERTY

A number of DUG’s key technologies are patent pending. The IP behind the Company’s DUG Cool solution is now patented in a number of countries.

DUG's IP has predominantly been developed in-house by the Company's R&D team and as a result, DUG has not relied on acquisitions to build out its IP capabilities. Ownership of IP in software developed by DUG is generally maintained exclusively by DUG, including software and algorithms developed by the Company while providing support to clients and for client-specific solutions.

More detail is set out in the Patent Report at Section 9.

3.10. SALES AND MARKETING

DUG’s targeted advertising in chosen industry publications has been effective both for selling product and for attracting new staff. Examples of these advertisements are shown here.

DUG sales and marketing largely leverages its strong brand and reputation.

In summary DUG's key strategies include:

RECURRING AND REPEAT BUSINESS

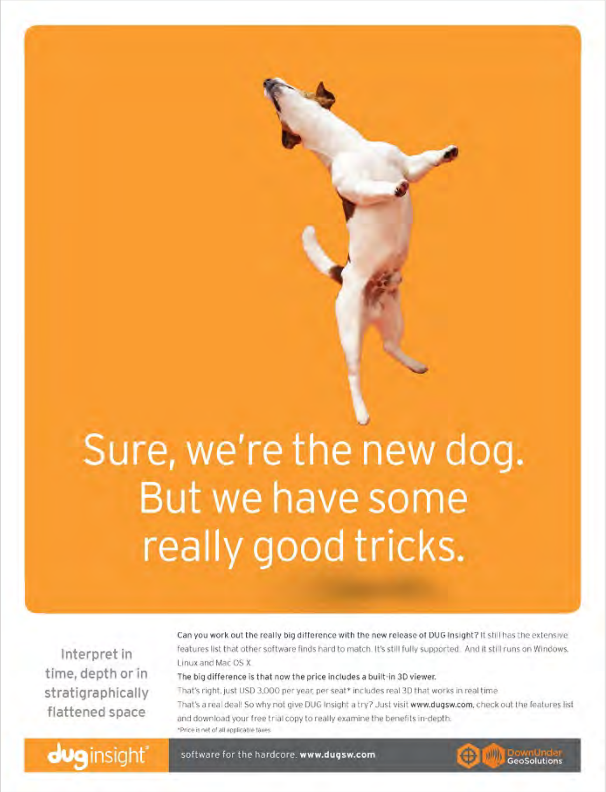
DUG relies and benefits from recurring and repeat business and contracts from its existing 239 software and service clients.

EXISTING RELATIONSHIPS

DUG has over the past 17 years successfully developed into a global HPCaaS, Services, and Software company. The Company is well known in many countries having completed projects in numerous resource jurisdictions. DUG’s global sales force is currently comprised of 15 sales people, with a recruitment process underway. This global network of existing relationships is utilised to develop new leads and opportunities in the resource sector.

2014

2013



Can you work out the really big difference with the new release of DUG Insight? It still has the extensive features list that other software finds hard to match. It's still fully supported. And it still runs on Windows, Linux and Mac OS X.

The big difference is that now the price includes a built-in 3D viewer.

That's right, just USD 3,000 per year, per seat* includes real 3D that works in real time.

That's a real deal! So why not give DUG Insight a try? Just visit **www.dugsw.com**, check out the features list and download your free trial copy to really examine the benefits in-depth.

*Price is net of all applicable taxes

PRESENTATIONS, REPORTS AND REFEREED SCIENTIFIC PAPERS

DUG continually invests in R&D and publishes reports in peer reviewed publications. In addition, DUG's research and principal scientists are invited to present at international forums to speak on HPC, geophysics, and software.

SCIENTIFIC CONFERENCES

Positioning itself as leading provider of HPCaaS. DUG recognised the opportunity for the full DUG McCloud offering initially in the resource sector, and subsequently outside of the industry. DUG made a substantial commitment and investment in HPC compute infrastructure, fit-outs, assets, R&D, and experienced personnel to be in a position to service this large global market. DUG is now recognised as having developed some of the world's largest HPC installations.

TO EXPLOIT NON-RESOURCE OPPORTUNITIES

Initially focussing on Australia, DUG is building a sales team with the remit to explore a diverse range of potential HPCaaS clients.

2018

What a mouthful! The only fully integrated cloud offering with the lot.

Very smart software. And a full range of service available on an as-needed basis. All built just for geo and running in DUG's own convenient and secure cloud environment. Want fries with that? Run your own proprietary programs as part of the stack. To see the full menu and a full range of services available as needed, contact Mick (McCloud) Lambert on +1 713 408 7471 or email mickl@dug.com

3.11. GROWTH STRATEGY

DUG's growth strategy has been tailored to the specific requirements of each of the Company's service and product offerings.

3.11.1. HPCaaS

HPCaaS is a particular focus for DUG, outside of the resource sector as well as within. The predicted HPCaaS market size is US$718.9bn (A$1,106.0bn) by 2026.[18]

As discussed in Section 3.6.10, DUG has long-term computer facility expansion plans in place. DUG will continue to build long-lead-time computer room facilities and populate them 'just in time' in order to meet demand.

The Skybox campus in Houston (home of 'Bubba') has land and power available that will enable DUG to build a multi-exaflop machine, when and as demand dictates.

'Bruce' (in Perth) is one of the largest supercomputers in the southern hemisphere and DUG is planning for a new facility to take 'Bruce' to exascale.

3.11.2. Services

DUG is planning to grow its traditional service business through:

- Access to larger and more-profitable projects.
- Data management work, which originates in its growing DUG McCloud business. DUG has specifically recruited and trained staff in Malaysia to undertake this work.

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[18] 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].

- DUG's continued roll out of its HF-FWI service, which industry participants are now recognising as superior and as a value-adding processing methodology.

DUG will continue to add staff to this part of the business. The Company has no plans for more office space or new offices.

3.11.3. Software

DUG has an increased focus on its software business, which currently revolves around DUG Insight.

3.11.4. DUG McCloud

DUG McCloud allows the mixing and matching of all the above. Clients can choose how DUG delivers its science solutions. This is an enabler for all the above.

The growth strategies of the three product lines above feed directly into DUG McCloud.

3.12. ROUGE ROCK

DUG also has a 49% interest in Rouge Rock Pty Ltd (**Rouge Rock**). Rouge Rock was incorporated in 2016 and Non-Executive Director Mr Charles Ramsden holds the remaining interest. Rouge Rock was formed for the purposes of earning participation rights in exploration petroleum permits.
Mr Ramsden manages the work programmes and markets the opportunity for third party participants. DUG provides seismic P&I services to Rouge Rock under the agreement referred to in Section 6.5. Rouge Rock holds a 95% interest in the AC/P50 and AC/P51 exploration permits located in the North West shelf.

DUG considers its interest in Rouge Rock to be a non-core asset.

4 FINANCIAL INFORMATION

4. Financial Information

4.1. INTRODUCTION

Overview of the financial information

Financial information for DUG is set out in this section, for the historical financial years ended 30 June 2018 (**FY18**), 30 June 2019 (**FY19**), and the six-month period ended 31 December 2019 (**H1FY20**) (the **Historical Period**).

All amounts disclosed in this Section 4 are presented in DUG's functional currency, US dollars or US$, and, unless otherwise noted, are rounded to the nearest million. US dollars is the currency that represents the principle economic environment in which DUG operates in.

This Section contains a summary of the following statutory historical financial information and the pro forma historical financial information of DUG (which reports on a 30 June financial year basis):

- Statutory historical financial information comprising:
  - Statutory historical audited consolidated statements of profit or loss for FY18, FY19 and H1FY20 (**Statutory Historical Statements of Profit or Loss**);
  - Statutory historical audited consolidated Statements of cash flows for FY18, FY19 and H1FY20 (**Statutory Historical Statement of Cash Flows**); and
  - Statutory historical audited consolidated statement of financial position as at 31 December 2019 (**Statutory Historical Statement of Financial Position**).
- Pro forma historical financial information comprising:
  - Pro forma historical consolidated statements of profit or loss for FY18, FY19 and H1FY20 reflecting the Directors' pro forma adjustments (**Pro Forma Historical Statements of Profit or Loss**);
  - Pro forma historical consolidated statements of cash flows for FY18, FY19 and H1FY20 reflecting the Directors' pro forma adjustments (**Pro Forma Historical Statement of Cash Flows**); and
  - Pro forma historical consolidated statement of financial position as at 31 December 2019 reflecting the Directors' pro forma adjustments (**Pro Forma Historical Statement of Financial Position**).

(Collectively, the **Financial Information.**)

No forecast financial information has been provided for the Company.

Also summarised in this Section 4 are:

- The basis of preparation and presentation of the financial information, including the application of relevant new accounting standards had they applied to the financial information (set out in Section 4.2);
- Information regarding certain non-IFRS financial measures (set out in Section 4.2.5);
- The pro forma adjustments to the statutory historical financial information, and reconciliations to the pro forma historical financial information (set out in Sections 4.3.1, 4.4.1 and 4.5.2);
- Details of DUG's indebtedness and a summary of funding, including debt facilities, liquidity and capital resources (set out in Section 4.7);
- Details of DUG's cash and cash equivalents and pro-forma cash position as at 31 December 2019 (set out in Section 4.6);
- Management discussion and analysis of the pro forma historical financial information (set out in Section 4.8); and
- A summary of DUG's proposed dividend policy (set out in Section 4.10).

The Financial Information has been reviewed by Moore Stephens Perth Corporate Services Pty Ltd (**MSPCS**) whose Investigating Accountant's Report is set out in Section 8. The Investigating Accountant's Report has been prepared in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagement involving Fundraising and/or Prospective Financial Information. Potential investors should note the scope and limitations of that report.

The information in Section 4 should also be read in conjunction with the Company Overview set out in Section 3, risk factors set out in Section 5, significant accounting policies and critical areas of accounting judgments and estimates set out in Appendix A, Note 4 and other information contained in this Prospectus.

In preparing the Financial Information, DUG's accounting policies and standards have been consistently applied throughout the periods presented, with the exception of the impact of the new accounting standards which came into effect during the periods, as explained in Section 4.2.

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

4.2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1. Overview

The Financial Information in this Prospectus is intended to present potential investors with financial information to assist them in understanding DUG's underlying historical financial performance, cash flows and financial position together with the pro forma financial performance, cashflows and financial position.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards , which are consistent with the International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**). The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

DUG's key accounting policies are set out in Appendix A.

In addition to the statutory historical financial information, Section 4.2.5 describes certain non-IFRS financial measures that DUG uses to manage and report on its business that are not defined or recognised by Australian Accounting Standards or IFRS.

The Directors are responsible for the preparation and presentation of the Financial Information.

4.2.2. Preparation of the Statutory Historical Financial Information

The statutory historical financial information has been extracted from the audited financial statements of the Company for FY18, FY19, and H1FY20.

Moore Stephens Perth, Chartered Accountants (**Moore Stephens Perth**) audited and issued unmodified opinions on the financial statements of the Company for the years ended FY18, FY19 and for H1FY20.

4.2.3. Preparation of the Pro Forma Historical Financial Information

The pro forma historical financial information has been prepared for the purpose of inclusion in this Prospectus. It has been derived from the statutory historical financial information to illustrate the revenues, net profit, assets, liabilities and cashflows of the Company adjusted for certain transactions and pro forma adjustments described below.

The pro forma adjustments in respect of the statements of profit or loss and cashflows are described in Section 4.3.2 (reconciliation between the Statutory Historical Statements of Profit or Loss and the Pro Forma Historical Statements of Profit or Loss) and Section 4.4.2 (reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows) of this Prospectus. In particular pro forma adjustments have been made to reflect the following:

- The application of AASB 16 *Leases*, with specific reference to the reclassification of rental expense into interest expense on lease liabilities and depreciation of right of use asset, as if the standard had been applied as at 1 July 2017 and therefore applied throughout the historical periods presented.
- Incremental costs associated with being a publicly listed company including board and governance costs, incremental audit, tax, legal and compliance related costs, and ASX Listing fees.
- Incremental executive remuneration expenses to align with fixed, short term and long term incentives agreed with key executives going forward.
- IPO costs/capital raising fees incurred and expensed prior to 31 December 2019.
- Adjustments to depreciation arising from revision to useful lives.
- Reflect the tax impact of the above adjustments.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position of the Company as at 31 December 2019, adjusted on the basis of the Completion of the proposed Capital Raising and the completion of certain other transactions as disclosed in Section 4.5, as if those events and transactions occurred as at 31 December 2019. The Pro Forma Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of DUG’s future financial position.

The Pro Forma Historical Statements of Profit or Loss, the Pro Forma Statements of Cashflows and the Pro Forma Historical Statement of Financial Position are provided for illustrative purposes only and are not represented as being necessarily indicative of DUG’s future financial performance.

4.2.4. Significant accounting policies and application of new accounting standards to the Financial Information

The significant accounting policies applied consistently in the preparation of the Financial Information are set out in Appendix A.

Major new accounting standards which came into effect during the historical periods presented were as follows:

- AASB 9 *Financial Instruments*, which was adopted in the statutory accounts for FY19;
- AASB 15 *Revenue from Contracts with Customers*, which was adopted in the statutory accounts for FY19; and
- AASB 16 *Leases*, which was adopted as from 1 July 2019, i.e. in the financial statements for H1FY20.

The pro forma historical financial information includes the impact of these standards as if they applied for the periods presented in the Prospectus.

Whilst AASB 9 and AASB 15 resulted in changes to the Company’s accounting policies, the impact of the changes on the results of the Company reported for the historical periods presented was not material. Accordingly, no adjustments have been made to the Pro Forma Historical Statements of Profit or Loss.

AASB 16 LEASES

AASB 16 *Leases* removes the distinction between operating and financial leases and requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the statement of profit or loss will show lease expenses as depreciation, relating to the right of use asset, and interest relating to the lease liability rather than rent expense being shown as an operating expense. As a result of the adoption of AASB 16 *Leases*, operating expenses are expected to decrease and depreciation and interest expense will increase, and the timing of expense recognition will change due to the change from a straight line rental expense to depreciation and interest expenses with an accelerated profile. The adoption of the standard will also increase EBITDA because it reduces operating expenses (i.e. rent expense) which is replaced by depreciation and interest expenses, which are not included in EBITDA.

This Prospectus presents the pro forma historical Financial Information on a consistent basis to illustrate the impact of AASB 16 *Leases* had the standard been applied from 1 July 2017. Refer to Section 4.3.2 for further detail on the quantification of this impact.

4.2.5. Explanation of certain non-IFRS financial measures

To assist in DUG's evaluation of the performance of its business, DUG uses certain measures to report on its business that are not recognised under AAS or IFRS. These measures are collectively referred in this Section 4 and under Regulatory Guide 230 Disclosing Non-IFRS Financial Information published by ASIC as "non-IFRS financial measures".

Although DUG believes that these measures provide useful information about its financial performance, they should be considered as supplements to the consolidated statement of profit or loss and consolidated statement of cash flow measures that have been presented in accordance with the AAS and IFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way DUG calculated these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures. The principal non-IFRS financial measures that are referred to in this Prospectus are detailed below:

EBITDA and **EBITDA margin**. EBITDA is earnings or losses before interest (net finance expense), taxation, depreciation and amortisation. EBITDA margin is EBITDA expressed as a percentage of total revenue. DUG uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation, amortisation and before interest and taxation. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA and EBITDA margin should not be considered as an alternative to measures of cashflow under IFRS and investors should not consider EBITDA in isolation, or as a substitute for, an analysis of the results of DUG's operations;

EBIT is earnings or losses before interest (net finance expense) and taxation;

Net operating cash flow is EBITDA after the removal of non-cash items in EBITDA (e.g. share based payment expenses and movements in provisions), adjusted for changes in working capital and tax paid. DUG uses net operating cash flow as a measure to indicate the level of operating cash flow generated from EBITDA;

Working capital is trade and other receivables and other current assets less trade and other payables, accruals, deferred revenue and other current liabilities;

Net debt represents total loans and borrowings and bank overdrafts, less cash and cash equivalents; and

Capital expenditure is primarily related to HPC (high performance compute, storage and data centre infrastructure), which are capitalised in the statement of financial position.

4.3. STATUTORY AND PRO FORMA HISTORICAL STATEMENTS OF PROFIT OR LOSS

4.3.1. Pro Forma Historical Statements of Profit or Loss

The following table sets out the Company's Pro Forma Historical Statements of Profit or loss for FY18, FY19 and H1FY20.

	Note	FY18 US$'000	FY19 US$'000	H1FY20 US$'000
Sales revenue		**48,901**	**52,135**	**26,840**
Other income		**228**	**72**	**-**
Operating Expenses				
Employee benefits		(29,081)	(29,848)	(15,657)
IT facilities and related costs	2	(4,121)	(4,286)	(1,255)
Office facilities		(1,432)	(1,206)	(632)
Sales and marketing		(2,048)	(2,035)	(1,172)
Consulting		(931)	(1,236)	(665)
Other expenses		(2,859)	(2,611)	(2,368)
Total operating expenses		**(40,472)**	**(41,222)**	**(21,749)**
EBITDA		**8,657**	**10,985**	**5,091**
Depreciation and amortisation		(8,410)	(7,746)	(4,266)
EBIT		**247**	**3,239**	**825**
Net finance expense		(1,493)	(1,472)	(1,123)
Profit (loss) before tax		**(1,246)**	**1,767**	**(298)**
Income tax expense		(522)	(4,321)	(1,689)
Net profit (loss) after tax		**(1,768)**	**(2,554)**	**(1,987)**

Notes:

1. Refer to Section 4.3.2 for a detailed explanation on pro-forma adjustments.
2. The IT facilities and related costs are comparatively lower in H1FY20 as a result of utility concessions.

4.3.2. Pro Forma Adjustments to the Statutory Historical Statements of Profit or Loss

The Pro Forma Historical Statements of Profit or Loss have been derived by applying certain adjustments to the Statutory Historical Statements of Profit or Loss as set out in the tables below:

	Note	FY18 US$'000	FY19 US$'000	H1FY20 US$'000
Statutory EBITDA		**7,695**	**9,730**	**5,091**
Impact of AASB 16 *Leases*	1	1,762	2,055	-
Public Company costs	2	(600)	(600)	(300)
Executive remuneration	3	(200)	(200)	(100)
Share based payments expense	6	-	-	400
Total pro-forma adjustments		**962**	**1,255**	**-**
Pro-forma EBITDA		**8,657**	**10,985**	**5,091**

	Note	FY18 US$'000	FY19 US$'000	H1FY20 US$'000
Statutory NPAT		**(1,915)**	**(2,633)**	**(2,513)**
Impact of AASB 16 *Leases*	1	(90)	(37)	-
Public Company costs	2	(600)	(600)	(300)
Executive remuneration	3	(200)	(200)	(100)
IPO costs/capital raising fees	4	-	-	201
Changes to useful lives assets	5	1,100	950	550
Share based payments expense	6	-	-	400
Total pro-forma adjustments		**210**	**113**	**751**
Pro-forma effective tax rate adjustment applied to adjustments (30%)		(63)	(34)	(225)
Pro-forma NPAT		**(1,768)**	**(2,554)**	**(1,987)**

Notes:

1. Adjustments to account for the application of AASB 16 *Leases*, which applied from 1 July 2019, as if that standard had applied to FY18 and FY19. The overall impact on NPAT is not significant, however the impact on EBITDA is significant as the previous rent expense was included in calculating EBITDA, whist the replacement depreciation and interest expense calculated under AASB 16 *Leases* is excluded from EBITDA.
2. Public Company costs represent DUG's estimate of the incremental costs of operating a public company and includes annual ASX Listing fees (circa US$40.0k), additional Board members (circa US$360.0k) and additional company secretarial, legal, adviser and administrative costs (circa US$200.0k).
3. Executive remuneration represents incremental costs expected to be incurred post listing on the ASX associated with planned changes to executive short term and long term incentive plans (defined as the Short Term Incentive Plan and the Long Term Incentive Plan).
4. IPO costs/capital raising fees comprise initial and one-off expenses that were expensed to profit and loss in H1FY20.
5. The Company reassessed the useful lives of compute, storage and data centre infrastructure effective from 1 July 2019. As a result, compute and storage, had its estimated useful lives extended to five (5) years from three (3) – four (4) years and data enter infrastructure was extended to twenty (20) year from the period of the lease. For the purposes of the pro-forma statements of historical profit or loss the revised depreciation rates have been applied as if they came into effect from 1 July 2017, which has resulted in the adjustments noted above.
6. Share based payment expenses relating to the Loan Share Plan were higher than normal in H1FY20 as the expected vesting dates were brought forward in anticipation of the IPO, which had the effect of accelerating the recognition of such expense in H1FY20.

4.3.3. Statutory Historical Statements of Profit or Loss

The following table sets out the Company's Statutory Historical Statements of Profit or Loss for FY18, FY19 and H1FY20.

	Note	FY18 US$'000	FY19 US$'000	H1FY20 US$'000
Sales revenue	1	**48,901**	**52,135**	**26,840**
Other income		**228**	**72**	**-**
Operating Expenses				
Employee benefits	2	(28,881)	(29,648)	(15,957)
IT facilities and related costs	3	(4,121)	(4,458)	(1,255)
Office facilities	4	(3,194)	(3,089)	(632)
Sales and marketing	5	(2,048)	(2,035)	(1,172)
Consultants	6	(931)	(1,236)	(665)
Other expenses	7	(2,259)	(2,011)	(2,068)
Total operating expenses		**(41,434)**	**(42,477)**	**(21,751)**
EBITDA		**(7,695)**	**9,730**	**5,091**
Depreciation and amortisation	8	(8,251)	(7,190)	(4,816)
EBIT		**(556)**	**2,540**	**275**
Net finance expense	9	(900)	(886)	(1,324)
Profit (loss) before tax		**(1,456)**	**1,654**	**(1,049)**
Income tax expense	10	(459)	(4,287)	(1,464)
Net (loss) after tax		**(1,915)**	**(2,633)**	**(2,513)**

Notes:

1. Sales revenue includes revenue from HPCaaS, Services, Software and grants.
2. Employee benefits include salaries and fees paid to employees, superannuation contributions, the value of fringe benefits, payroll tax and share based payments.
3. IT facilities and related costs include leased premises, utilities, IT consumables and maintenance. The adoption of AASB 16 *Leases* from 1 July 2019 had the effect of reducing expenses and increasing depreciation and amortisation and net finance expense.
4. Facilities represents rent and outgoings, in respect of various leases of office premises. The adoption of AASB 16 *Leases* had the same impact as outlined above.
5. Sales and marketing represents costs associated with marketing DUG's products and conferences and travel.
6. Consultants mainly represents outsourced support functions such as payroll and software development.
7. The more significant costs included in other expenses comprise, general and administration costs such as audit, legal and insurance.
8. Depreciation and amortisation represents depreciation of compute, storage and data room infrastructure, leasehold improvements, right of use assets (from 1 July 2019), plant and equipment and motor vehicles and amortisation of intangible assets. Depreciation in the statutory accounts has been overstated by circa US$100.0k in FY18 and FY19 resulting in the understatement of other expenses.
9. Net finance expense includes interest expense attributable to operating lease liabilities accounted for under AASB 16 *Leases* from 1 July 2019.
10. The income tax expense reflected above is significantly higher than the *prima facie* income tax expense implied on the profit and loss before tax for reasons explained in Section 4.8.2.

4.4. STATUTORY AND PRO FORMA HISTORICAL CASH FLOWS

4.4.1. Pro Forma Historical Statements of Cash Flows

The following table sets out the Pro Forma Historical Statements of Cash Flows for the FY18, FY19 and H1FY20.

	FY18 US$'000	FY19 US$'000	H1FY20 US$'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Net (loss) after tax	(1,768)	(2,554)	(1,987)
Adjustments for:			
Non-cash items	8,228	10,864	6,038
Changes in:			
Working capital	(4,269)	2,370	(2,552)
Cash generated from operating activities	2,191	10,680	1,499
Tax paid	(192)	(87)	(731)
Net cash generated from operating activities	**1,999**	**10,593**	**768**
CASHFLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	(7,520)	(15,884)	(302)
CASHFLOWS FROM FINANCING ACTIVITIES			
Net cash from financing activities	3,147	4,566	(814)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(2,374)**	**(725)**	**(348)**

Notes: For pro-forma adjustments refer to Section 4.4.2.

4.4.2. Pro forma adjustments to the Statutory Historical Statements of Cash Flows

The Pro Forma Historical Statements of Cash Flows has been derived by applying certain adjustments to the Statutory Historical Statements of Cash Flows as set out in the table below:

	Note	FY18 US$'000	FY19 US$'000	H1FY20 US$'000
Statutory net cash flow		(1,511)	109	76
Public Company costs	1	(600)	(600)	(300)
Executive Remuneration	1	(200)	(200)	(100)
IPO costs/capital raising fees	1	-	-	201
Tax paid	1	(63)	(34)	(225)
Pro-forma net Cash flow		**(2,374)**	**(725)**	**(348)**

Notes:

1. See notes 1 to 6 under table in Section 4.3.2 to explain the above adjustments.
2. The impact of AASB 16 *Leases* has been to move the principal portion of lease payments from cashflows from operating activities to cashflows from financing activities. Overall there is no net impact on pro-forma net cash flow arising from this adjustment.

4.4.3. Statutory Historical Statements of Cash Flows

The following table sets out the Company's Statutory Historical Statements of Cash Flows for FY18, FY19 and H1FY20.

	FY18 US$'000	FY19 US$'000	H1FY20 US$'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Net profit (loss) after tax	(1,915)	(2,633)	(2,513)
Adjustments for:			
Non-cash items	7,213	9,488	6,663
Changes in:			
Working capital	(4,069)	2,570	(2,452)
Cash generated from operating activities	1,229	9,425	1,698
Tax paid	(129)	(53)	(506)
Net cash generated from operating activities	**1,100**	**9,372**	**1,192**
CASHFLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	(7,520)	(15,884)	(302)
CASHFLOWS FROM FINANCING ACTIVITIES			
Net cash from financing activities	4,909	6,621	814
Net increase in cash and cash equivalents	**(1,511)**	**109**	**76**
Cash and cash equivalents at the beginning of the period	3,390	1,879	1,988
Cash and cash equivalents at end of the period	**1,879**	**1,988**	**2,064**

4.5. STATUTORY HISTORICAL STATEMENT OF FINANCIAL POSITION AND PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

The Pro Forma Statement of Financial Position detailed below includes the pro forma adjustments in respect to the impact of the Offer.

Details of the pro forma adjustments made to the audited Statutory Historical Statement of Financial Position of the Company as at 31 December 2019 are detailed in Section 4.5.2.

	Note	Historical 31 Dec 2019 US$'000	Pro Forma 31 Dec 2019 US$'000
ASSETS			
Cash and cash equivalents	b)	2,064	28,098
Trade and other receivables	c)	12,958	12,958
Prepayments		950	950
Other current assets		1,452	1,452
Total current assets		**17,424**	**43,458**
Deferred tax assets		3,894	3,894
Property, plant and equipment	d)	35,852	35,852
Intangible assets		316	316
Other assets		890	890
Total non-current assets		**40,952**	**40,952**
Total assets		**58,376**	**84,410**
LIABILITIES			
Trade and other payables	e)	4,547	4,547
Loans and borrowings	f)	1,351	1,351
Contract liability		590	590
Lease liability		1,782	1,782
Current tax liabilities		91	91
Provisions	g)	1,704	1,704
Total current liabilities		**10,065**	**10,065**
Trade and other payables	e)	6	6
Loans and borrowings	f)	24,379	24,379
Lease liability		13,954	13,954
Provisions	g)	267	267
Total non-current liabilities		**38,606**	**38,606**
Total liabilities		**48,671**	**48,671**
Net assets		**9,705**	**35,739**
EQUITY			
Share capital	h)	5,478	33,475
Reserves		(777)	(777)
Retained earnings		5,004	3,041
Total equity		**9,705**	**35,739**
Equity split as follows:			
Equity attributable to equity holders of the parent		9,677	35,711
Non-controlling interest		28	28
Total equity		**9,705**	**35,739**

Amounts to be transacted in A$ have been converted at an exchange rate of A$1:US$0.65 in compiling the pro forma statements of financial position.

The historical and pro-forma statements of financial position are to be read in conjunction with the notes set out on at Section 4.5.2 and Appendix A.

The above Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view on its future financial position.

Notes:

1. See notes a) to h) in Section 4.5.2.
2. In addition to the assets set out above in the pro-forma statement of financial position the company potentially has a future cash inflow from employees pursuant to a limited recourse loan via the Loan Share Plan (refer Note h) for further details). The balance of the limited recourse loan was US$6.8m (A$10.5m) as at 30 June 2020.

4.5.1. Subsequent events

a. On 26 February 2020, as part of the IPO process, the Group raised US$12.1m (A$18.2m) in pre-IPO funds using a Convertible Note instrument which is explained at Section 4.5.2 a) below and has been incorporated into the pro-forma statement of financial position.

b. 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. The strategies adopted by governments in dealing with the virus at an international, domestic and local level are changing daily and re-assessments by governments and world leaders is ongoing. Various industries have and will continue to be impacted more than others for some time to come.

With respect to H1FY20, the financial statements have been prepared based upon conditions existing as at that date, with no adjustments made for impacts of COVID-19.

There is general consensus that the effects of the COVID-19 outbreak are the result of an event that arose after the reporting date, i.e. it is a non-adjusting event as defined in AASB 110 *Events After the Reporting Period*, in which case the Group is required to disclose the nature of the event and an estimate of its financial effect subsequent to 31 December 2019, if possible to do so.

As the pandemic took hold, government shutdowns caused a 20% decline in oil usage. This in turn caused a significant slump in oil prices. Historically, DUG has achieved counter cyclical growth amidst oil price volatility. During these periods, DUG's resource Services clients focus on the reprocessing of 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 had not significantly affected the financial position of the Group although it has noted a marginal softening in revenue attributed to the delay in commencement of new services projects and the transition to working from home as a result of COVID-19. During the first four months of this calendar year, service project awards totalled US$12.8m (A$19.7m), contributing to a strong back log of orders of US$21.0m (A$32.3m) at 30 April 2020.

The Group's cloud-based technology and HPCaaS has a broad market focus and is expected to lead to significant opportunities in industries not adversely effected by COVID-19.

The COVID-19 pandemic has created unprecedented uncertainty in terms of the overall economic environment such that economic events and conditions in future may be materially different from those experienced by the Group as at the date of this report. At this time, it is not possible for the Group to estimate the future effects of COVID-19 on its operations as any impact will depend on the magnitude and duration of any economic downturn, with the full range of possible effects unknown.

c. There have been no other material items, transactions, or events subsequent to 31 December 2019 that have not otherwise been disclosed in this Prospectus and incorporated into the pro-forma statement of financial position, where appropriate.

4.5.2. Notes to and forming part of the Pro Forma Historical Statement of Financial Position

A) PREPARATION OF THE PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

The 31 December 2019 Statutory Historical Statement of Financial Position of DUG has been adjusted to reflect the impact of the following proposed transactions or actual transactions which have taken place subsequent to 31 December 2019:

- The capital raising in late February 2020 of US$12.1 (A$18.2m) (before costs) via a Convertible Note arrangement and the subsequent conversion of those Convertible Notes, on listing on the ASX, to 16,888,889 ordinary fully paid shares at A$1.08 per Share. The associated costs of US$0.6m (A$0.9m) have been expensed to retained earnings.
- The payment in cash, on listing on the ASX, of interest payable on the Convertible Notes referred to above to the date of conversion to ordinary fully paid shares, at the rate of 10% p.a. of US$0.5m (A$0.8m). This calculation is based on an accrued interest calculated to 31 July 2020.
- The issue pursuant to the Prospectus of 19,259,259 New Shares at A$1.35 per Share to raise capital of US$16.9m (A$26.0m) before costs.
- The payment of an estimated US$1.8m (A$2.8m) in costs incurred by the Company in relation to the costs of the transaction, and the subsequent allocation of these costs between retained earnings US$0.9m (A$1.3m) and issued capital US$1.0m (A$1.5m).

B) CASH AND CASH EQUIVALENTS

	Historical 31 Dec 2019 US$'000	Pro Forma 31 Dec 2019 US$'000
CURRENT		
Cash at bank and on hand	2,064	28,098
The movements in cash at bank are as follows:		
Actual – 31 Dec 2019		2,064
Issue of Convertible Notes		12,063
Transaction costs of the Convertible Note issue		(603)
Payment of interest on Convertible Notes		(501)
Issue of Shares pursuant to Prospectus (before costs) (A$26.0m)		16,900
Estimated transaction costs of the Share issue payable in cash (A$2.8m)		(1,825)
		28,098

C) TRADE AND OTHER RECEIVABLES

	Historical 31 Dec 2019 US$'000	Pro Forma 31 Dec 2019 US$'000
Current asset		
Trade receivables	12,273	12,273
Provision for impairment	-	-
Trade receivables – net	**12,273**	**12,273**
Other receivables	685	685
Current trade and other receivables	**12,958**	**12,958**

Credit terms for trade receivables average 30 days.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the Group is considered to relate to the class of assets described as 'trade and other receivables'.

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 *Financial Instruments*, 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 31 December 2019 is determined as follows. The expected credit losses below also incorporate forward-looking information.

31 Dec 2019	Current US$'000	> 30 days due US$'000	> 60 days due US$'000	> 90 days due US$'000	Total US$'000
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount	6,363	2,983	823	2,789	12,958
Loss allowing provision	-	-	-	-	-

D) PROPERTY, PLANT AND EQUIPMENT

The HPC pool includes computers, storage and data centre infrastructure.

	HPC US$'000	Leasehold Improvements US$'000	Right of Use Asset US$'000	Office Equipment and Motor Vehicles US$'000	Under Construction US$'000	Total US$'000
Cost						
Balance at 1 Jul 2019	51,576	4,923	-	1,691	1,904	60,094
Additions	249	1	17,035	8	9	17,302
Reclassification	-	118	-	77	(195)	-
Disposals	(20)	-	-	-	(3)	(23)
Balance at 31 Dec 2019	**51,805**	**5,042**	**17,035**	**1,776**	**1,715**	**77,373**
Accumulated Depreciation						
Balance at 1 Jul 2019	30,077	1,769	-	1,361	-	33,207
Leased Assets Closing Balance at Jun 2019	-	-	3,613	-	-	3,6130
Depreciation	3,362	290	931	136,	-	4,719
Disposals	(18)	-	-	-	-	(18)
Balance at 31 Dec 2019	**33,421**	**2,059**	**4,544**	**1,497**	**-**	**41,521**
Carrying amounts at 31 Dec 2019	**18,384**	**2,983**	**12,491**	**279**	**1,715**	**35,852**

E) TRADE AND OTHER PAYABLES

	Historical 31 Dec 19 US$'000	Pro Forma 31 Dec 2019 US$'000
Current liabilities		
Trade payables	3,112	3,112
Accruals	656	656
Other	779	779
Current trade and other payables	**4,547**	**4,547**
Non-current liabilities		
Indirect taxes payable	6	6
Non-current trade and other payables	**6**	**6**

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

F) LOANS AND BORROWING

31 Dec 2019	Bank Loan US$'000	Lease Liability US$'000	Promissory Note US$'000	Total US$'000
Carrying Value	24,167	15,736	1,705	41,608
Current	-	1,782	1,351	3,133
Non-current	24,167	13,954	213	38,334
	24,167	**15,736**	**1,564**	**41,467**

G) PROVISION

	Historical 31 Dec 2019 US$'000	Pro Forma 31 Dec 2019 US$'000
Current liability		
Provision for annual leave	1,109	1,109
Provision for long service leave	595	595
	1,704	**1,704**
Non-current liability		
Provision for long service leave	267	267
	267	**267**

H) ISSUED CAPITAL AND PERFORMANCE SHARES

Issued and fully paid Ordinary Shares	No. of Shares	US$'000
Ordinary shares fully paid	99,473,544	33,475
Movements during the period		
Shares on issue (i)	54,802,919	5,478
Loan Share Plan	8,522,477	-
Shares issued on conversion of Convertible Notes on IPO	16,888,889	12,063
Shares on issue pre-Prospectus issue	80,214,285	17,541
New Shares issued pursuant to current Prospectus (before costs)	19,259,259	16,900
Estimated costs of capital raising	-	(966)
Total number of Shares on Completion	**99,473,544**	**33,475**
Movement in Loan funded Shares as 31 Dec 2019		
Shares issued under Loan Share Plan as at 31 Dec 2019 (ii)	8,660,856	-
Buy back of Loan funded Shares as a result of non-vesting	(306,889)	
Shares issued under Loan Share Plan as at Prospectus Date (fully vested on IPO)	8,353,967	
Shares to be issued under the Long Term Incentive Plan prior to Date of Quotation on the ASX	168,510	
	8,522,477	**-**

i. The Shares on issue include 375,000 performance shares issued for services provided. These shares will vest on IPO.

ii. The Company offered key employees the opportunity to acquire shares in DUG Technology Ltd under a Loan Share Plan. The Shares vest upon the satisfaction of specified vesting conditions. The Shares issued are funded by a limited recourse loan which is repayable at the end of the 10-year term. Any dividends payable in respect of these Loan funded Shares are repayable against the Loan. Voluntary repayment can be made at any time with compulsory repayment required when the Shares are divested or the Loan matures. If the value of proceeds obtained from dividends and from sale of the Loan funded Shares is less than the value of the related Loan then the shortfall is not recoverable from the Shareholder. The balance of the limited recourse loans at 31 December 2019 is US$7.4m (A$11.1m).

iii. Cash will flow into the Company on the earlier of voluntary repayment, divestment of Loan funded Shares or Loan maturity.

iv. The fair value of performance shares granted are valued using the Black-Scholes method and are expensed to profit and loss over the vesting period.

4.6. CASH AND CASH EQUIVALENTS

The table below sets out the net cash position of the Company as at 31 December 2019 on a statutory basis and on a pro forma basis adjusted for receipt of the net proceeds of the Offer, the pre-IPO funds raised by way of Convertible Notes and related costs incurred in raising those funds, as if these actions took place as at 31 December 2019.

The pro forma cash and cash equivalents as at 31 December 2019 does not reflect the change in cash position between 31 December 2019 and completion of the IPO process, which will occur as a result of various anticipated cash requirements of the business over this period, such as from day to day operating activities.

	Note	Statutory at 31 Dec 2019	Pro-forma adjustments (Section 4.5.2 B)	Pro-forma at 31 Dec 2019
		US$'000	**US$'000**	**US$'000**
Cash and cash equivalents	1	2,064	26,034	28,098
Short term debt		-	-	-
Current loans and borrowing		1,351	-	1,351
Non-current loans and borrowings		24,385	-	24,385
Lease liabilities		15,736	-	15,736
Net cash/(debt)		(39,408)	26,034	(13,374)

Notes:

1. Net cash raised from the Offer will be used to pay accrued interest on the Convertible Notes resulting in a net cash position as at the date of the Offer. Refer to Pro-Forma Historical Statement of Financial Information for further details.

4.7. LIQUIDITY, CAPITAL RESOURCES AND INDEBTEDNESS

Following completion of the IPO process DUG's principle sources of funds are expected to be cash and cash equivalents and borrowings accessed through its debt facility with Commonwealth Bank of Australia (**CBA**).

The Company potentially also has a future cash inflow from employees pursuant to a limited recourse loan via the Loan Share Plan (refer Section 4.5.2 h) for further details). The Loans are recoverable in limited circumstances over a period of up to 10 years. The balance of the Loans were US$6.8m (A$10.5m) as at 30 June 2020.

4.7.1. CBA facilities

On 16 November 2018, DUG executed a deed of amendment relating to its debt facility with CBA increasing its borrowing facilities from US$20.7m to US$24.8m (A$31.8m to A$38.2m). This provided the Group with US$13.5m (A$20.8m) in undrawn facilities to fund the new data room infrastructure in Houston, USA. US$7.0m (A$10.8m) is subject to annual review and US$17.8m (A$27.4m) is interest only with a bullet repayment upon maturity being November 2021.

The following facilities are currently in place:

a. Revolving facility of US$7.0m (A$10.8m): This facility is comprised of two sub-facilities covering growth capex and working capital purposes. Interest is calculated as LIBOR plus a margin.
b. Term debt facilities of US$17.8m (A$27.4m): 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 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.

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

a. A gross leverage ratio based on financial indebtedness (excluding lease liabilities) less cash reserves divided by Group EBITDA.
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 5.30% per annum as at 31 December 2019.

4.7.2. Wells Fargo Equipment Finance Inc and G Tower Sdn Bhd

The promissory notes are due to Wells Fargo Equipment Finance Inc and G Tower Sdn Bhd. The Wells Fargo debt is secured by compute reported in the US subsidiary, DownUnder GeoSolutions (America) LLC. Intel Corporation have also 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, net of deferred finance charges, as at 31 December 2019 was US$1.6m (A$2.4m).

Net cash raised from the Offer will be used to expand compute capacity.

DUG’s main use of cash is to fund its operations, working capital, capital expenditure and to support its growth initiatives. Following Completion, DUG expects that it will have sufficient cash to meet its operational and working capital requirements and stated business objectives.

DUG's ability to generate sufficient cash depends on its future performance which, to an extent, is subject to a number of factors beyond its control including general economic, financial and competitive conditions. Over time, DUG may seek additional funding from a range of sources to diversify its funding base.

Qualitative disclosures about market risk sensitive financial instruments are as follows:

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. DUG’s monitoring and analysis of its interest rate exposure includes consideration of the uses of funds and potential financing options.

FOREIGN EXCHANGE RISK

DUG primarily transacts in its functional currency (which is also its presentation currency), being US dollars, and as a result has minimal exposure to foreign currency risk. In addition, it holds investments in overseas subsidiaries which are not hedged. Any foreign exchange rate movements in respect to the transactional currency in which the net investment in foreign subsidiaries are held are recognised in the foreign currency translation reserve.

4.8. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

4.8.1. General factors affecting DUG's operating results

This Section 4.8 is a discussion of the composition of DUG's operating and financial performance during the period of the Historical Financial Information and which DUG expects may affect its future operating and financial performance.

The general matters discussed below are a summary only and do not represent all events and factors that affected DUG’s historical operating and financial performance, nor everything that may affect DUG’s operating and financial performance in future periods. The information in this Section should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.8.2. Pro forma Historical Statement of Profit or Loss

The following table sets out the Company's Pro Forma Historical Statements of Profit or Loss for FY18, FY19 and H1FY20.

	FY18 US$'000	FY19 US$'000	H1FY20 US$'000
Sales revenue	**48,901**	**52,135**	**26,840**
Other income	**228**	**72**	**-**
Operating expenses			
Employee benefits	(29,081)	(29,848)	(15,657)
IT facilities and related costs	(4,121)	(4,286)	(1,255)
Office facilities	(1,432)	(1,206)	(632)
Sales and marketing	(2,048)	(2,035)	(1,172)
Consulting	(931)	(1,236)	(665)
Other expenses	(2,859)	(2,611)	(2,368)
Total operating expenses	**(40,472)**	**(41,222)**	**(21,749)**
EBITDA	**8,657**	**10,985**	**5,091**
Depreciation and amortisation	(8,410)	(7,746)	(4,266)
EBIT	**247**	**3,239**	**825**
Net finance expense	(1,493)	(1,472)	(1,123)
Profit (loss) before tax	**(1,246)**	**1,767**	**(298)**
Income tax expense	(522)	(4,321)	(1,689)
Net profit (loss) after tax	**(1,768)**	**(2,554)**	**(1,987)**

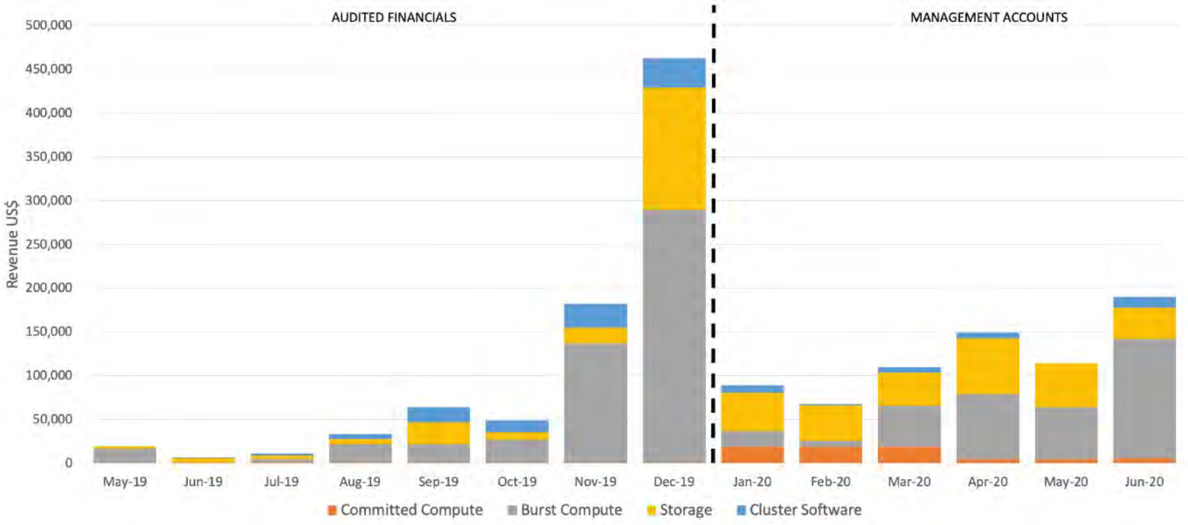
REVENUE

In FY19 DUG generated its revenue from the provision of HPCaaS (2%), Services (77%), Software (15%) and grants (6%). Reported revenue growth was 6.6%, primarily driven by an increase in Services revenue with DUG benefitting from the geographic diversity of its office locations.

HPCaaS includes revenue from the provision of compute node hours and storage through the DUG McCloud platform. Service revenue is mainly derived from the provision of seismic P&I in the resource industry. Software includes a strong recurring revenue stream from the licencing of DUG Insight and the provision of hardware and software onboard seismic acquisition vessels.

Historically revenue was primarily generated from the application of HPC skills and software in the P&I of seismic data for the global resource industry. As awareness of DUG's HPCaaS offering becomes increasingly recognised, the Company is broadening its client base and reporting growth in industry sectors outside of the resource sector.

This graph below displays revenue generated by HPCaaS (committed compute, burst compute and storage) and cluster software revenue, which is reported in the Software business unit, with a mixture of audited financials (May-19 to Dec-19) and management accounts (Jan-20 to Jun-20). The higher revenue in Nov-19 and Dec-19 illustrates the scope of burst compute. Clients can access the DUG McCloud platform and use compute as they require it, allowing them to process large data sets in shorter timeframes. Burst compute allows clients greater flexibility and also attracts a circa 50% higher per node hour charge than committed compute. During March to June 2020, burst compute became a growing component of the revenue stream as more clients access the DUG McCloud platform.



Government grants represents R&D concessions received from the Australian tax authorities. All R&D costs are expensed in the profit and loss as and when they are incurred. Classifying the R&D concessions as revenue, rather than a tax offset, provides a matching principle within EBITDA, offsetting revenue from the concession with the costs it is intended to compensate.

OPERATING EXPENSES

Total operating expenses increased by 2% from US$40.3m (A$61.9m) in FY18 to US$41.2m (A$63.2m) in FY19. The main component of the cost base is employee related (72% for H1FY20) with the majority of the talented workforce directly involved in the provision of services in the resource sector.

During FY19 and H1FY20 investment has been made in the HPCaaS business, expanding headcount in IT and in sales and marketing activities.

In H1FY20, the IT facilities and related costs are comparatively lower when compared with the prior period. This is a result of consolidation of compute in the US facility with lower power costs and the receipt of significant utility concessions.

EBITDA AND MARGIN

In FY19 the EBITDA margin increased from 18% to 21%. Margin improvements are driven through a constant focus on the TCO of compute, operational and software efficiencies.

The H1FY20 margin reflects the investment being made in the HPCaaS business unit, with sales, marketing and headcount being expanded.

TAX

The income tax expense reflected in the profit and loss statement is significantly higher than the *prima facie* income tax expense implied on the profit/loss before tax for the following reasons:

a. Government grants are included in revenue and not disclosed as an offset in income tax;
b. The impact of R&D costs which are not deductible for tax purposes (with the related R&D grant recorded in revenue); and
c. The benefit of tax losses in the US subsidiary have not been recognised in income tax expense as they are yet to meet recognition criteria. These accumulated tax losses amount to US$37.5m (A$57.7m) and are largely the result of investment in data centre infrastructure and compute with accelerated capital write downs.

DUG also benefits from the following based on its corporate structure:

a. The income tax expense reflects the application of corporate tax rates in Australia, USA, Malaysia and the UK of 30%, 21%, 24% and 19% respectively; and
b. DownUnder GeoSolutions (Asia) Sdn Bhd was granted Multimedia Super Corridor (**MSC**) status on 26 October 2016. MSC is designed to attract investment into Malaysia to enable the country to leapfrog into the information and technology age. DUG has a temporary tax-free status of 10 years.

PRO FORMA HISTORICAL STATEMENT OF CASH FLOW

The following table sets out the Pro Forma Historical Statements of Cash Flows for the years ended 30 June 2018 and 2019 and for the half year ended 31 December 2019.

	FY18 US$'000	FY19 US$'000	H1FY20 US$'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Net (loss) after tax	(1,768)	(2,554)	(1,987)
Adjustments for:			
Non-cash items	8,228	10,864	6,038
Changes in:			
Working capital	(4,269)	2,370	(2,552)
Cash generated from operating activities	2,191	10,680	1,499
Tax paid	(192)	(87)	(731)
Net cash generated from operating activities	**1,999**	**10,593**	**768**
CASHFLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	(7,520)	(15,884)	(302)
CASHFLOWS FROM FINANCING ACTIVITIES			
Net cash from financing activities	3,147	4,566	(814)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(2,374)**	**(725)**	**(348)**

WORKING CAPITAL

The US$4.1m (A$6.3m) outflow in working capital in FY18 can be mainly be attributed to an increase in contract assets of US$1.7m (A$2.6m) and a decrease in trade and other payables of US$2.3m (A$3.5m) reflecting the payment of capex related suppliers.

The US$2.6m (A$4.0m) inflow in FY19 is generated by a decrease in contract assets of US$2.1m (A$3.2m), reflecting an unwinding of the prior year movement, an increase of US$2.0m (A$3.1m) in trade and other payables reflecting capital investment and an increase in trade receivables of US$1.4m (A$2.2m) reflecting revenue growth.

In H1FY20, trade receivables increased by a further US$1.3m (A$2.0m) due to late payment by a one particular customer. This account was subsequently settled after 31 December 2019. Trade and other payables increased by US$1.1m (A$1.7m) reflecting further compute expansion.

CAPITAL EXPENDITURE

In FY18, US$4.0m (A$6.2m) was invested in office and data centre infrastructure and US$3.5m (A$5.4m) in increasing compute capacity.

In FY19 US$12.8m (A$19.7) was invested in data centre infrastructure and US$3.1m (A$4.8m) in expanding compute capacity.

FUNDING

DUG has funded growth through reinvestment of after tax profit and has secured bank finance from CBA.

In FY18, debt totalling US$6.8m (A$10.5m) was raised offset by interest and repayments of US$3.7m (A$5.7m).

In FY19, the US$10.2m (A$15.7m) raised was invested in the data centre infrastructure at Skybox, the home of ‘Bubba’ in Houston. US$5.6m (A$8.6m) was repaid.

4.9. NO FORECASTS

The industries DUG operates in are inherently uncertain. Consequently, there are significant uncertainties associated with forecasting future revenues and expenses associated with DUG’s proposed activities.

The Directors have considered the matters detailed in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of DUG are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

The Directors consequently believe that, given these inherent uncertainties, it is not possible to include reliable forecasts in this Prospectus.

4.10. DIVIDEND POLICY

DUG has not forecast a dividend payment in FY20. Furthermore, no dividends are expected to be paid during the foreseeable future following the Company’s listing on the ASX.

The Directors cannot and do not give any assurances as to the extent, timing, level of franking or payment of any dividends in the future period as all of the foregoing are dependent on a number of factors including the level of future earnings, the amount of tax paid, the financial position of the Company, future operating conditions and future cash requirements to fund growth.

5 RISKS

5. Risks

DUG is subject to risks that are both specific to DUG's business activities and of a more general nature. Each risk set out in this Section 5 could, if it eventuates (or a combination of the risks set out in in this Section, if they eventuate), may have a material adverse effect on DUG’s business, prospects, operating and financial performance, financial condition and results of operations and the value of the Shares. This Section describes what DUG considers to be the most significant risks associated with DUG’s business, an investment in DUG and the general risks associated with an investment in the Shares. This Section should be read in conjunction with other information disclosed in this Prospectus.

Investors should be aware that the risks listed in this Section should not be considered to be an exhaustive list of every possible risk associated with an investment in DUG or the Shares now, or in the future, or the industries in which DUG operates. The selection of risks in this Section has been based on an assessment of the combination of the probability of the risk occurring and the impact if the risk did occur. The assessment is based on the knowledge of the Directors as at Prospectus Date.

The types of risks DUG is exposed to can change over time and vary with changes in economic, technological, environmental, political and regulatory conditions. The occurrence or consequences of some of these risks are partially or completely outside the control of DUG.

Additional risks that DUG is unaware of, or that DUG currently considers not to be material, also have the potential to have a material adverse effect on DUG’s business, prospects, operating and financial performance, financial condition and results of operations and the value of the Shares.

Investors should also be aware that there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge. Similarly, there is no guarantee that mitigation measures DUG takes will succeed. There can be no guarantee that DUG will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate. Any investment in DUG should be considered in light of these risks.

Before making any decision to invest in DUG, you should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of the risks in this Section and of all other information set out in this Prospectus. You should consider whether an investment in DUG is suitable for you, having regard to your own investment objectives, financial situation and particular needs (including financial and tax issues). It is recommended that you seek professional advice from your financial adviser, stockbroker, lawyer, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest in the Shares.

The risks in this Section have been separated into risk factors specific to DUG (refer to Section 5.1) and general risk factors (refer to Section 5.2).

5.1. RISKS SPECIFIC TO AN INVESTMENT IN DUG

5.1.1. Launch of new products

DUG, as part of its growth strategy, intends to invest in product development. In particular, DUG proposes to expand the development and use of DUG McCloud.

While DUG expects that over time, revenue from new products will contribute to DUG’s total revenue, there is a risk that the development schedule for new products, or the adoption of new products may take longer than expected, delaying the development of new revenue streams. New third party technologies could prove more advanced, less costly and be developed in less time than DUG’s new products. There is a risk that DUG’s new products may not be well received by its clients or DUG may not be able to generate sufficient adoption of its new products.

Other related factors that may impact sales growth and DUG's performance include the commercial viability and delays of new products and technology, the emergence of new technologies and business processes (see Section 5.1.2 below), delays in the establishment of an effective sales and/or marketing strategy and the global economy, including factors impacting the global supply chain.

DUG endeavours to mitigate the risks by keeping its pricing of new products competitive, and prioritising investment in research and development as well as continued and ongoing market research.

5.1.2. New technologies and business processes

DUG expects that new technologies and business processes applicable to the processing and storage of large datasets will continue to emerge, and these new technologies and business processes may be different or better than those DUG currently uses. DUG’s future success will depend, in part, on the effective use of technology to increase efficiency and to enable DUG to better serve clients and reduce costs. The pace of technological change is high, and the industries in which DUG operates are intensely competitive.

There is no guarantee that a return on investment in technology will meet expectations and DUG’s technology may become obsolete or outdated through the investment of its peers in superior technology and/or product offerings. A failure to maintain appropriate technology and business processes could also cause disruptions in DUG's operations or cause its products and services to be less competitive. This could require DUG to undertake substantial investment in updating or improving its current technology platform and product offering, which could have a materially adverse impact on DUG’s business, operating and financial performance, and/or growth.

Through continued market research DUG aims to keep pace with rapid technological change, consumer use habits, internet security risks, risks of system failure or inadequacy, and governmental regulation and taxation.

5.1.3. Patent rights

DUG holds the granted patents and pending applications as listed in Section 9, in respect of its proprietary software and DUG Cool.

DUG acknowledges that its prospect of obtaining patent protection for products and the technology such as those proposed under the patent applications is uncertain and involves complex and continually evolving factual and legal questions with such questions potentially impacted by legislative and judicial changes, or changes to examination guidelines in relevant jurisdictions.

There is a risk patent applications may not proceed to granted patents and even if granted the scope of DUG's claim may have changed pursuant to an examination and may not be of commercial benefit to DUG, or may not afford DUG adequate protection from competing products.

Further, even if DUG succeeds in obtaining patent protection for its products, its patents could be wholly or partially invalidated following challenges by third parties.

Further information in respect to the patent application process and status of DUG's patents is contained in the Patent Report in Section 9.

5.1.4. Patent litigation

Two of the Company's wholly owned subsidiaries, DownUnder GeoSolutions Pty Ltd and DownUnder GeoSolutions (Asia) Sdn Bhd, are co-respondents in litigation commenced in the Federal Court of Australia by PGS Australia Pty Ltd. The other co-respondents to the litigation are eight members of the Polarcus group of companies.

PGS claims in the proceeding that the DUG co-respondents have infringed, and/or have infringed in the pursuit of a common design with the Polarcus co-respondents, two Australian registered patents owned by PGS with respect to the acquisition and processing of seismic data by using the methods comprised in those claims. PGS has sought relief including injunctive relief and damages.

The DUG co-respondents are defending the claims made by PGS and DownUnder GeoSolutions Pty Ltd has made a cross-claim seeking the revocation of the relevant claims of the patents for invalidity. Nevertheless, the outcome of the litigation is inherently uncertain. Should PGS be partially or wholly successful in its claims against the DUG co-respondents, the DUG co-respondents may be required to pay damages to PGS and/or be required to alter their operations so as to avoid being in breach of any injunction. Accordingly, such an outcome may have implications for the conduct of the DUG co-respondents' business and the group more broadly. Further details of the litigation and potential consequences for the Company are set out in Section 10.12.

5.1.5. Protection of its intellectual property

The value of DUG's services and products is dependent on DUG's ability to effectively identify, protect, defend, and in certain circumstances keep secret, its intellectual property, including business processes and know-how, copyrights, patents, trade secrets and trademarks.

There is a risk that DUG's IP (summarised in Sections 3.9 and 9) may be compromised in a number of ways, including:

- DUG employees may breach operational procedures, or employees or third parties may breach confidentiality obligations, or infringe or misappropriate DUG's intellectual property, compromising DUG's competitive advantage;
- Facing allegations that DUG's employees have misappropriated IP of their former employers or other third parties;
- Competitors or other third parties may gain insights into DUG's intellectual property, including DUG's proprietary systems, and use these findings to develop alternative technologies which compete with DUG; and/or
- Competitors or other third parties may develop non-infringing competitive technology, or may allege that DUG, or consultants or other third parties retained or indemnified by DUG, infringe their IP rights.

DUG may be unable to detect unauthorised use of its IP rights in all instances. Further, the actions DUG takes to protect its IP may not be adequate or enforceable and thus may not prevent the misappropriation of its IP and proprietary information. Breach of DUG's IP may result in the need for DUG to commence legal action, such as infringement or administrative proceedings, which could be costly, time consuming and potentially difficult to enforce in certain jurisdictions and may ultimately prove unfavourable to DUG. DUG's failure to protect its IP rights could have an adverse impact on DUG's business, operating and financial performance, and/or growth.

5.1.6. DUG may suffer a loss of, or be unable to attract, key personnel

The successful operation of DUG relies on its ability to attract, train and retain experienced and high performing executives and employees with specialist skills (including technology and product development). In particular, DUG's management team consists of individuals, including Dr Lamont, Managing Director, Dr Thompson, Research Principal, Mr Schwan, Chief Technology Officer, and certain other management and senior employees, who have long lengths of individual service with DUG, significant knowledge of DUG's technology and business, and well established relationships with DUG's key clients and suppliers.

There is a risk that DUG may not be able to attract and retain adequately skilled employees and management, or be able to find effective replacements for individuals who leave the business due to tighter talent markets potential resulting in longer recruiting processes, increased recruiting costs and impaired business performance.

Failure to attract, train and/or retain appropriate employees could have a materially adverse impact on DUG’s business, operating and financial performance, and/or growth.

DUG believes these risks are significantly mitigated by virtue of DUG having a strong and committed executive and management team with two of its Executive Directors having been with DUG for 10+ years.

5.1.7. Disruption or failure of technology and data security breaches

DUG’s ability to deliver fast and easy access to its clients depends on the efficient and uninterrupted operation of its operating and technology platforms.

There is a risk that DUG’s technology platform may experience downtime or interruption from system failures, service outages, corruption of information technology network or information systems as a result of computer viruses, bugs, worms, cyberattacks or human error, as well as natural disasters, fire, power outages or other events outside the control of DUG. Cyber-attacks, data theft, data loss, human error or malfeasance may also result in data breaches resulting from unauthorised access to, or disclosure of information, including sensitive and/or confidential information, whether malicious or inadvertent.

While DUG invests significant resources in protecting its technology systems and data, (including having firewalls, encryption, policies to restrict access to data and recovery plans), it is possible that the measures taken by DUG will not be sufficient or may prove ineffective to prevent factors beyond its control or detect or prevent unauthorised access, with response and recovery arrangements being less effective than planned.

The effect of a systemic failure and/or data breaches could extend to reputational damage, loss of system integrity, regulatory scrutiny and claims from third parties and fines. Such circumstances could affect DUG's ability to service clients in a timely manner and retain existing clients and generate new clients, resulting in a materially adverse impact on DUG’s business, operating and financial performance, and/or growth.

5.1.8. DUG may not successfully execute one or all of its growth strategies

DUG's growth strategies include expanding its HPCaaS offering into industries outside of the resource sector as well as within, developing long-term computer room facilities, increasing data management work originating from its DUG McCloud business and transitioning its quantitative interpretation business into a software business.

There is no guarantee that all or any of DUG’s growth strategies will be successfully implemented, deliver the expected returns or ultimately be profitable. There is also a risk that the growth strategies may be subjected to aggressive competitor responses, unexpected delays and/or additional implementation costs.

DUG’s pricing strategy may also not result in the level of growth in business volume that it anticipates. DUG may also fail to adopt and execute growth strategies that will enable it to successfully maintain or improve its product and service offering and match any change in client preferences. Failure to do so could result in clients choosing DUG’s competitors for their requirements, which could have a materially adverse impact on DUG’s business, operating and financial performance, and/or growth.

As a fast-growing company, any change to DUG’s ability to achieve any or all of its growth strategies, or the market’s perception of DUG’s ability to deliver growth to Shareholders, is likely to have a significant impact on DUG’s Share price and impact DUG's new business volumes and expected returns.

5.1.9. DUG operates in a competitive market, with a range of alternative products available

DUG’s direct competitors may seek to imitate DUG’s strategies, and/or may attempt to aggressively take market share from DUG.

With the launch of DUG’s new products, there is also a risk that competitors take market share to a greater extent than expected. The level of current and future competition in the market and changes in competitive behaviour may result in one or more of the following for DUG:

- Existing and potential competitors who have significantly more resources, developing new products or improving existing products to compete with DUG;
- DUG may fail to anticipate and respond to changing opportunities, technology or client requirements, as quickly as its competitors;
- Competitors may enhance their product offering to improve their competitive positioning relative to DUG; and
- Clients who use DUG's services may decide to invest or develop their own HPC data P&I solutions, rather than purchasing them from a specialist provider such as DUG.

Any or all of these factors may have a material adverse effect on DUG’s business, financial condition, operating and financial performance, and/or growth.

5.1.10. DUG’s brand or reputation may be damaged

DUG relies on its reputation in day-to-day business activities to attract and retain clients and manage funding arrangements. DUG’s brand, image or reputation may be impacted through negative publicity which could lead to heightened regulatory focus or negative client experience. Actions or failures by other market participants could also negatively impact the reputation of the industry and/or DUG.

Any factors which diminish DUG’s brand and reputation may reduce DUG’s ability to execute its growth strategy (including expansion of its HPCaaS business and increasing data management work through its DUG McCloud service) and any adverse perception on the part of investors, clients, or regulators could have a materially adverse impact on DUG’s business, operating and financial performance, and/or growth.

5.1.11. Country/Region specific legal and regulatory risks

DUG has operations in a number of overseas jurisdictions, and is exposed to a range of different legal and regulatory regimes, including in new jurisdictions in which DUG may in the future expand its operations. Refer to Section 3.3 for further information on the jurisdictions DUG currently operates in.

As DUG increases its operations in existing regions or enters new regions there is a risk that DUG fails to understand the laws, regulations and business customs of these regions. There is also the risk that these regions may have political, legal and economic instability or less sophisticated legal and regulatory regimes than those DUG currently operates in. This in turn gives rise to risks relating to labour practices, foreign ownership restrictions, changes in tax law including any loss of tax incentives or exemptions, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regimes and other issues in foreign jurisdictions in which DUG may operate. This could interrupt or adversely affect parts of DUG’s business and may have an adverse effect on DUG’s operations and financial performance.

5.1.12. Tax losses in US subsidiaries

As noted in Section 4.8.1 c), DUG has access to the benefit of tax losses in the US subsidiary amounting to US$37.5m (A$57.7m), which have not been recognised as an asset in its accounts.

In order to utilise these tax losses in future periods, the US subsidiary will need to generate sufficient taxable income and continue to comply with relevant US tax law applicable to the deductibility of such losses, which cannot be guaranteed.

5.1.13. Macroeconomic conditions and cyclical nature of the resource sector

Macroeconomic factors such as unemployment, underemployment, interest rates, lack of income growth, the amount of consumer spending, business investment, government spending, government policy, the volatility and strength of the global and Australian capital markets, currency value, exchange rates and inflation (particularly of essential items) all affect the business and economic environment and, ultimately, the volume and profitability of DUG's business. DUG’s clients are exposed to the general economic cycle.

The resource sector is particularly susceptible to macroeconomic conditions such as the pricing of commodities (and factors influencing pricing) and volatility of the commodity market, interest rates, and political climate and government policies. These factors amongst other things impact general supply and demand. When the economic cycle turns negative, DUG’s clients may experience a deterioration in their financial performance which may impact DUG’s ongoing earnings, cash flows and/or financial position. The COVID-19 pandemic and its economic consequences have additionally had a substantial impact on the resource sector over the past few months. Many companies have experienced operational disruption due to workforce shortages, faced increased supply chain risks and issues regarding demand. These effects have further affected the current price of oil. The economic impacts of the situation on companies operating within the resource sector could also have negative repercussions for those companies servicing the industry, such as DUG. The global movement toward the increasing use of renewable and cleaner energy sources is another factor that is likely to impact the current and future outlook for the resource sector and those, like DUG, servicing that sector.

In addition to lower revenue and higher bad debts, adverse economic conditions can constrict funding markets. This may reduce DUG’s access to capital and therefore reduce its ability to grow and/or increase the cost of those funds, which may not be capable of being passed on to clients and which could reduce DUG’s margins.

5.1.14. DUG is exposed to currency and foreign exchange risk

The proceeds of the Offer will be received in Australian dollars, while DUG's functional currency is US dollars. DUG does not currently hedge against exchange rate risk, and consequently movements in different exchange rates could affect the exchange rate between the pricing of the Offer and the Closing Date until such time as proceeds are exchanged for US dollars.

Further, the Shares will be listed on the ASX and priced in Australian dollars. As a result, movements in foreign exchange rates may cause the price of DUG's Shares to fluctuate for reasons unrelated to DUG's financial condition or performance. The fluctuations may result in discrepancy between DUG's actual results of operations and investors' expectations of returns on securities expressed in Australian dollars. This may in turn adversely affect DUG's business as well as their operating and financial performance.

5.1.15. DUG is likely to require additional capital in the future to continue its growth in the future

As a growing business, DUG may consider raising additional capital in the future to pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances. DUG’s growth initiatives include origination growth, technology investment and new product offerings, which would typically require a significant investment and funding requirement before the offering became cash flow positive. Whilst some of the proceeds raised from this Offer may be utilised for these purposes, further funding may be required in the future. A failure to raise additional capital on a timely basis that aligns with the Company's business strategy, could have a material adverse effect on DUG’s business, financial condition, operating and financial performance, and/or growth.

5.1.16. Risk of litigation, claims, disputes and regulatory investigations

Other than as set out in Section 10.12, as at Prospectus Date, DUG is not involved in any material litigation as a defendant and is not aware of any facts or circumstances that may give rise to any material litigation commenced against it. However, given the scope of DUG's activities and the wide range of parties it deals with, DUG may be exposed to potential claims or litigation from third parties such as clients, employees and business associates, including funders.

DUG may be subject to litigation and other claims and disputes in the course of its business, including employment disputes, contractual disputes, indemnity claims, occupational health and safety claims, or criminal or civil proceedings in the course of its business. There is also a risk that DUG may be subject to regulatory investigations or sanctions or fines by governmental agencies in the event of non-compliance with applicable statutory or regulatory requirements prior to or after Prospectus Date. Such litigation, claims and disputes, including the cost of settling claims or paying any fines, operational impacts and reputational damage, could materially and adversely affect DUG’s business, operating and financial performance and industry standing of the business.

Additionally, to the extent that these risks are not covered by DUG’s insurance policies, litigation and the costs of responding to any threats of legal action or investigation may have an adverse impact on the financial performance and/or growth of DUG.

5.1.17. Exposure to potential security breaches and data protection

Through the ordinary course of business, DUG collects a large amount of data (both confidential and publicly available). Cyber-attacks may compromise or breach software used by DUG. There is a risk that the measures taken by DUG to protect its data may not be sufficient to detect or prevent unauthorised access to, or disclosure of, such data. Any such data security breaches or DUG's failure to protect confidential data could result in the loss of data integrity, or breaches of DUG's obligations under applicable laws or agreements, each of which may materially adversely impact DUG's financial performance and reputation, including incidents falling withing General Data Protection Regulation (**GDPR – Europe**) coverage.

5.1.18. Counterparty risk

DUG's operations require the involvement of a number of third parties, including suppliers and contractors. Financial failure, default or contractual non-performance on the part of such third parties, including late payment of amounts owing to DUG or failure to pay such amounts, may have a material impact on the operations and performance of DUG.

5.2. GENERAL RISKS TO AN INVESTMENT IN DUG

5.2.1. Price of Shares

Once DUG becomes a publicly listed company on the ASX, it will become subject to the general market risk and economic conditions (both domestically and internationally) that is inherent in all securities listed on a stock or securities exchange. This may result in fluctuations in the Share price that are not explained by the fundamental operational activities of DUG.

The price of the Shares that are quoted on the ASX may increase or decrease due to a range of factors including those which are outside DUG's control. Factors which may affect the price of the Shares include:

- The number of potential buyers or sellers of Shares on the ASX at any given time;
- Fluctuations in the domestic and international market for listed stocks;

- General economic conditions, including interest rates, inflation rates, exchange rates, credit conditions, unemployment rates, negative consumer and business sentiment, an increase in interest rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- Recommendations by brokers or analysts;
- Inclusion in or removal from market indices;
- The nature of the markets in which DUG operates; and
- General operational and business risks.

These factors may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus and may also affect DUG's ability to pay dividends. Further, and as summarised in Section 5.1.14, the Shares will be listed on the ASX and priced in Australian dollars. However, DUG's reporting currency is US dollars. As a result, movements in foreign exchange rates may cause the price of DUG's Shares to fluctuate for reasons unrelated to DUG's financial condition or performance and may result in discrepancy between DUG's actual results of operations and investors' expectations of returns on securities expressed in Australian dollars.

DUG is unable to forecast the market price for Shares and they may trade on the ASX at a price that is below the Offer Price. There is no guarantee that the price of the Shares will increase following the quotation on the ASX, even if DUG's earnings increase. Any decrease in the price of the Shares may diminish DUG's brand reputation, and ability to raise additional capital, all of which may limit DUG's ability to execute its growth strategy.

In addition to the potential impact on the price of the Shares, these factors may also impact DUG's business, operating and financial performance, and/or growth.

5.2.2. Trading in Shares may not be liquid

There is currently no public market through which the Shares of DUG may be sold. Once the Shares are quoted on the ASX, there can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

Following Completion, the Existing Owners will hold approximately 57.4% of the Shares, which will reduce the size of the free float of Shares and may also impact on liquidity, 34.7% of which are also subject to a period of voluntary escrow for 12 months.

On Completion, Shares not subject to voluntary escrow held by Existing Owners may be freely traded on the ASX. A significant sale of Shares by an Existing Owner, or the perception that such sale has occurred or might occur, could affect the price of Shares.

These factors combined could affect the prevailing market price at which Shareholders are able to sell their Shares.

5.2.3. COVID-19 impact

The outbreak of coronavirus, or COVID-19, is having a material effect on global markets. The global economic outlook is facing uncertainty due to the pandemic, which has had and may continue to have a significant impact on capital markets, commodities and share prices. As such, DUG's Share price may be adversely affected by the economic outlook and uncertainty caused by COVID-19.

Due to the uncertain effects of the COVID-19 pandemic, DUG will continuously monitor its business and operations and may consider cost reduction measures to reduce cash operating costs of the Company. Should such measures be adopted, they will be announced to shareholders as and when they are decided.

Further, any measures to limit the transmission of the virus implemented by governments around the world may adversely impact the Company's operations. These include increasing the number of employees that may need to work from home. Given the nature of the business (for example, processing of data requiring access to substantial technological infrastructure, providing on-site training and support to clients) this may have an impact on productivity and DUG's business, operating and financial performance. Additionally, restrictions on supply chains and international travel that may result in delays for both the Company and clients, and the potential DUG may be required to shut down operations for a period of time could result in DUG experiencing adverse financial impacts.

5.2.4. Acquisitions and Shareholder dilution

In the future, DUG may elect to issue Shares to engage in fundraisings and also to fund, or raise proceeds, for acquisitions DUG may decide to make, whether in Australia or other jurisdictions, or for other strategic reasons both in its current or other markets. The successful implementation of acquisitions will depend on a range of factors including funding arrangements, cultural compatibility and operational integration. To the extent that any acquisitions are not successfully integrated with DUG's existing business, the business, operating or financial performance of DUG could be adversely affected.

Shareholder interests may be diluted, and Shareholders may experience a diminution in value of their equity if DUG issues Shares as consideration for acquisitions, if DUG funds acquisitions through raising equity capital by placing Shares with new investors or if DUG engages in fundraisings for any other reason, including the repayment of debt. While DUG will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

5.2.5. Taxation

Tax laws in Australia are complex and are subject to change periodically, as is their interpretation by the courts and the tax revenue authorities. Significant reforms and current proposals for further reforms to Australian tax laws, as well as new and evolving interpretations of existing laws, give rise to uncertainty.

The precise scope of any new or proposed tax laws is not yet known. Any change to the taxation of shares (including the taxation of dividends) and the taxation of companies (including the existing rate of company income tax) may adversely impact on Shareholder returns, as may a change to the tax payable by Shareholders in general. Any other changes to Australian tax law, and practice that impacts DUG, or DUG's industry generally, could also have an adverse effect on Shareholder returns. Any past or future interpretation of the taxation laws by DUG, which is contrary to that of a revenue authority in Australia, may give rise to additional tax payable.

Additionally, DUG by virtue of operating in other jurisdictions and having its functional currency in US dollars, is exposed to other jurisdiction specific taxation laws, which may prove onerous and complex. In order to minimise this risk, in areas of uncertainty, DUG obtains external expert advice on the application of the tax laws to its operations (as applicable). However, there is no certainty that the interpretations of tax revenue authorities will accord with that advice.

An investment in Shares involves tax considerations which differ for each Shareholder dependent on their individual financial circumstances. Each prospective investor is encouraged to seek independent financial advice about the consequences of acquiring Shares, pursuant to the Offer, from a taxation viewpoint and generally.

To the maximum degree permitted by law, DUG, its officers and each of its respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

5.2.6. Australian Accounting Standards

Australian Accounting Standards are set by the Australian Accounting Standards Board (**AASB**) and are outside DUG's control and the control of the Directors. The AASB may introduce new (or change the current) Australian Accounting Standards, which may affect the future measurement and recognition of key statement of profit or loss and other comprehensive income, and statement of financial position, items – including revenue and receivables and lease obligations. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of profit or loss and other comprehensive income, and statement of financial position, items – including revenue and receivables – may differ. Changes to the Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards may adversely affect the financial performance and financial position reported in DUG's consolidated financial statements.

5.2.7. Force majeure events

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of DUG and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for DUG's goods and services and its ability to conduct business. COVID-19 and the consequences of the pandemic may trigger force majeure provisions in DUG's existing contracts, leading to delays or termination of contracts DUG has on foot with suppliers or clients. DUG has only a limited ability to insure against some of these risks.

5.2.8. No guarantee in respect of investment

The above factors, and others not specifically referred to above, may materially affect the financial performance of DUG and the value of the Shares under the Offer. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of prospective Shareholders to sell their Shares.

6 KEY PEOPLE, INTERESTS AND BENEFITS

6. Key People, Interests and Benefits

6.1. BOARD OF DIRECTORS

The Board comprises eight members: three Executive Directors, four Non-Executive Directors and an independent Non-Executive Chairperson. The Board has a broad range of experience in development of technology and supercomputing, geophysics and oil & gas exploration and production as well as financial, management and corporate governance experience. A biography of each Director is set out below.

The composition of DUG's Board Committees and details of the key corporate governance policies, including Directors independence is in Section 6.4.

Director	Experience
	**WAYNE MARTIN AC QC | Independent Chairperson** 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 Wayne 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 Parkerville Children and Youth Care. Mr Martin 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 LAMONT Ph.D. | Managing Director** Refer to Section 3.4.
	**LOUISE BOWER | Chief Financial Officer and Director** Refer to Section 3.4.
	**PHILIP SCHWAN | Chief Technical Officer and Director** Refer to Section 3.4.
	**FRANCESCO SCIARRONE | Independent Non-Executive Director** Mr Sciarrone was appointed 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, Mr Sciarrone 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 the Government Employees Superannuation Board and Biovision Pty Ltd (a commercial recycling business) and Chair of 12 Buckets, a children's charity.

Director	Experience
	Frank brings to the Board extensive experience in finance, banking and corporate advisory in addition to corporate governance and regulatory experience gained from holding director and management positions in the highly regulated financial services sector. Mr Sciarrone has a Bachelor of Business (Economics and Finance) from Curtin University and is a member of Australian Institute of Company Directors.
	**CHARLES RAMSDEN | Non-Executive Director** 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. Mr Ramsden 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. Mr Ramsden holds a Master of Science in Physics and a Bachelor of Science in Geology.
	**MICHAEL MALONE | Independent Non-Executive Director** Mr Malone was appointed as Non-Executive Director of DUG in April 2020. Michael founded iiNet Limited, an ASX listed 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, 2500 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 a current Independent Non-Executive Director of the National Broadband Network (nbnco), Axicom Group and SpeedCast Ltd and the Australian representative director of the Asia Pacific Network Information Centre Foundation. Mr Malone 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 Medal. 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** Mr Puzey was appointed as 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; focussed on ASX listed companies. He held Asia Pacific leadership roles in IT governance and natural resources, was primary partner in Australia providing IT service organisation audit opinions, leader of national product heads (IT Advisory), and lead partner for the Woodside Energy Ltd account. Mr Puzey 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. Since retiring from the KPMG partnership, his roles also include Lattice Energy Limited Audit and Risk Committee Chair and Non-Executive Director (proposed for ASX IPO).

Director	Experience
	Mr Puzey has been a Chartered Accountant for over 30 years. He is a Fellow of both the Australian Institute of Company Directors (FAICD) and Chartered Accountants Australia and New Zealand (FCA). He is Certified in the Governance of Enterprise IT (CGEIT). He has a Bachelor of Commerce, with Computer Science and Accounting double major, from the University of Western Australia. He is also a major supporter of the Arts community.

6.2. LEADERSHIP TEAM

DUG has a highly experienced senior management team. Refer to Section 3.4.

6.3. INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of an Offeror;
- Person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- Promoter of an Offeror; or
- Holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
  - The formation or promotion of an Offeror;
  - Property acquired or proposed to be acquired by DUG in connection with its formation or promotion or the Offer; or
  - The Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of an Offeror or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of an Offeror.

6.3.1. Interests of advisers

DUG has engaged the following professional advisers in relation to the Offer:

- Canaccord has acted as Lead Manager to the Offer and the fees payable to the Lead Manager are described in Section 10.4.1;
- Clayton Utz has acted as Australian legal adviser to DUG in relation to the Offer. DUG has paid, or agreed to pay, approximately US$0.4m (A$0.6m) (excluding disbursements and GST) for the services up to Prospectus Date. Further amounts may be paid to Clayton Utz in accordance with its normal time-based charges;
- Baker Botts has acted as UK and US legal adviser to DUG in relation to the Offer. DUG has paid, or agreed to pay, approximately US$0.2m (A$0.3m) (excluding disbursements and GST) for the services up to Prospectus Date. Further amounts may be paid to Baker Botts in accordance with its normal time-based charges;
- ZICO Law has acted as Malaysian legal adviser to DUG in relation to the Offer. DUG has paid, or agreed to pay, approximately US$21.0k (A$32.0k) (excluding disbursements and GST) for the services up to Prospectus Date. Further amounts may be paid to ZICO Law in accordance with its normal time-based charges
- Richard A. Fagin has acted as the Patent Attorney on, and has performed work in relation to due diligence enquiries and has performed work in relation to its Patent Report in Section 9. DUG has paid, or agreed to pay, approximately US$1.8k (A$2.8k) (excluding disbursements and GST) for the services up to Prospectus Date. Further amounts may be paid to Mr Fagin in accordance with its normal time-based charges; and

- MSPCS has acted as the Investigating Accountant on, and has performed work in relation to due diligence enquiries, the Financial Information in relation to the Offer and has performed work in relation to its Investigating Accountant's Report in Section 8. DUG has paid, or agreed to pay, approximately US$45.0k (A$70.0k) (excluding disbursements and GST) for these services up to Prospectus Date. Further amounts may be paid to MSPCS under time-based charges.

These amounts, and other expenses of the Offer, will be paid by DUG out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.3.2. Interests and remuneration

6.3.2.1. MANAGING DIRECTOR

Co-founder Dr Matthew Lamont is employed as Managing Director, and has entered into an employment agreement with DUG. Details of Dr Lamont's remuneration and employment arrangements are as follows:

Term	Description
Remuneration and other benefits	Under the terms of his employment contract, Dr Lamont is entitled to receive annual fixed remuneration of A$490.8k gross (exclusive of superannuation). Dr Lamont is also entitled to a car up to the leave value of A$3.2k 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.

6.3.2.2. CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR

Ms Louise Bower is employed as Chief Financial Officer and is an Executive Director, and has entered into an employment agreement with DUG.

Details of Ms Bower's remuneration and employment arrangements are as follows:

Term	Description
Remuneration and other benefits	Under the terms of her employment contract, Ms Bower is entitled to receive annual fixed remuneration of A$330.0k gross (exclusive of superannuation) and an IPO Bonus of A$250.0k to be granted in connection with the Offer. 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.

6.3.2.3. CHIEF TECHNOLOGY OFFICER AND EXECUTIVE DIRECTOR

Mr Philip Schwan is engaged through Keyser Soze LLC to provide services as the Chief Technology Officer and an Executive Director, and has entered into a contractor agreement with DUG. Details of Mr Schwan's remuneration and contractor arrangements are outlined below.

Term	Description
Remuneration and other benefits	Under the terms of the contractor agreement, Keyser Soze is entitled to receive US$22.0k (A$33.9k) 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.

6.3.2.4. RESEARCH PRINCIPAL

Co-founder Dr Troy Thompson is employed as Research Principal, and has entered into an employment agreement with DUG. Details of Dr Thompson's remuneration and employment arrangements are outlined below.

Term	Description
Remuneration and other benefits	Under the terms of his employment contract, Dr Thompson is entitled to receive annual fixed remuneration of A$285.0k gross (exclusive of superannuation). 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 his employment, Dr Thompson cannot have any interest in any business that competes with DUG.

6.3.2.5. GENERAL COUNSEL AND COMPANY SECRETARY

Mr Simon Davey is employed as General Counsel and Company Secretary, and has entered into an employment agreement with DUG. Details of Mr Davey's remuneration and employment arrangements are outlined below.

Term	Description
Remuneration and other benefits	Under the terms of his employment contract, Mr Davey is entitled to receive annual fixed remuneration of A$275.0k gross (exclusive of superannuation). In FY21, annual fixed remuneration will comprise 90% of the total remuneration package. An additional 5% is provided through the Short Term Incentive Plan and 5% through the Long Term Incentive Plan.
Termination and notice periods	Employment may be terminated by either party giving 4 weeks' notice.
Restraints	During the term of his employment, Mr Davey cannot have any interest in any business that competes with DUG.

6.3.2.6. NON-EXECUTIVE DIRECTOR APPOINTMENT LETTERS

Prior to Prospectus Date, each of the Non-Executive Directors has entered into appointment letters with DUG, confirming their roles and responsibilities as Directors of a public listed entity, and DUG's expectations of them as Non-Executive Directors.

Non-Executive Directors may resign at any time, by giving notice to the Company. They will also cease to be a Director if they are not re-elected at the annual general meeting, or if any of the disqualifying events prescribed in the Constitution or as prescribed by law occur.

6.3.2.7. NON-EXECUTIVE DIRECTOR REMUNERATION

Under the Constitution, the Board may decide the total amount paid to each Director as remuneration from DUG for his or her services as a Director of DUG. However, under the ASX Listing Rules, the total amount of fees payable to all Directors for their services (excluding for these purposes the salary of any Executive Director) must not exceed, in aggregate in any financial year, the amount approved by the Shareholders in a general meeting.

This amount has been fixed by DUG at A$600.0k per annum. Any change to the aggregate annual sum needs to be approved by Shareholders. Directors may seek approval of the Shareholders from time to time, as appropriate. All Non-Executive Directors' fees are inclusive of superannuation contributions where required by law to be made by DUG.

The following annual base and Board Committee fees are payable to Directors (these will take effect from Completion):

Director Fees	A$
Chairperson	$180.0k
Non-Executive Director	$75.0k

Committees Fees	Chairman fee (A$)	Member fee (A$)
Audit and Risk Committee	$20.0k	$5.0k
Remuneration and Nomination Committee	-	$5.0k (if not serving on any other Board Committee)

6.3.2.8. DEEDS OF INDEMNITY, INSURANCE AND ACCESS

DUG has entered into a deed of indemnity, insurance and access with each Director. The deeds provide each Director with right of access to certain books and records of DUG for the period from the date of the deed until seven years after the Director ceases to hold office of DUG. This seven-year period can be extended where certain proceedings or investigations commence before that seven-year period expires.

Under the Constitution, DUG must indemnify all Directors and executive officers, past and present, against all liabilities that arise from their position as an officer of DUG to the extent permitted by law. Under the deed of indemnity, insurance and access, DUG indemnifies each Director against any liability that may arise from their position as an officer of the DUG, to the extent permitted by law. The deed provides that DUG must meet the full amount of any such liabilities, including legal costs that are reasonably incurred, charges and expenses.

DUG is required by the Constitution to arrange and maintain Directors' and officers' insurance for its Directors to the extent permitted by law. Under the indemnity, insurance and access, DUG must maintain such insurance for the period from the date of the deed until seven years after the Director ceases to hold office of DUG. This seven-year period can be extended where certain proceedings or investigations commence before that seven-year period expires.

6.3.2.9. OTHER INFORMATION ABOUT DIRECTORS' INTERESTS AND BENEFITS

Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the DUG's affairs. Non-Executive Directors may be paid additional or special remuneration as the Directors decide is appropriate, where a Non-Executive Director performs extra work or services which are not in their capacity as Non-Executive Director of DUG or a subsidiary of DUG. These amounts are in addition to the fees set out in this Section 6.3.2.7. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

As set out in Sections 6.3.4 and 6.3.5, Directors will be eligible to participate in the Short Term Incentive Plan and the Long Term Incentive Plan.

6.3.2.10. DIRECTORS' AND CO-FOUNDER INTERESTS

The table below sets out the Directors' and Co-founder's expected interests in Shares in DUG as at Prospectus Date and on Completion. Final Directors' shareholdings will be notified to the ASX following Completion.

Director	Interest in Shares at Prospectus Date	% of Shares at Prospectus Date[1]	Interests in Shares on Completion[2]	% of Shares on Completion[3]
Hon. Wayne Martin[4]	-	-	231,481	0.2
Dr Matthew Lamont[5]	26,770,054	42.4	23,807,321	23.9
Ms Louise Bower[6]	1,364,616	2.2	1,389,672	1.4
Mr Philip Schwan[7]	9,206,866	14.6	7,232,760	7.3
Dr Troy Thompson[8]	4,979,731	7.9	3,501,371	3.5
Mr Francesco Sciarrone[9]	171,055	0.2	263,648	0.3
Mr Charles Ramsden[10]	214,167	0.3	214,167	0.2
Mr Michael Malone[11]	-	-	-	-
Mr Mark Puzey[12]	-	-	-	-
Total	42,706,489	67.6	36,640,420	36.8

Notes:

1. Assumes 63,156,886 of Shares at Prospectus Date, including the Shares under the historical Loan Share Plan that will be fully vested on Completion.

2. Includes the issue of new Shares under the Long Term Incentive Plan, the Convertible Note Shares and the issue of New Shares under the Offer.

3. Assumes 99,473,544 of Shares on Completion.

4. Mr Martin does not have any interest in Shares as at the date of the Prospectus. On Completion, Mr Martin will have an indirect interest in 231,481 Shares held by Rytex Nominees Pty Ltd (being a company he controls) as a result of the conversion of Convertible Notes.

5. Dr Lamont has a direct interest in 12,300,000 Shares he holds in his personal name and an indirect interest in 13,900,000 Shares held by his wife Mrs Sheila Lamont, 539,190 Shares held by Lamont Geophysical Services Pty Ltd (being a company he controls) and 30,864 Shares held by Super Matt and Sheila Pty Ltd. Dr Lamont will be awarded an additional 37,267 Shares under the Long Term Incentive Plan prior to the date of the quotation of Shares on the ASX. The indicative number of Shares Dr Lamont intends to sell into the Offer is 3,000,000 Shares subject to the Offer being oversubscribed.

6. Ms Bower has a direct interest in 264,851 Shares she holds in her personal name and an indirect interest in 1,099,765 Shares held by Kaynadan Pty Ltd (being a company she controls). Ms Bower will be awarded an additional 25,056 Shares under the Long Term Incentive Plan prior to the date of the quotation of Shares on the ASX.

7. Mr Schwan has a direct interest in 9,206,866 Shares he holds in his personal name Mr Schwan will be awarded an additional 25,894 Shares under the Long Term Incentive Plan prior to the date of the quotation of Shares on the ASX. The indicative number of Shares Mr Schwan intends to sell into the Offer is 2,000,000 Shares subject to the Offer being oversubscribed.

8. Dr Thompson holds 4,979,731 Shares as trustee for the Thompson Family Trust. Dr Thompson will be awarded an additional 21,640 Shares under the Long Term Incentive Plan prior to the date of the quotation of Shares on the ASX. The indicative number of Shares Dr Thompson intends to sell into the Offer is 1,500,000 Shares subject to the Offer being oversubscribed.

9. Mr Sciarrone has a direct interest in the 103,055 Shares he holds in his personal name and an indirect interest in the 68,000 Shares held by Saroda Holdings Pty Ltd (being a company he controls). On Completion, Mr Sciarrone will have an indirect interest in 92,593 Shares held by Saroda Holdings Pty Ltd, as a result of the conversion of Convertible Notes.

10. Mr Ramsden has a direct interest in 214,167 Shares he holds in his personal name.

11. Mr Malone does not have any interest in Shares as at the date of the Prospectus.

12. Mr Puzey does not have any interest in Shares as at the date of the Prospectus.

Directors are entitled to apply for Shares under the Offer. The Directors are not required under the Constitution to hold any Shares.

Except as indicated above, Share numbers exclude any Shares that may be acquired by Directors, the Leadership Team and Employees (or any of their controlled entities) under the Offer.

6.3.3. Loan Share Plan

Prior to Prospectus Date, DUG adopted the Loan Share Plan to provide additional incentives to attract, reward and retain its employees (including Executive Directors). A summary of the key terms of the Loan Share Plan and the triggers for repayment of Loans is summarised in Sections 6.3.3.1 and 6.3.3.2.

No further shares will be issued under this Loan Share Plan. Future incentives will be issued under the Short Term Incentive Plan and Long Term Incentive Plan described in Sections 6.3.4 and 6.3.5. At Prospectus Date, 8,353,967 Shares and US$6.8m (A$10.5m) in Loans have been granted under the Loan Share Plan, noting that:

- 808,372 shares are not yet vested and will vest on Completion; and
- The outstanding Loans owed to DUG in aggregate of US$6.8m (A$10.5m), as at 30 June 2020 which are set out in Section 4.7, will not automatically need to be repaid on Completion.

Voluntary repayments can be made at any time with compulsory repayment required when the shares are divested or the Loan matures.

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. shares	Price per share A$	Loan A$m	Loan Maturity
1	400,879	0.80	0.4	30-Jun-24
2	487,183	1.04	0.6	30-Jun-25
3	5,665,279	0.90	6.2	27-Jul-25
4	288,106	1.25	0.4	30-Jun-28
5	704,148	1.49	1.2	19-Feb-27
6	617,574	1.99	1.3	30-Jun-29
7	90,222	2.00	0.2	15-May-29
8	100,576	2.05	0.2	19-Mar-30
Total	**8,353,967**		**10.5**	

6.3.3.1. TERM OF LOAN SHARE PLAN

Term	Description
Administration	The Board administered the Loan Share Plan and at its absolute discretion determined the shares granted to Eligible Participants under the plan.
Eligible Participants	The Board had absolute discretion to determine the Eligible Participants.
Securities	The Board had the discretion to issue shares under the plan, which refer to shares which can only be disposed, transferred or otherwise dealt with on: o The fulfilment or waiver of prescribed vesting conditions and on the provision of a "vesting notice"; o The repayment of a Loan; and/or o Any other disposal restrictions decided by the Board.
Acquisition price	The acquisition price of the shares, detailed in the invitation letter, was market value as at the grant date. The market value of a share was determined in good faith by an independent valuer from time to time.

Term	Description
Vesting Conditions	Subject to applicable laws, the Board had absolute discretion to determine the terms of vesting conditions provided such terms were described in the individual invitation letters to the Eligible Participant. The Board also has the discretion to waive any vesting condition.
Automatic Vesting	All unvested shares automatically vest on a liquidity event, which includes an initial public offering or change of control of DUG.
Loan	The Board could also invite Eligible Participants granted shares to apply for a limited recourse loan (**Loan**) to fund the purchase of the shares at the prescribed acquisition price and in a form prescribed by the Board. The Loan was granted by DownUnder GeoSolutions Pty Ltd (the Australian operating entity) to acquire shares in the ultimate parent company DUG Technology Ltd (formerly DownUnder GeoSolutions (Australia) Pty Ltd). The term of the Loan was 10 years from the grant date, and was interest free unless held by an entity or individual other than the Eligible Participant. As part of issuing the Loan the Board had discretion to restrict an Eligible Participant from disposing of its shares until the respective Loan was repaid, even where the relevant shares have vested.
Automatic Divestment	Subject to the Board's discretion and the Corporations Act, all or some of the Eligible Participants' shares may automatically be divested on: o The Eligible Participants failing to meet a vesting condition or not being able to meet a vesting condition; o The fraudulent or wilful misconduct or insolvency of an Eligible Participants; o Failure to repay a Loan; or o The participant ceasing to be an Eligible Participant.
Amendments	The Board could amend the plan or the terms and conditions of any share granted under the plan at any time, but any amendments cannot materially adversely affect the rights of the Eligible Participant. Amendments may have retrospective, immediate or future effect.

6.3.3.2. REPAYMENT OF LOANS

The Loan can be voluntarily repaid at any time. Under the terms of each Loan, compulsory repayment will need be made on an occurrence of:

- The date on which the recipient's shares are compulsorily divested, if required under the Loan Share Plan;
- The date the recipient disposes or, 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 interest free, unless the shares are held by a nominee, in which case details of the interest payable will be set out in the relevant Loan agreement.

The Loan is a limited recourse Loan and DUG, 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).

6.3.4. Short Term Incentive Plan

The Board has approved a new 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 (**KPI's**).

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 weighting outlined in the table below:

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

Payment 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.

6.3.5. 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.

Further information on the standard terms of the limited recourse loans that may be issued under the Long Term Incentive Plan is provided in Section 6.3.5.2.

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).

As at the Prospectus Date, the Board has resolved to issue 168,510 Loan Shares under the Long Term Incentive Plan for FY21.

The Loan Shares will be issued prior to the first day of trading on ASX, including the following Loan Shares to Directors: Dr Lamont 37,267 Loan Shares, Ms Bower 25,056 Loan Shares and Mr Schwan 25,894 Loan Shares. The grant of the 168,510 Loan Shares will be made conditional to and upon Completion of the Offer.

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 Share 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%

A summary of the key terms of the Long Term Incentive Plan, and the specific terms and conditions of the Loan Shares and the Awards are provided in Sections 6.3.5.1, 6.3.5.2 and 6.3.5.3.

6.3.5.1. KEY TERMS OF THE LONG TERM INCENTIVE PLAN

Term	Description
Eligible Participants	The Board has absolute discretion to determine the eligible participants. Eligible participants may include employees, directors (both executive and non-executive), contractors and consultants to the Company and its subsidiaries. Unless otherwise permitted upon invitation by the Board, eligible participants will not be able to nominate a third party to be issued the Loan Shares or the Awards on their behalf.
Quantum and Frequency of Awards	The Board has absolute discretion to determine when, with what frequency and the quantum of Loan Shares or Awards that will be offered under the Long Term Incentive Plan.
Vesting Conditions	Subject to applicable laws, the Board has absolute discretion to determine whether vesting or exercising conditions must be met by the eligible participant before their Loan Shares or Awards will vest or can be exercised provided such terms are described in the individual invitation letters to the eligible participant.

Term	Description
	The Board also has the discretion to waive any vesting or exercise condition.
Leavers and Compulsory Divestiture	If an eligible participant is no longer actively involved in or an employee of the Group, the eligible participants unvested Loan Shares or Awards will be forfeited unless otherwise determined by the Board. Compulsory divestiture will also occur in circumstances where the vesting and/or exercise conditions have not been met by the relevant date, the eligible participant acts fraudulently or dishonestly or the eligible participant becomes insolvent.
Change of Control Event	If a change of control event (as defined in the Long Term Incentive Plan) occurs in relation to the Company, or is likely to occur (as determined by the Board), the Board may in its absolute discretion determine the manner in which any or all of an eligible participant's unvested Loan Shares or unvested Awards will be dealt with.
Issue, Allocation or Acquisition of Shares	Shares to be delivered to participants upon the grant of the Loan Shares or upon exercise of vested Awards may be issued by the Company, acquired on or off market and/or allocated from within an employee share trust.
Employee Share Trust	The Company may operate an employee share trust in conjunction with the Long Term Incentive Plan.
No Transfer	Subject to applicable law, without the prior approval of the Board, Loan Shares and Awards may not be assigned, transferred encumbered or otherwise dealt with.
Disposal Restrictions	The details of any disposal restrictions will be included in the individual invitation letter to each eligible participant.
Amendments	The Board can amend the plan at any time. However, where the amendments will reduce the eligible participant's rights, the Board must obtain prior written consent of at least 75% of the eligible participants affected by the amendment, unless the amendment is to correct an error in law or to take into consideration possible adverse tax implications arising from changes in relevant tax guidance.

6.3.5.2. SPECIFIC TERMS OF THE LOAN SHARES UNDER THE LONG TERM INCENTIVE PLAN

Term	Description
Plan Interest	The Long Term Incentive Plan allows for Loan Shares to be offered to eligible participants at market price. The eligible participant will receive a loan from an entity within the Group to acquire the Loan Shares.
Acquisition Price	The Loan Shares will be granted to the eligible participant at market price. The market price will be determined by the volume weight average (VWAP) for the five trading days up to and including the date of the offer. The actual Share price will be communicated on acceptance of the offer.
Loan	The loan must be paid on the earlier of: ○ The date on which the Loan Shares have been compulsory divested; ○ The date on which the eligible participant otherwise disposes or attempts to dispose of the Loan Shares; ○ The occurrence of a change of control event (as defined in the Long Term Incentive Plan) which results in a disposal of Loan Shares; or ○ The date which is six years after the grant date of Loan Shares under the Long Term Incentive Plan. Eligible participants can voluntarily repay the loan at any time.
Application of Cash Distributions	The after tax value of any dividend and cash distribution by DUG will be applied towards repayment of the Loan.
Compulsory Divestiture	Unvested Loan Shares will compulsorily divest in the event that: ○ A participant ceases employment or engagement with the Group;

Term	Description
	○ The vesting conditions are not satisfied or the Board forms the view that they cannot be satisfied; or ○ A participant acts fraudulently, dishonestly or materially breaches the obligations that they owe to the Group; ○ A participant becomes insolvent; ○ A participant materially breaches (without remedy) the obligations it owes the Group in respect of the Long Term Incentive Plan; ○ A participant fails to repay the loan in accordance with its terms; ○ If a nominated affiliate (as defined in the Long Term Incentive Plan) holds the Loan Shares, there is an unauthorised change of control in that nominated affiliate. Unvested Loan Shares that are to be compulsorily divested, will be compulsorily divested for an amount equal to the market price on the date of divestment. Accordingly, after repayment of the loan, the participant will generally not receive any proceeds from such divestiture. The Board retains a discretion to pay higher consideration for Loan Shares that are subject to compulsory divestiture.
Effects of Compulsory Divestiture	The proceeds from the compulsory divestiture will be applied against the loan. If there is a shortfall, there is no further resource to the eligible participant. If there is an excess from the sale of Shares on market, the excess will be dealt with as set out in the Long Term Incentive Plan rules. If the eligible participant fails to divest the Loan Shares within the required timeframe, DUG will use the power of attorney to effect the sale of the Loan Shares on market.
Amendments	The Board can amend the plan at any time. However, where the amendments will reduce the eligible participant's rights, the Board must obtain prior written consent of at least 75% of the eligible participants affected by the amendment, unless the amendment is to correct an error in law or to take into consideration possible adverse tax implications arising from changes in relevant tax guidance.

6.3.5.3. SPECIFIC TERMS OF THE AWARDS UNDER THE LONG TERM INCENTIVE PLAN

Term	Description
Plan Interest	The Long Term Incentive Plan will allow for the offer of rights to acquire shares, subject to certain vesting conditions and certain performance hurdles, with an agreed exercise price.
Acquisition Price	Granted at no cost to the eligible participant.
Term of Awards and Expiry Dates	Tax deferred options - A tax deferred option will expire six years from the grant date under the Long Term Incentive Plan, or any other date as determined by the Board. Performance rights - A performance right will lapse as a result of failing to meet the vesting conditions within the performance period.
Lapse / Forfeiture of Awards	The Awards will lapse and/or be forfeited in the event that: ○ A participant ceases employment or engagement with the Group; ○ The vesting conditions or exercise conditions are not satisfied or the Board forms the view they cannot be satisfied; ○ A participant acts fraudulently, dishonestly or materially breaches the obligations that they owe to the Group; ○ A participant becomes insolvent; ○ A participant materially breaches (without remedy) the obligations it owes the Group in respect of the Long Term Incentive Plan; and ○ The Awards are not exercised before the applicable expiry date.
Cancellation of Unvested Awards	Tax deferred options - Subject to applicable law, unvested tax deferred options may be cancelled on a specific date or the occurrence of a particular event. The tax deferred options may be cancelled for no consideration.

Term	Description
	Performance rights - On a performance right lapsing or being forfeited, all rights of an eligible participant in respect of the performance right will lapse.

6.4. CORPORATE GOVERNANCE

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial returns, and sustaining the growth and success of DUG. With these objectives in mind, the Board is concerned to ensure that DUG is properly managed to protect and enhance Shareholder interests and that DUG, its Directors, officers and employees, operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing DUG including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for DUG’s business and which are designed to promote the responsible management and conduct of DUG.

At Completion, DUG will be an entity listed on the ASX. The ASX Corporate Governance Council has developed and released corporate governance recommendations for Australian listed entities (**ASX Recommendations**) in order to promote investor confidence and to assist companies to meet stakeholder expectations. The recommendations are not prescriptions, but guidelines. Under the ASX Listing Rules, DUG will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the relevant reporting period. Where DUG does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not doing so.

The ASX Corporate Governance Council recently released its 4th edition of the ASX Recommendations for Australian entities, which will not apply to DUG until it is listed on the ASX. To promote good corporate governance and a strong understanding of these principles, DUG has prepared its corporate governance policies so as to be practically fully compliant with the 4th edition of the ASX Recommendations.

The main policies and practices adopted by DUG, which will take effect from Completion are summarised below. In addition, many governance elements are contained in the Constitution. Except as set out below, DUG does not anticipate that it will depart from the recommendations of the ASX Recommendations, however, it may do so in the future if it considers that such a departure would be reasonable or appropriate.

Copies of DUG's key policies and practices and the charters for the Board and each of its committees will, from Completion, be available at www.dug.com.

Recommendations (4th edition)	Comply	Explanation
Principle 1 - Lay solid foundations for management and oversight		
1.1	Yes	DUG has a Board Charter setting out the respective roles and responsibilities of its Board and management and matters to be reserved to the Board and delegated to management.
1.2	Yes	Appropriate checks including criminal record checks have been carried out on all Board members, CEO and CFO prior to their appointment. DUG will provide Shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at future general meetings.
1.3	Yes	All Directors and Leadership Team have a written agreement with DUG setting out the terms of their appointment.
1.4	Yes	DUG's Company Secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board.

Recommendations (4th edition)	Comply	Explanation
1.5	Yes	The Board has adopted a Diversity Policy (a copy of which is on DUG's website). The Diversity Policy requires the Board to set measurable objectives for obtaining gender diversity in the composition of its board, senior executives and workforce generally. DUG has a female CFO and Executive Director and is committed to establishing measurable objectives for achieving gender diversity, promoting diversity among the Board, Leadership Team and other employees and keeping Shareholders informed of its progress towards implementing and achieving its diversity objectives.
1.6	Yes	At least once per year the Board will, with the advice and assistance of the Nomination and Remuneration Committee, review and evaluate the performance of the Board, each Board Committee and each Director against the relevant charters, corporate governance policies, and agreed goals and objectives.
1.7	Yes	Performance reviews for Executive Directors and Senior Management will take place at least annually. The Nomination and Remuneration Committee has accountability in its Charter to oversee these reviews and report to the Board on their outcomes. DUG intends to ensure the appropriate disclosures in the remuneration report are made in relation to each reporting period as to the performance evaluations that were undertaken and the process that was followed.
Principle 2 - Structure of the Board to be effective and add value		
2.1	Yes	The Board has formed a Nomination and Remuneration Committee. The Charter for this Committee is available on DUG's website. Membership of the Nomination and Remuneration Committee is the Independent Chairman, Mr Martin, two Non-Executive Directors, Mr Malone and Mr Sciarrione, and with the Managing Director, Dr Lamont, as a standing observer. Qualifications of the members can be found at Section 6.1.
2.2	Yes	In establishing the Board, regard was had to the skills and expertise required of the Directors relevant to the DUG's business and proposed application for Official Quotation. Directors with the desired skills and expertise were carefully selected for appointment to the Board.
2.3 and 2.4	No	The Board Charter sets out the criteria adopted by the Board for considering if a Director is independent. The Board is comprised of eight members, three of whom are independent. DUG has considered the recommendation of having a majority of the Board as Independent Directors. However, the Board considers DUG's immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board reflects an appropriate range of independence and skill and experience in the period following Completion on the ASX. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of DUG.
2.5	Yes	The Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not hold the role of CEO (or equivalent). The Chairperson of DUG is an independent Director and is not the Managing Director.
2.6	Yes	In accordance with DUG's Board Charter, the Nomination and Remuneration Committee is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Company Secretary is responsible for facilitating inductions and professional development in laws, regulations and accounting standards relevant to DUG.

Recommendations (4th edition)	Comply	Explanation
Principle 3 - Instil a culture of acting lawfully, ethically and responsibility		
3.1	Yes	DUG'S core values are: Integrity, boldness, innovation, respect, and being a fun and challenging place to work. These values underpin DUG's business and corporate governance and are disclosed in Section 6.4. On Completion DUG will also ensure its values are disclosed on its website and in annual reports to Shareholders.
3.2	Yes	The Board has adopted a Code of Conduct applicable to all Directors, senior executives and employees, a copy of which is disclosed on DUG's website. Any material breaches of the Code of Conduct are reported to the Board or a committee of the Board.
3.3	Yes	DUG has adopted a Whistleblower Policy which is available on DUG's website. Any material breaches of the Whistleblower Policy are to be reported to the Board or a committee of the Board.
3.4	Yes	DUG has adopted an Anti-Bribery and Corruption Policy which is available on DUG's website. Any material breaches of the Anti-Bribery and Corruption Policy are to be reported to the Board or a committee of the Board.
Principle 4 - Safeguard the integrity of corporate reports		
4.1	Yes	The Board has established an Audit and Risk Management Committee. This Committee is comprised of only Non-Executive Directors, being Independent Chair of the Committee, Mr Puzey, Mr Sciarrone and Mr Malone, with DUG Chairperson, Hon. Mr Martin, and Executive Director, Ms Bower as standing observers. The qualifications of the members of the Audit and Risk Committee are set out in Sections 6.1. A copy of the audit and risk committee's charter is on DUG’s website.
4.2	Yes	Ms Bower, the CFO and Executive Director, has been heavily involved in the preparation and maintenance of DUG’s financial statements.
4.3	Yes	DUG will disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.
Principle 5 - Make timely and balanced disclosure		
5.1	Yes	The Board has established a written Continuous Disclosure Policy to ensure compliance with ASX Listing Rule 3.1 disclosure requirements and to ensure accountability for compliance. Each Board meeting considers whether any continuous disclosure issues arose during the course of the meeting. The Continuous Disclosure Policy is on DUG's website.
5.2	Yes	DUG will ensure that its Board receives copies of all the material market announcements promptly after they have been made.
5.3	Yes	It is the intention of DUG that in the event that DUG gives a new and substantive investor or analyst presentation, DUG will release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.
Principle 6 - Respect the rights of Shareholders		
6.1	Yes	DUG has established a website which provides information on DUG's business, Directors and executives (including photographs and bios), and other information relevant to its investors. On Completion, the website will also have a separate corporate governance area, which will provide details of all DUG's corporate governance policies, its constitution and summary of values. The website will also as a key communication tool between DUG and its Shareholders, enabling Shareholders to access DUG's ASX announcements.
6.2	Yes	The Board recognises the importance of having an investor relations program which facilitates two-way communication and as such intends to have

Recommendations (4th edition)	Comply	Explanation
		transparent and open engagement with both retail and institutional investors and other relevant stakeholders. This will include engaging with Shareholders at Annual General Meeting's and meeting with Shareholders or other stakeholders on request. DUG will also consider implementing a formal investor relations program following the Completion.
6.3	Yes	The Board has adopted a Communications Policy and will provide Shareholders with opportunities to have questions addressed at Shareholder meetings, irrespective of whether the Shareholder is able to attend. A copy of the Communications Policy is on DUG's website.
6.4	Yes	DUG will ensure that all substantive resolutions (as opposed to procedural resolutions) at Shareholder meetings are decided by a poll rather than a show of hands.
6.5	Yes	All Shareholders will be able to communicate with DUG and its Share Registry electronically, which is an encouraged method of communication.
Principle 7 - Recognise and manage risk		
7.1	Yes	The Board has established a combined Audit and Risk Committee to oversee risk management, including monitoring DUG's performance against its risk management framework and managing internal audits and based on audits or investigations making recommendations to the Board. The qualifications of the members of the Audit and Risk Committee are set out in Sections 6.1. A copy of the Audit and Risk Management Committee's charter is on DUG's website.
7.2	Yes	The Board has a risk management framework and has appointed the Audit and Risk Committee to assist it with discharging its oversight function in respect of its material business risks and to determine if the system of risk management is sound and that DUG is operating with due regard to the risk appetite set out by the Board. Outcomes of those reviews will be reported in future corporate governance statement annually.
7.3	Yes	The Audit and Risk Committee Charter provides for the Audit and Risk Committee to monitor and periodically review the need for an internal audit function, as well as assessing the performance and objectively of any internal audit procedures that may be in place.
7.4	Yes	The Board expects a report on the risk management framework in the first financial year after its listing on the ASX and has requested that management address economic, conduct risk, digital disruption, cyber-security, privacy and data breaches and environmental and sustainability risks. The outcome of that review will be reported in future annual reports.
Principle 8 - Remunerate fairly and responsibly		
8.1	Yes	The Board has formed a combined Nomination and Remuneration Committee. The qualifications of the members of the nomination and remuneration committee are set out in the Prospectus in Section 6.1. A copy of the charter for the Nomination and Remuneration Committee is available on DUG's website.
8.2	Yes	The Board has adopted a Remuneration Policy for Executive and Non-Executive Directors which is contained on its website and amongst other things describes the roles of Executive and Non-Executive directors and other senior executives and considerations for deciding remuneration of Directors, including the granting of equity incentives.

Recommendations (4th edition)	Comply	Explanation
8.3	Yes	DUG's Securities Trading Policy prohibits participants of any equity-based remuneration scheme entering into transactions which limits the economic risk of a participant.

6.5. RELATED PARTY TRANSACTIONS

As at Prospectus Date, other than as described below, DUG is not party to any arrangements with related parties (as defined in the Corporations Act) which are not described in this Prospectus. In particular, Section 6.3.2 summarises the arrangements between DUG and its Directors.

On 30 June 2012, DUG provided an unsecured loan to Mr Schwan amounting to US$870.0k (A$1.3m) to enable Mr Schwan to pay the acquisition price of 2,400,000 Shares in DUG (**Unsecured Loan Agreement**). This loan was not provided as part of the Loan Share Plan.

Pursuant to the Unsecured Loan Agreement, interest is charged at the bench mark 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 principle loan (being US$870.0k) and accrued interest is not repaid in full by the maturity date, Mr Schwan has agreed to repay a minimum of A$250.0k per annum until such time as the principle loan and accrued interest has been repaid in full.

The balance on the principle loan and any accrued interest, at the option of DUG, will immediately become due and payable in full on demand if Mr Schwan is no longer engaged by DUG to provide services or Mr Schwan fails to pay the minimum annual repayments under the Unsecured Loan Agreement. In seeking payment of any amount payable under the agreement, DUG will only have recourse to the proceeds paid or payable to Mr Schwan from the disposal of the above mentioned shares.

On 1 July 2016, DUG entered into an agreement with Rouge Rock to provide marine seismic data processing services by DUG to Rouge Rock. The total contract value was US$1.0m (A$1.6m). DUG holds a 49% interest in Rouge Rock and the remaining 51% is held by Non-Executive Director, Charles Ramsden.

7 DETAILS OF THE OFFER

7. Details of the Offer

7.1. THE OFFER

This Prospectus relates to an IPO of 19,259,259 New Shares by DUG and the sale of 6,500,000 Sale Shares by the Selling Shareholders both at an Offer Price of A$1.35 per Share.

The Offer will raise A$34.8m, of which A$26.0m will be received by DUG and A$8.8m by the Selling Shareholders (less costs).

On Completion, a total of 99,473,544 Shares will be on issue, including the Shares under the Loan Share Plan and the Shares issued on conversion of the Convertible Notes.

The Existing Owners will in aggregate hold approximately 57.4% of the Shares on Completion. Refer to Section 7.1.5 for the ownership structure of Shares at Prospectus Date and on Completion.

All Shares will, once issued, rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.7.3.

7.1.1. Is the Offer underwritten?

The Offer is not underwritten by the Lead Manager.

7.1.2. Purpose of the Offer and use of proceeds

The purpose of the Offer is to provide:

- Strength to DUG's balance sheet to facilitate further growth of DUG's existing business including growth and development of DUG's products and services and for general working capital purposes;
- A liquid market for Shares and an opportunity for others to invest in DUG;
- Selling Shareholders with an opportunity to realise part of their investment in DUG;
- DUG with access to listed capital markets to improve capital management flexibility and to access funds for future acquisitions and other expansion opportunities; and
- Funds to pay the transaction costs associated with the Offer.

The Offer is expected to raise US$22.7m (A$34.8m), comprising US$16.9m (A$26.0m) from the issue of New Shares and US$5.8m (A$8.8m) from issue of the Sale Shares. In February 2020, DUG also raised US$12.1m (A$18.2m) through the issue of Convertible Notes. All Convertible Notes will automatically convert into ordinary fully paid Shares in accordance with their terms of issue (refer to Section 10.5 on Completion).

The proceeds of the Offer will be applied as follows:

7.1.3. Use of funds

Uses	US$m	A$m	%
Computers	7.8	12.0	46
Storage	2.6	4.0	15
Network expansion	2.0	3.0	12
Payment of the costs of the Offer	2.0	3.0	12
Working capital	2.6	4.0	15
Total	17.0	26.0	100

The above table is a statement of DUG's current intentions as at Prospectus Date. Investors should note that the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, and market and general economic conditions. DUG reserves its right to alter the way the funds are applied. In addition, as the Prospectus Offer will be in Australian dollars and the expenditure will be in US dollars, the actual amount of the proceeds used for each of the items above will depend on the A$:US$ exchange rate at the time the funds are converted to US dollars.

The Board believes that the funds raised from the Offer will provide the Company with sufficient working capital to achieve its stated objectives as detailed in this Prospectus.

7.1.4. Potential effect of the fundraising on the future of DUG

The Board believes that on Completion, DUG's cash reserves, its cash flow from existing operations, plus the net proceeds of the Offer will be sufficient to fund DUG's stated business and growth objectives as set out in Section 3.

7.1.5. Ownership structure

The details of the ownership of DUG at Prospectus Date, and immediately following Completion of the Offer are set out below:

Shareholder	Interests in Shares held at Prospectus Date	% of Shares held at Prospectus Date[1]	Interests in Shares held on Completion[2]	% of Shares held on Completion[3]
Directors and Leadership Team[4]	43,380,470	68.7	37,331,521	37.5
Other Employees[5]	3,564,020	5.6	3,605,553	3.6
Convertible Note Holders[6]	-	-	16,564,815	16.7
Other Existing Owners[7]	16,212,396	25.7	16,212,396	16.3
New Shareholders[8]	-	-	25,759,259	25.9
Total	63,156,886	100.0	99,473,544	100.0

Notes:

1. Assumes 63,156,886 of Shares at Prospectus Date, including the Shares under the historical Loan Share plan that will be fully vested on Completion.

2. Includes the issue of new Shares under the Long Term Incentive Plan, the Convertible Note Shares and the issue of New Shares under the Offer.

3. Assumes 99,473,544 of Shares on Completion.

4. Refer to Section 6.3.2.10 for a summary of the direct and indirect interests of each Director at Prospectus Date and on Completion.

5. Refer to Section 6.3.3 for a summary of the Loan Share Plan and Shares and Loans issued under the Loan Share Plan.

6. Refer to Section 10.5 for further details of the Convertible Notes, including material terms.

7. Existing Owners have sold nil Shares under Offer.

8. This assumes all Shares are subscribed for under the Offer.

DUG's free float for the purposes of ASX Listing Rule 1.1 Condition 7 will not be less than 20%.

7.1.6. Substantial shareholders and control implications of the Offer

The table below sets out all Shareholders who will hold a substantial interest in Shares on Completion, and also includes their respective interest at Prospectus Date. The table does not reflect any Shares subscribed for under the Offer:

Shareholder	Number of Shares held at Prospectus Date	% of Shares held at Prospectus Date[1]	Number of Shares held on Completion)[2]	% of Shares held on Completion[3]
Matthew Lamont	26,770,054	42.4	23,807,321	23.9
Philip Schwan	9,206,866	14.6	7,232,760	7.3
Ixora Prince Pty Ltd (Strategic Investor)	5,036,225	7.9	5,036,225	5.0
Troy Thompson	4,979,731	7.9	3,501,371	3.5
Sharon McIntyre	4,500,000	7.1	4,500,000	4.5
Total	50,492,876	79.9	44,077,677	44.2

Notes:

1. Assumes 63,156,886 of Shares at Prospectus Date, including the Shares under the historical Loan Share plan that will be fully vested on Completion.

2. Includes the issue of new Shares under the Long Term Incentive Plan, the Convertible Note Shares and the issue of New Shares under the Offer.

3. Assumes 99,473,544 of Shares on Completion.

7.1.7. Voluntary escrow arrangements

Certain Existing Owners have entered into a voluntary escrow arrangement in respect of some of the Shares held by those Existing Owners at listing. This arrangement will prevent those shareholders from dealing with those Shares for the Voluntary Escrow Period (as defined below) (**Voluntary Escrow Deed**). The proportion of Shares that will be subject to voluntary escrow (on Completion of the Offer) is expected to be approximately 34.7% of the total issued capital of the Company.

The escrow period will be a period of 12 months commencing on the date on which the Company is admitted to the Official List (**Voluntary Escrow Period**). Shareholders whose Shares are subject to voluntary escrow (**Voluntary Escrowed Shareholders**) may be released early from those escrow obligations to enable:

- The Voluntary Escrowed Shareholder to accept an offer under a takeover bid in relation to their Shares;
- The Shares held by the Voluntary Escrowed Shareholder to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act; or
- The Shares held by the Voluntary Escrowed Shareholder to be bought back by the Company under a buy-back permissible under the Corporations Act; or
- The closing price of the Shares on the ASX is A$2.70 or more.

During the Voluntary Escrow Period, a Voluntary Escrowed Shareholder may deal in any of its Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction). The Escrow Deeds do not restrict the voting rights of Voluntary Escrowed Shareholders in respect of their Shares.

The restriction on ’dealing’ is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Shares, or agreeing to do any of those things.

7.2. TERMS AND CONDITIONS OF THE OFFER

Topic	Summary
What is the type of security being offered?	Fully paid ordinary shares in DUG. The New Shares and the Sale Shares being offered by the Selling Shareholders all rank *pari passu* and all Shares are offered to applicants free of any and all charges, liens and encumbrances.
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.7.3.
What is the consideration payable for each security being offered?	Successful applicants under the Offer will pay the Offer Price, being A$1.35 per Share.
What is the Offer period?	The key dates, including details of the Offer period are set out in the Key Dates section. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in WAST. DUG in consultation with the Lead Manager, reserves the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Closing Date, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without prior notice). If the Offer is cancelled or withdrawn before the allocation of Shares, then all application monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. No Shares will be issued on the basis of this Prospectus later than the Expiry Date of 13 months after Prospectus Date.
What are the cash proceeds to be raised?	A$34.8m will be raised under the Offer comprising of A$26.0m from the issue of New Shares and A$8.8m from the issue off Sale Shares. Proceeds from the Sale Shares will be remitted, less costs, to the Selling Shareholders and will not be available for use by DUG.
Is the Offer underwritten?	No, the Offer is not underwritten.
What is the allocation policy?	DUG and the Lead Manager have absolute discretion regarding the allocation of Shares to applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than applied for. Refer to Section 7.4.3 for further information.
When will I receive confirmation that my application has been successful?	It is expected that initial holding statements will be despatched by standard post on 17 August 2020. Refunds (without interest) to applicants who make an Application and receive an allocation of Shares which is smaller than the number applied for will be made as soon as practicable after Completion.
Will the Shares be quoted on ASX?	DUG will apply to the ASX within seven days after Prospectus Date for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code 'DUG') Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all application monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. DUG will be required to comply with the ASX Listing Rules, subject to any waivers obtained by DUG from time to time. The ASX takes no responsibility for this

Topic	Summary
	Prospectus or the investment to which it relates. The fact that the ASX may admit DUG to the Official List is not to be taken as an indication of the merits of DUG or the Offer.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on 25 August 2020 on a normal settlement basis. It is the responsibility of each applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. DUG and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Offer Information Line, by a Broker or otherwise. It is expected DUG will despatch initial holding statements on 17 August 2020.
Are there any escrow arrangements?	Refer to Section 7.1.7 for information on voluntary escrow arrangements.
Has any ASIC relief or ASX waiver been obtained or been relied on?	The Company has sought and obtained a declaration from ASIC modifying Chapter 6 of the Corporations Act so that the voluntary escrow arrangements described in Section 7.1.7 do not give rise to a relevant interest for the Company in respect of the escrowed Shares held by Voluntary Escrowed Shareholders. No other relief or waivers were obtained from ASIC or the ASX.
Are there any taxation considerations?	The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. Refer to Section 10.7 for general tax considerations.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by applicants on the acquisition of Shares under the Offer.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Offer Information Line on 1300 582 256 (toll free within Australia) or on +61 1300 582 256 (from outside of Australia) from 8.30 am to 5.00 pm WAST, Business Days during the Offer period. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3. OFFER STRUCTURE

The Offer is structured as follows:

- The Institutional Offer, which consists of an offer to institutional investors (also known as Sophisticated or Professional Investors) in Australia and a number of other eligible jurisdictions to apply for Shares;
- The Broker Offer, which is open to Australian resident retail clients of brokers who receive a firm allocation of Shares from the Lead Manager;
- The Chairman's List Offer, which is open to investors who have received an invitation from the Company to participate in the Chairman's List Offer;
- The General Offer, which is open to members of the general public with registered addresses in Australia and New Zealand.

7.3.1. Institutional Offer

The Institutional Offer consists of an invitation prior to or after Prospectus Date to certain institutional investors (also known as Sophisticated or Professional Investors) in Australia and New Zealand to apply for Shares under this Prospectus. Application procedures for institutional investors have been, or will be, advised to the institutional investors by the Lead Manager.

7.3.2. Broker Offer

The Broker Offer is open to investors with a registered address in Australia or New Zealand who have received an allocation from their broker. Applications may only be made on an Application Form attached to or accompanying this Prospectus. If you are an investor applying under the Broker Offer, you should complete the application procedure advised to you by your broker. Please contact your broker for further instructions.

7.3.3. Chairman's List Offer

The Chairman's List Offer is open to investors who have received an invitation from the Company to participate in the Chairman's List Offer. If you have been invited by the Company to participate in the Chairman's List Offer, you be treated as an applicant under the chairman's list offer in respect of those Shares allocated to you.

If you have received an invitation to participate in the Chairman's List Offer from the Company, you will be separately advised of the application procedures under the Chairman's List Offer.

7.3.4. General Offer

The General Offer is open to members of the general public with registered addresses in Australia and New Zealand.

Applications may only be made on an Application Form attached to or accompanying this Prospectus or by submitting an online Application.

7.4. APPLICATION FOR SHARES

7.4.1. How to apply

If you wish to apply for Shares under the Offer, you may:

- Complete a paper-based Application using the relevant Application Form attached to or accompanying this Prospectus or a printed copy of the relevant Application Form attached to the electronic version of this Prospectus. The completed Application Form should be mailed to the relevant address shown on the Application Form so it is received before 5.00 pm WAST on Closing Date; or
- Apply online using an online Application Form and pay the application monies electronically.

By making an Application, you declare that all details and statements made by you are complete and accurate and that you have been given access to this Prospectus (or any replacement or supplementary prospectus), together with the Application Form. The Corporations Act prohibits any person from passing an Application Form to another person until it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Offer is 1,482 Shares and thereafter in multiples of 371 Shares and payment of Shares must be made in full at the Offer Price. DUG and the Lead Manager reserve the right to aggregate Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications.

If you require assistance in completing an Application Form, please contact the Share Registry.

7.4.2. How to pay

7.4.2.1. PAYMENT BY CHEQUE

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to “DUG Technology Ltd” and crossed “Not Negotiable”.

Your completed Acceptance Form and cheque must reach the Share Registry at the addresses below no later than 5.00 pm WAST on Closing Date.

DUG Technology Ltd
C/- Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001
AUSTRALIA

7.4.2.2. PAYMENT BY BPAY

For payment by BPAY®, please follow the instructions on the Acceptance Form. You will be given a BPAY biller code and unique customer reference number, once you have completed your online Application Form.

BPAY payments must be made from an Australian dollar account of an Australian financial institution. Your bank, credit union or building society may impose a limit on the amount you can transact on BPAY and payment cut off times may vary between financial institutions.

It is your responsibility to check with your financial institution about their BPAY closing time, to ensure your payment will be received together with your Application Form prior to 5.00 pm WAST on Closing Date.

7.4.3. Allocation policy

DUG and the Lead Manager have absolute discretion regarding the allocation of Shares to applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than applied for. If the number of Shares allotted is fewer than the number applied for, surplus application money will be refunded without interest as soon as practicable after the Closing Date.

No Applicant under the Offer has any assurance of being allocated all or any Shares applied for. The allocation of Shares by Directors will be influenced by factors including:

- Number of shares applied for;
- Overall level of demand for the Offer;
- Desire for spread of investors, including institutional;
- Timeliness of the bid by applicants;
- Investors and the desire for an informed and active market for Shares following Completion; and
- Any other factors that DUG and the Lead Manager considers appropriate.

DUG will not be liable for any person not allocated Shares or not allocated the full amount applied for.

7.4.4. Application money will be held in trust

Application monies will be held in trust in a subscription account until allotment. The subscription account will be established and kept by the Share Registry on behalf of applicants until allotment of Shares. In the event that an applicant is not issued with Shares in full satisfaction of the application monies provided, the relevant application monies will be refunded without interest.

7.5. RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia or New Zealand.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States (**US**), and may only be distributed to persons outside the US to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the US and may not be offered or sold, directly or indirectly, in the US, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

7.6. DISCRETION REGARDING THE OFFER

DUG may withdraw the Offer at any time before the issue or transfer of Shares to successful applicants under the Offer. If the Offer (or any part of it) does not proceed, all relevant application monies will be refunded (without interest).

DUG and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any applicant or bidder fewer Shares than applied or bid for. DUG may accept Applications in its discretion, and the Offer remains open for it to do so, under this Prospectus until admission of DUG to the Official List.

7.7. ASX LISTING, REGISTERS AND HOLDING STATEMENTS

7.7.1. Application to the ASX for listing and quotation of shares

DUG will apply to the ASX within seven days of Prospectus Date for Admission and quotation of the Shares on the ASX. DUG's ASX code is expected to be 'DUG'.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit DUG to the Official List is not to be taken as an indication of the merits of DUG or the Shares offered for subscription under the Offer.

If permission is not granted for the Official Quotation of the Shares on the ASX within three months after Prospectus Date (or any later date permitted by law), all application monies received by DUG will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

On Admission, DUG will be required to comply with the ASX Listing Rules, subject to any waivers obtained by DUG from time to time.

7.7.2. CHESS and issuer sponsored holdings

DUG will apply to participate in the ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters: an electronic CHESS subregister or an issuer sponsored subregister.

For all successful applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's holder identification number for CHESS holders or, where applicable, the securityholder reference number of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholdings. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. DUG and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.7.3. Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to the ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to Shares and a description of other material provisions of the Constitution is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that DUG is admitted to the Official List.

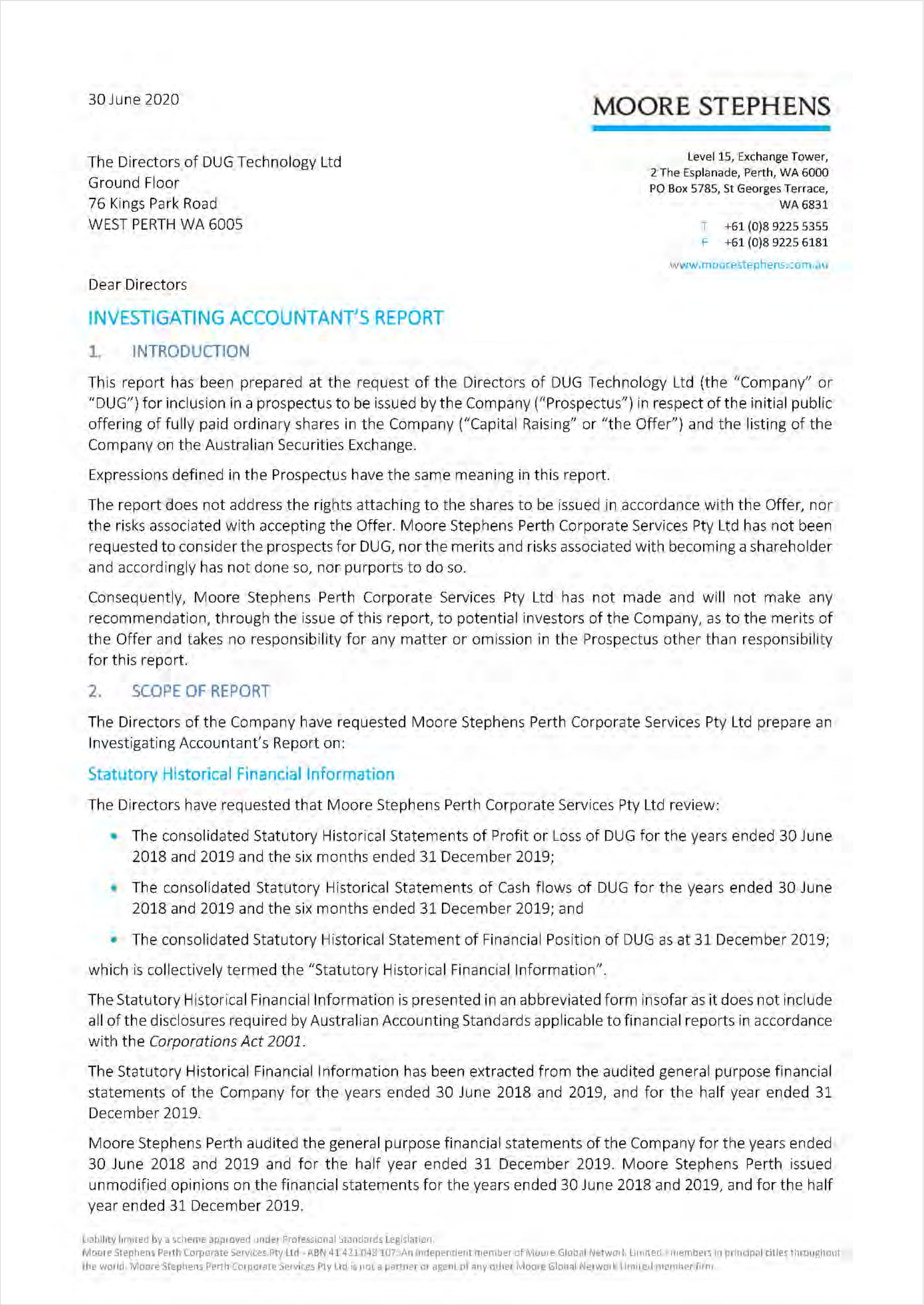
Term	Summary
Voting at a general meeting	At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each Share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid Share held.
Meetings of members	Each Shareholder is entitled to receive notice of, attend, and vote at, general meetings of DUG and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. Except as permitted by the Corporations Act, general meetings must be called on at least the minimum of days' notice required by the Corporations Act (which at Prospectus Date is 28 days) and otherwise in accordance with the procedures set out in the Corporations Act.
Dividends	DUG may pay any interim, special or final dividends that, in its judgement, its financial position justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and method of payment. The Board may by resolution either: ○ declare a dividend and fix the amount, the time for and method of payment and fix the time for determining entitlement to such dividend; or ○ determine a dividend or interim dividend is payable and fix the amount, the time for and method of payment.

Term	Summary
Authority to capitalise profits	The Constitution authorises the Board to resolve to capitalise any part of DUG's profit. If this occurs, it may use it to benefit those Shareholders who are entitled to dividends in the proportions that would apply if the entire amount of the profits to be capitalised were a dividend. The benefit may be given in any or all of the following ways: ○ In paying up an amount unpaid on Shares already issued; ○ In paying up in full any unissued Shares or other securities in DUG; and/or ○ Any other method permitted by law or the ASX Listing Rules.
Transfer of Shares	Subject to the Constitution and to any restrictions attached to any Share or classes of shares, Shares may be transferred by proper ASTC transfer (effected in accordance with the ASX Settlement Operating Rules, Corporations Regulations and ASX Listing Rules) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may, in accordance with the Corporations Act or the ASX Listing Rules, decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer. DUG may refuse to register a paper-based transfer document in the circumstances permitted by the ASX Listing Rules, including if registration of the transfer may break an Australian law.
Issue of further shares	Subject to the Corporations Act, the ASX Listing Rules and the Constitution, and without affecting the special rights of any holders of securities, the Board may decide to issue and allot, or dispose of, Shares on terms determined from time to time by the Directors at an issue price that the Directors determine from time to time and to Shareholders whether in proportion to their existing owners or otherwise, or to such other persons as the Directors may determine from time to time. The Directors' power under the Constitution includes the power to grant options over unissued shares and issue and allot shares; with any preferential, deferred or special rights, privileges or conditions subject to applicable shareholder approval requirements under the Corporation Act; with any restrictions in regard to dividend, voting, return of capital or otherwise; which are liable to be redeemed or converted; or which are bonus shares for whose issue no consideration is payable to DUG.
Winding up	Without prejudice to the rights or restrictions of the holders of shares issued on special terms and conditions, if DUG is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to a share in any surplus property of DUG in proportion to the number of Shares held by them. If DUG is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or part of DUG's property and decide how the division is to be carried out as between Shareholders or different classes of Shareholders.
Non-marketable parcels	Where DUG complies with the relevant procedure outlined in the Constitution, it may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares by following the procedures set out in the Constitution.
Proportional takeover provisions	The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid.
Variation of class rights	The procedure for varying or cancelling rights attached to any class of share will be as set out in the Corporations Act unless a procedure is otherwise set out in the terms of issue of Shares in that class.
Reduction of share capital	DUG may reduce the share capital in any manner permitted by the Corporations Act and ASX Listing Rules (if applicable).
Dividend reinvestment plan	The Constitution provides that the Directors may establish a plan under which Shareholders may elect to reinvest cash dividends paid or payable by DUG, by acquiring by way of issue or transfer (or both) Shares or financial products of any other body. DUG has no current intention to establish a dividend reinvestment plan.
Directors – appointment and rotation	Under the Constitution, the minimum number of Directors that may comprise the Board is three Directors and a maximum of ten Directors unless determined otherwise by the Board. Directors are elected or re-elected at general meetings.

Term	Summary
	Retirement will occur on a rotational basis so that no Director (other than the Managing Director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later). The Board may also appoint any eligible person to be a Director, either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will hold office until the conclusion of the next annual general meeting following their appointment.
Directors – voting	Questions arising at a meeting of the Board must be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the Chair of the meeting has a casting vote in addition to his or her deliberative vote.
Directors – remuneration	Under the Constitution, the Board may decide the remuneration to which each Director is entitled for his or her services as a Director. The total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed in a general meeting for that purpose. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.2.7. Any change to that maximum aggregate amount needs to be approved by Shareholders. Directors may be reimbursed for travel and other expenses properly incurred in attending to DUG's affairs, including attending and returning from general meetings, Board meetings or meetings of Board Committees. If a Director renders or is called on to perform extra services, or make any special exertions in connection with DUG's affairs, the Directors may arrange for special remuneration to be paid to that Director either in addition to or in substitution for that Director's remuneration. Directors' remuneration is discussed above in Section 6.3.2.
Indemnities	DUG may indemnify, to the extent permitted by law, each Director, alternative director or executive officer of DUG (and, if the Directors so determine, any current or former officer or auditor of DUG or its related bodies corporate) against any losses or liability incurred by that person as an officer or auditor (as applicable) of DUG or of a related body corporate of DUG including, but not limited to, a liability for negligence or for reasonable legal costs on a full indemnity basis. DUG may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each Director, alternative Director or executive officer of DUG (and, if the Directors so determine, any current or former officer or auditor of DUG, or DUG's related bodies corporate) against any liability incurred by that person as an officer or auditor (as applicable) of DUG, or related bodies corporate, including but not limited to a liability for negligence or for legal costs.
Amendment	The Constitution may be only amended in accordance with the Corporations Act, which requires a special resolution passed by at least 75% of Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at general meetings.

8 INVESTIGATING ACCOUNTANT'S REPORT

8. Investigating Accountant's Report



30 June 2020

MOORE STEPHENS

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2 The Esplanade, Perth, WA 6000
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The Directors of DUG Technology Ltd
Ground Floor
76 Kings Park Road
WEST PERTH WA 6005

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. INTRODUCTION

This report has been prepared at the request of the Directors of DUG Technology Ltd (the "Company" or "DUG") for inclusion in a prospectus to be issued by the Company ("Prospectus") in respect of the initial public offering of fully paid ordinary shares in the Company ("Capital Raising" or "the Offer") and the listing of the Company on the Australian Securities Exchange.

Expressions defined in the Prospectus have the same meaning in this report.

The report does not address the rights attaching to the shares to be issued in accordance with the Offer, nor the risks associated with accepting the Offer. Moore Stephens Perth Corporate Services Pty Ltd has not been requested to consider the prospects for DUG, nor the merits and risks associated with becoming a shareholder and accordingly has not done so, nor purports to do so.

Consequently, Moore Stephens Perth Corporate Services Pty Ltd has not made and will not make any recommendation, through the issue of this report, to potential investors of the Company, as to the merits of the Offer and takes no responsibility for any matter or omission in the Prospectus other than responsibility for this report.

2. SCOPE OF REPORT

The Directors of the Company have requested Moore Stephens Perth Corporate Services Pty Ltd prepare an Investigating Accountant's Report on:

Statutory Historical Financial Information

The Directors have requested that Moore Stephens Perth Corporate Services Pty Ltd review:

- The consolidated Statutory Historical Statements of Profit or Loss of DUG for the years ended 30 June 2018 and 2019 and the six months ended 31 December 2019;
- The consolidated Statutory Historical Statements of Cash flows of DUG for the years ended 30 June 2018 and 2019 and the six months ended 31 December 2019; and
- The consolidated Statutory Historical Statement of Financial Position of DUG as at 31 December 2019;

which is collectively termed the "Statutory Historical Financial Information".

The Statutory Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to financial reports in accordance with the *Corporations Act 2001*.

The Statutory Historical Financial Information has been extracted from the audited general purpose financial statements of the Company for the years ended 30 June 2018 and 2019, and for the half year ended 31 December 2019.

Moore Stephens Perth audited the general purpose financial statements of the Company for the years ended 30 June 2018 and 2019 and for the half year ended 31 December 2019. Moore Stephens Perth issued unmodified opinions on the financial statements for the years ended 30 June 2018 and 2019, and for the half year ended 31 December 2019.

Liability limited by a scheme approved under Professional Standards Legislation.
Moore Stephens Perth Corporate Services Pty Ltd - ABN 41 421 048 107. An independent member of Moore Global Network Limited - members in principal cities throughout the world. Moore Stephens Perth Corporate Services Pty Ltd is not a partner or agent of any other Moore Global Network Limited member firm.

Statutory Historical Financial Information (continued)

The consolidated Statutory Historical Statements of Profit or Loss of DUG for the years ended 30 June 2018 and 2019, and the six months ended 31 December 2019 are included at section 4.3 of the Prospectus and are presented without adjustment.

The consolidated Statutory Historical Statement of Cash flows of DUG for the years ended 30 June 2018 and 2019, and the six months ended 31 December 2019 are included at section 4.4 of the Prospectus and are presented without adjustment.

The consolidated Statutory Historical Statement of Financial Position as at 31 December 2019 of the Company is included in section 4.5 of the Prospectus and is included without adjustment.

Pro Forma Historical Financial Information

The Directors have requested that Moore Stephens Perth Corporate Services Pty Ltd review:

- The consolidated Pro Forma Historical Statements of Profit or Loss of DUG for the year ending 30 June 2018 and 2019 and the six months ended 31 December 2019 adjusted on the basis as described in section 4.3.2 of the Prospectus;
- The consolidated Pro Forma Historical Statement of Cash Flows of DUG for the year ending 30 June 2018 and 2019 and the six months ended 31 December 2019 adjusted on the basis as described in section 4.4.2 of the Prospectus; and
- The consolidated Pro Forma Historical Statement of Financial Position of DUG as at 31 December 2019 adjusted to include funds to be raised pursuant to the Prospectus and the completion of certain other transactions as disclosed in section 4.5.2 of the Prospectus, as if those events and transactions occurred as at 31 December 2019.

which is collectively termed the "Pro Forma Historical Financial Information".

The Pro Forma Historical Statements of Profit or Loss are derived from the Statutory Historical Statement of Profit or Loss of the Company for the years ending 30 June 2018 and 2019 and for the six months ended 31 December 2019, adjusted on the basis as disclosed in Section 4.3.2. The Pro Forma Historical Statements of Profit or Loss are provided for illustrative purposes only and are not represented as being necessarily indicative of DUG's future financial performance.

The Pro Forma Historical Statements of Cash Flows are derived from the Statutory Historical Statement of Cash Flows of the Company for the years ending 30 June 2018 and 2019 and for the six months ended 31 December 2019, adjusted on the basis as disclosed in Section 4.4.2. The Pro Forma Historical Statements of Cash Flows are provided for illustrative purposes only and are not represented as being necessarily indicative of DUG's future financial performance.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position of the Company as at 31 December 2019, adjusted on the basis of the completion of the proposed Capital Raising and the completion of certain other transactions as disclosed in Section 4.5.2, as if those events and transactions occurred as at 31 December 2019. The Pro Forma Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of DUG's future financial position.

3. SCOPE OF REVIEW

Directors' Responsibilities

The Directors of DUG are responsible for the preparation and presentation of the Statutory Historical and Pro Forma Historical financial information, including the determination of the Pro Forma transactions. The Directors are also responsible for the Information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Financial Information presented in the Prospectus that is free from material misstatement whether due to fraud or error.

Our Responsibilities

We have conducted our engagement in accordance with Australian Auditing Standard *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*. We have also considered and complied with the requirements of *ASAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* and *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any Historical Financial Information used to compile the Pro forma Historical Financial Information, nor have we, in the course of this engagement, performed an audit of the financial information used in compiling the Pro Forma Historical Financial Information, or the Pro Forma Historical Financial Information itself.

The purpose of the compilation of the Pro Forma Historical Financial Information is solely to illustrate the impact of the proposed Capital Raising, related transactions and accounting policies on unadjusted financial information of the Company as if the event or application of accounting policies had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed Capital Raising, related transactions and accounting policies would be as presented.

We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- a review of contractual arrangements;
- a review of financial statements, management accounts, work papers, accounting records and other documents, to the extent considered necessary;
- analytical procedures, to the extent considered necessary;
- a review of the audited financial statements of DUG, including making enquiries of the auditor, to the extent considered necessary;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, with the accounting policies adopted by the Company;
- a review of the assumptions and pro forma adjustments used to compile the Pro Forma Historical Financial Information; and
- enquiry of Directors, management and advisors of DUG.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

These procedures have been undertaken to form a limited assurance conclusion as to whether we have become aware that the Statutory Historical and Pro Forma Historical Financial Information, set out in section 4 of the Prospectus, do not present fairly, in all material respects, in accordance with Australian Accounting Standards and the accounting policies adopted by the Company. This view is consistent with our understanding of the financial position of the Company as at 31 December 2019, the pro forma financial position as at 31 December 2019, and of its financial results and cash flows for the years ended 30 June 2018 and 2019, and the half year ended 31 December 2019.

MOORE STEPHENS

4. CONCLUSIONS

Based on our review, which is not an audit:

- Nothing has come to our attention which causes us to believe that the consolidated Statutory and Pro Forma Historical Statements of Profit or Loss of DUG for the years ended 30 June 2018 and 2019, and the six months ended 31 December 2019, as set out in section 4.3 of the Prospectus, do not present fairly the results of the Company for the periods then ended in accordance with the accounting methodologies required by Australian Accounting Standards and adopted by the Company and, in relation to the Pro Forma results, on the basis of assumptions and transactions set out in section 4.3.2 of the Prospectus.
- Nothing has come to our attention which causes us to believe that the consolidated Statutory Historical Statements of Cash Flows of DUG for the years ended 30 June 2018 and 2019, and the six months ended 31 December 2019, as set out in section 4.4 of the Prospectus, do not present fairly the cash flows of the Company for the periods then ended in accordance with the accounting methodologies required by Australian Accounting Standards and adopted by the Company and, in relation to the Pro Forma cash flows, on the basis of assumptions and transactions set out in section 4.4.2 of the Prospectus. .
- Nothing has come to our attention which causes us to believe that the consolidated Statutory Historical Statement of Financial Position of the Company, as set out in section 4.5 of the Prospectus, does not present fairly the assets and liabilities of the Company as at 31 December 2019 in accordance with the accounting methodologies required by Australian Accounting Standards and adopted by the Company.
- Nothing has come to our attention which causes us to believe that the consolidated Pro Forma Historical Statement of Financial Position of the Company, as set out in section 4.5 of the Prospectus, does not present fairly the assets and liabilities of the Company, as at 31 December 2019 in accordance with the accounting methodologies required by Australian Accounting Standards and adopted by the Company, and on the basis of assumptions and transactions set out in section 4.5.2 of the Prospectus.

5. SUBSEQUENT EVENTS

To the best of our knowledge and belief, there have been no other material items, transactions or events subsequent to 31 December 2019 not otherwise disclosed in this report or the Prospectus that have come to our attention during the course of our review which would cause the information included in this report to be misleading.

6. OTHER MATTERS

Moore Stephens Perth Corporate Services Pty Ltd does not have any pecuniary interest that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion on this matter. Moore Stephens Perth is the auditor of the Company.

Moore Stephens Perth Corporate Services Pty Ltd will receive a professional fee for the preparation of this Investigating Accountant's Report.

Moore Stephens Perth Corporate Services Pty Ltd were not involved in the preparation of any other part of the Prospectus and accordingly makes no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

Moore Stephens Perth Corporate Services Pty Ltd consents to the inclusion of this report in the Prospectus in the form and context in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully

Neil Pace

Neil Pace
Director
Moore Stephens Perth Corporate Services Pty Ltd

MOORE STEPHENS

MOORE STEPHENS PERTH CORPORATE SERVICES PTY LTD

Australian Financial Services License No. 240773

FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to our Investigating Accountants Report for DUG Technology Ltd ("DUG"). Our report has been prepared at the request of the Directors of DUG for inclusion in the Prospectus to be dated 22 June 2020 in respect of the initial public offering of fully paid ordinary shares in DUG and listing of DUG on the Australian Securities Exchange.

Moore Stephens Perth Corporate Services Pty Ltd

Moore Stephens Perth Corporate Services Pty Ltd ("MSPCS") has been engaged by the directors of DUG to prepare an Investigating Accountants Report in respect of the initial public offering of fully paid ordinary shares in Primero and listing of DUG on the Australian Securities Exchange.

MSPCS holds an Australian Financial Services Licence – Licence No 240773.

Financial Services Guide

As a result of our report being provided to you we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial Services we are licensed to provide

MSPCS holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a report in connection with the issue of securities of a company or other entities.

Our report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our report as a retail client because of your connection with the matters on which our report has been issued. We do not accept instructions from retail clients and do not receive remuneration from retail clients for financial services.

Our report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in this report.

General Financial Product Advice

Our report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives either financial or otherwise, your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the proposed transaction may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that we may receive

We will charge fees for providing our report. The basis on which our fees will be determined has been agreed with, and will be paid by, the person who engaged us to provide the report. Our fees have been agreed on either a fixed fee or time cost basis. We estimate that our fees for the preparation of this report will be approximately $60,000 plus GST.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of MSPCS or related entities but any bonuses are not directly in connection with any assignment and in particular are not directly related to the engagement for which our report was provided.

Referrals

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

MSPCS is the licensed corporate advisory arm of Moore Stephens Perth, Chartered Accountants. The directors of MSPCS may also be partners in Moore Stephens Perth Chartered, Accountants.

Moore Stephens Perth, Chartered Accountants is comprised of a number of related entities that provide audit, accounting, tax, and financial advisory services to a wide range of clients.

MSPCS's contact details are set out on our letterhead.

Moore Stephens Perth, a related entity to MSPCS, has previously provided audit services to DUG

Complaints resolution

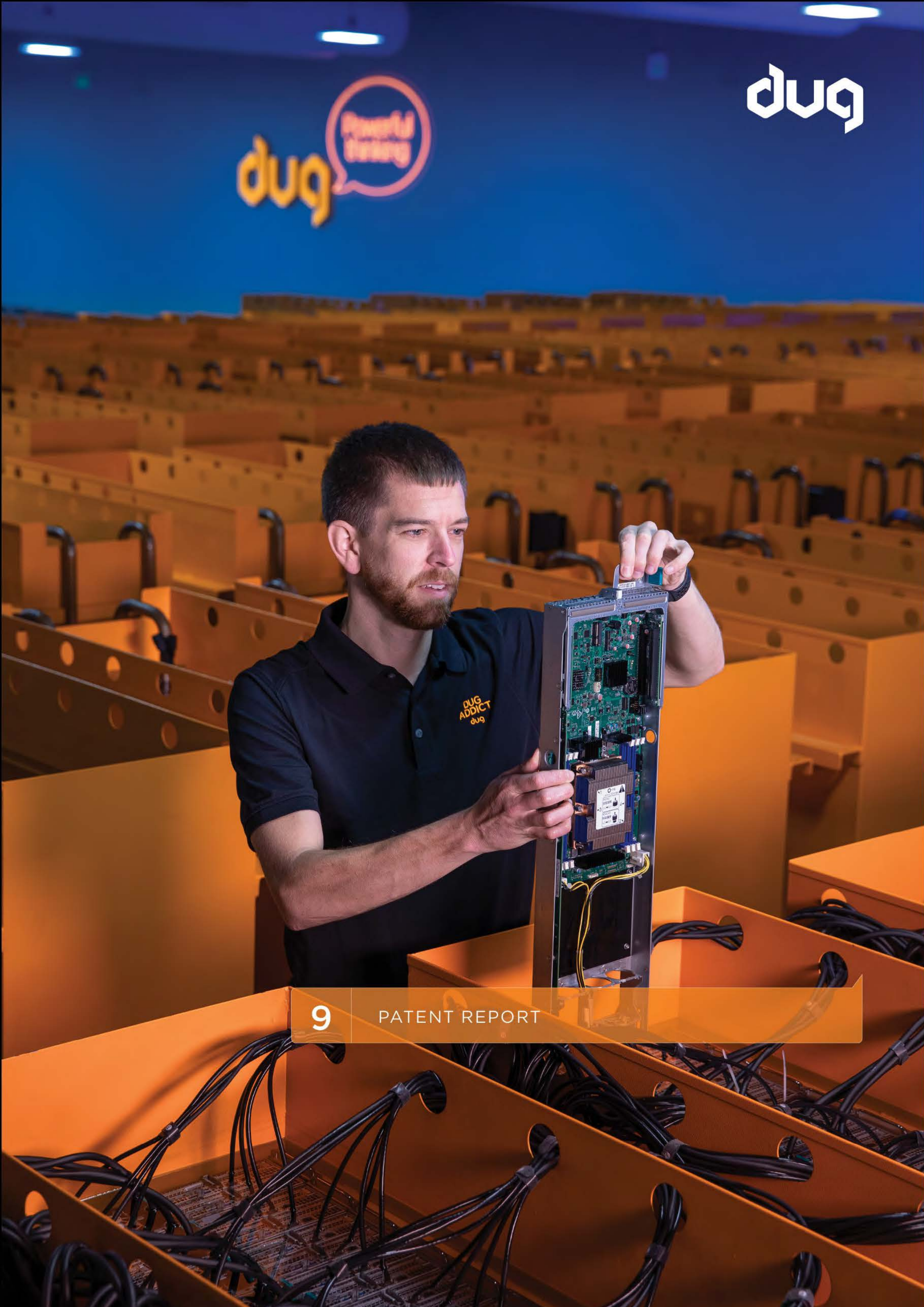
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, Moore Stephens, PO Box 5785, St George's Terrace, Perth WA 6831.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

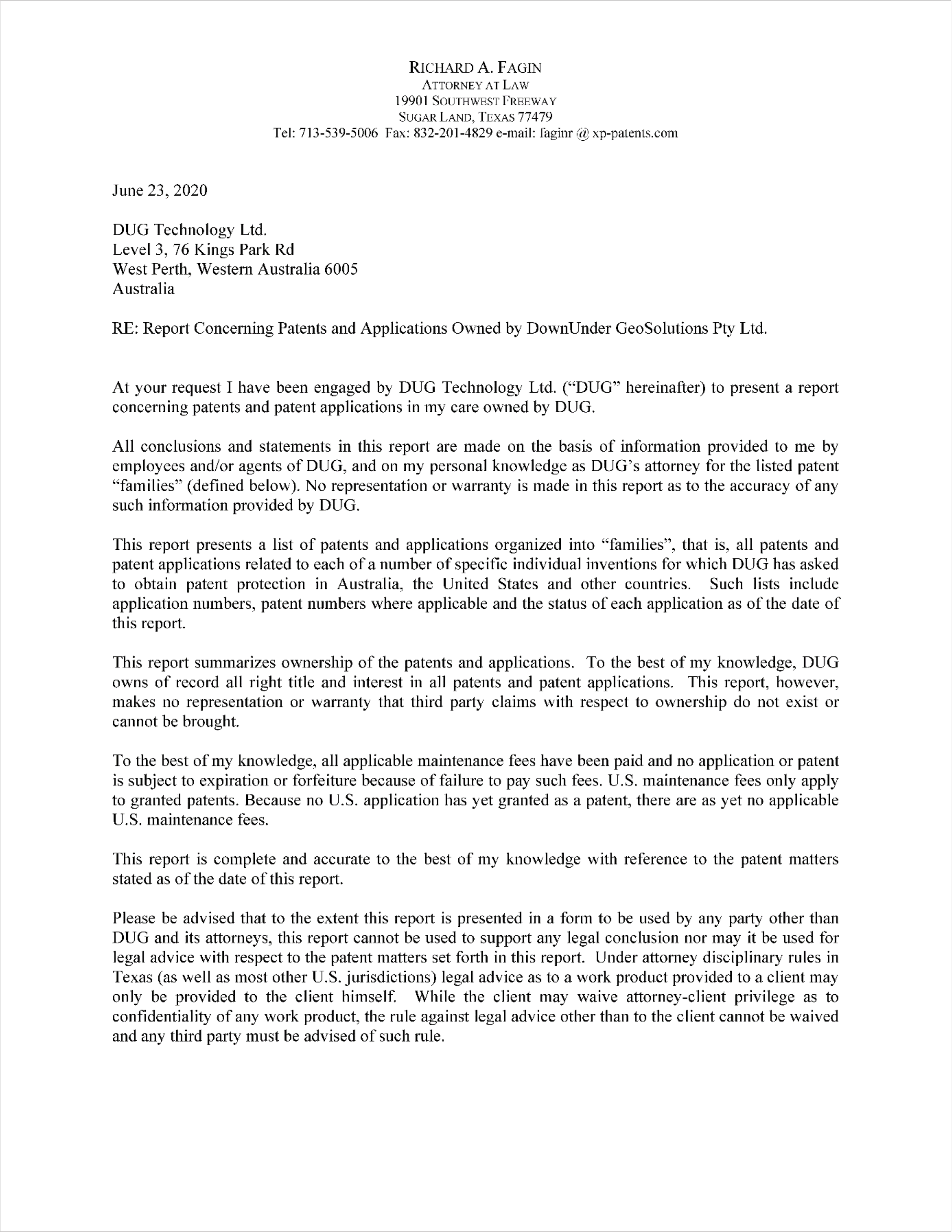
If we cannot reach a satisfactory resolution, you can raise your concerns with Australian Financial Complaints Authority Limited ("AFCA"). AFCA is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. MSPCS is a member of AFCA. AFCA may be contacted directly via the details set out below.

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1800 931 678
Email: info@afca.org.au

9 PATENT REPORT



9. Patent Report



RICHARD A. FAGIN
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SUGAR LAND, TEXAS 77479
Tel: 713-539-5006 Fax: 832-201-4829 e-mail: faginr @ xp-patents.com

June 23, 2020

DUG Technology Ltd.
Level 3, 76 Kings Park Rd
West Perth, Western Australia 6005
Australia

RE: Report Concerning Patents and Applications Owned by DownUnder GeoSolutions Pty Ltd.

At your request I have been engaged by DUG Technology Ltd. ("DUG" hereinafter) to present a report concerning patents and patent applications in my care owned by DUG.

All conclusions and statements in this report are made on the basis of information provided to me by employees and/or agents of DUG, and on my personal knowledge as DUG's attorney for the listed patent "families" (defined below). No representation or warranty is made in this report as to the accuracy of any such information provided by DUG.

This report presents a list of patents and applications organized into "families", that is, all patents and patent applications related to each of a number of specific individual inventions for which DUG has asked to obtain patent protection in Australia, the United States and other countries. Such lists include application numbers, patent numbers where applicable and the status of each application as of the date of this report.

This report summarizes ownership of the patents and applications. To the best of my knowledge, DUG owns of record all right title and interest in all patents and patent applications. This report, however, makes no representation or warranty that third party claims with respect to ownership do not exist or cannot be brought.

To the best of my knowledge, all applicable maintenance fees have been paid and no application or patent is subject to expiration or forfeiture because of failure to pay such fees. U.S. maintenance fees only apply to granted patents. Because no U.S. application has yet granted as a patent, there are as yet no applicable U.S. maintenance fees.

This report is complete and accurate to the best of my knowledge with reference to the patent matters stated as of the date of this report.

Please be advised that to the extent this report is presented in a form to be used by any party other than DUG and its attorneys, this report cannot be used to support any legal conclusion nor may it be used for legal advice with respect to the patent matters set forth in this report. Under attorney disciplinary rules in Texas (as well as most other U.S. jurisdictions) legal advice as to a work product provided to a client may only be provided to the client himself. While the client may waive attorney-client privilege as to confidentiality of any work product, the rule against legal advice other than to the client cannot be waived and any third party must be advised of such rule.

Patent Report
DUG Technology Ltd.
Page 2

Respectfully submitted,

Richard A Fagin

Richard A. Fagin

Background
1. Law Office of Richard A. Fagin

I am a solo practitioner engaged in providing legal services in the areas of patent procurement, freedom to operate review, infringement analysis and intellectual property due diligence. I provide litigation support services when requested in certain technical fields. My practice is substantially entirely in the technical field of petroleum exploration and production technology. In this technical field I have 25 years' experience as a patent agent and patent attorney, and 15 years' prior experience as engineer, technical marketing specialist and operations manager in business providing services in the same technical fields. I am admitted to practice in the state courts of Texas, U.S. District Court for the Southern District of Texas and the United States Patent and Trademark Office.

2. Patents

The following description is based on the patent laws of the United States. Other jurisdictions have similar rules, but the particulars of each jurisdiction should be evaluated before making any decision based a patent owner's position. A patent is a grant from a relevant authority such as a national patent office for the patent owner to exclude others from making, using, selling, offering for sale and importing a patented invention. The tern "patented invention" means any device, apparatus, process, article of manufacture or composition of matter, design or asexually reproduced plant that falls within the scope of claims in a valid patent (a patent within its term and which has not been found invalid in a legal proceeding). The exclusion rights are for the duration of the term of the patent. Current U.S. patent term is 20 years from the earliest effective application filing date. The scope of exclusion is defined by "claims" in a patent, that is, statements defining the invention in broad conceptual terms consistent with rules of validity for claims. In the United States, a patent owner may obtain relief against use by another of a patented invention without the patent owner's permission. Such relief may be in the form of money damages, including enhanced damages for willful infringement, and injunctive relief (a court order enjoining continued infringement on penalty of contempt of court).

A patent does not confer the right of the patent owner to make, use, sell, offer for sale or import the patented invention. Any such use, etc. is subject to any third party rights, including any patent rights of such third party. This report makes no representation or warranty as to possible third party infringement and in no event may this report be used as a "well reasoned opinion" as to non-infringement or invalidity of any third party patent for purposes of avoiding a finding of willful infringement in the United States.

In the United States, patents are presumed to be valid by statute. A patent may be invalidated in a court proceeding or a subsequent reexamination proceeding under limited circumstances, typically existence of a prior document or public use of a device that discloses all the elements of one or more claims in the patent. The evidentiary and persuasion burden on a patent challenger in the U.S. is high ("clear and convincing evidence") however other jurisdictions may have different standards and procedures to invalidate a patent.

Patent Families

As of the date of this report, DUG has nine "families" of patents. Each family represents patent applications related to a single invention. Each family is identified by my initial reference number, in which "DGL" is a client code representing DUG, followed by a two-digit code representing the year the matter was opened in my files, and finally, a two-digit code representing the order in which the matter

was opened in the respective year. My reference number is only for purposes of identification and tracking and has no other significance.

Each family, (except DGL-17-02) originated as a provisional application filed in the United States Patent and Trademark Office. DGL-17-02 originated as an application filed in the Australian IP Office, my office having assumed responsibility for the family after filing a PCT application (see following). Within the one-year validity period for a U.S. provisional application or Australian provisional application as may apply, as shown, seven of the nine families of patents were converted to an International Application under the Patent Cooperation Treaty (PCT). An International Application, administered by the World Intellectual Property Organization (WIPO), provides the applicant with the right to file a patent application (“national phase application”) in any and all PCT contracting jurisdictions generally as late as thirty months from the earliest effective filing (“benefit”) date applicable. For all of DUG’s patent families, such date is the U.S. provisional filing date except as noted with reference to DGL-17-02. Any such national phase applications are shown in the following summary tables, and their respective status is shown accordingly.

A PCT application may be filed in a competent Receiving Office under the PCT. A competent Receiving Office is generally the national or regional patent office in which the Applicant (i.e., the entity in whose name a patent application is filed) resides, or in the International Bureau of WIPO in Geneva, Switzerland. Approximately four months after filing a PCT application, the Applicant will receive an International Search Report and Written Opinion of the International Search Authority (generally the patent office of the Applicant’s residence) with results of a patent search and evaluation of patentability of the claims in the application. These may be used by the Applicant to decide whether: (i) to amend the claims in respect of certain documents giving rise to question of validity of the claims in their as filed form; and (ii) whether to continue the application in the national phase at the appropriate time. If the decision is made not to continue the application, it may be withdrawn to avoid publication at 18 months from the priority date.

The present status of the individual matters in each patent family is shown in the following tables. The status “awaiting examination” means that the application has not yet been examined by the respective patent office on substance. The status “converted” means that a provisional application has had one or more subsequent applications filed (either or both of in national patent offices and the PCT) which claim benefit of the provisional filing. The status “examined, response in progress” means that a substantive examination report has issued for which a response in the form of amendment and/or argument as to patentability is required to maintain the application in force. “Response filed” means that after a substantive examination, a response has been filed and at present the application awaits further communication from the respective patent office. A “final action” in a U.S. patent application means that at least a second substantive examination report has issued in which some or all of the claims have been found unpatentable; a response is still possible if some procedural matters are addressed. “Allowed” means that the application is considered to have its claims (except as may be noted) in condition such that requirements for patentability have been met and the application will proceed to grant. “Granted” means that the application has proceeded to grant and that a patent has issued. Because a U.S. provisional application cannot grant as a patent, the “Patent No.” field for such applications show, “Not Applicable (N/A). Patent families are identified by my initial reference number.

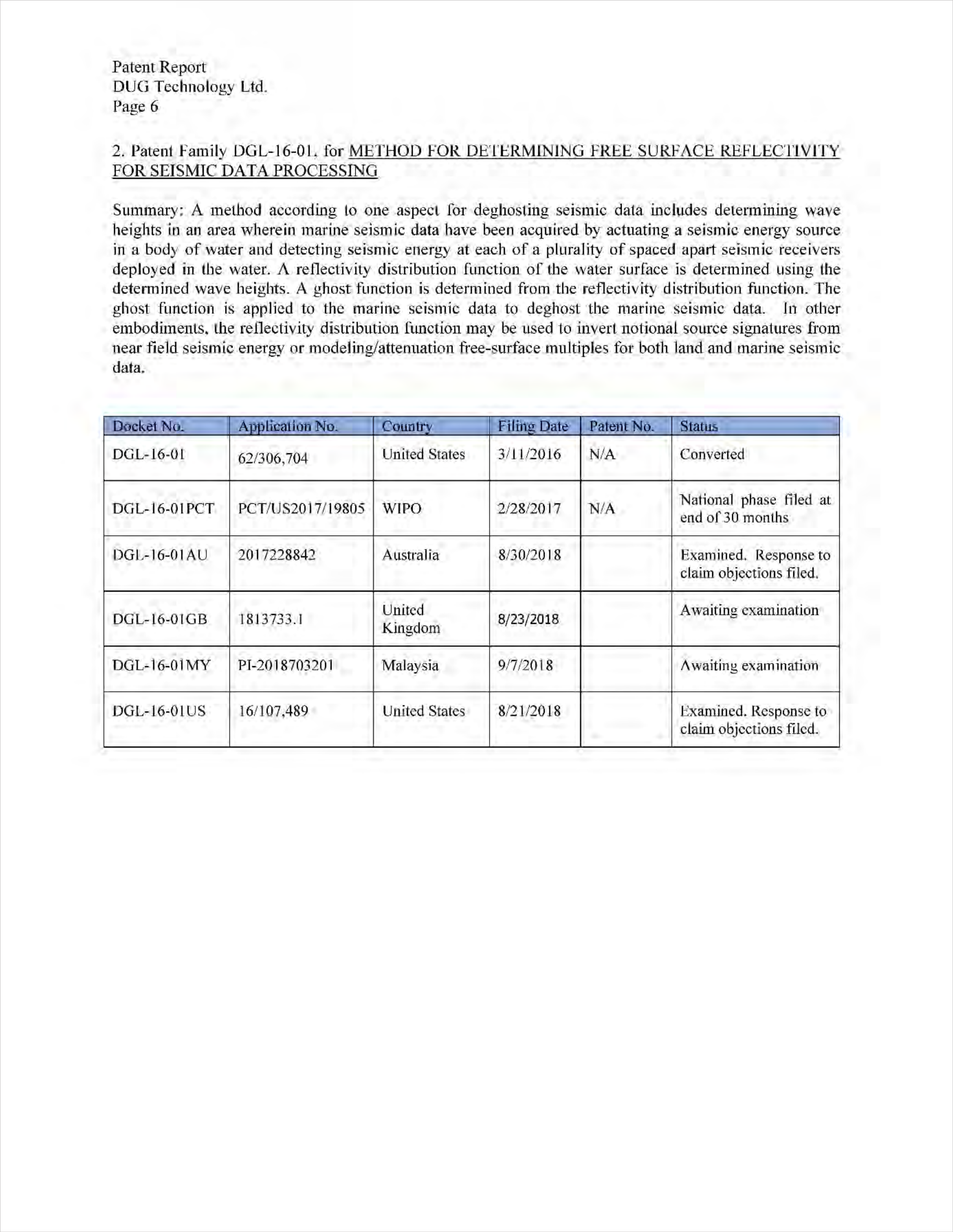
Patents and applications in jurisdictions outside the U.S. generally are subject to annual maintenance payments. U.S. utility patents (for inventions other than designs and plants) are subject to maintenance payments at the end of 4 years, 8 years and 12 years from the patent grant date.

A brief summary of the subject matter in each patent family follows the respective title. The summary corresponds to the broadest scope claim in the applications/patents in each respective family.

1. Patent Family DGL-15-01, for METHOD FOR REMOVING THE INTERFERENCE CAUSED BY TIME OVERLAPPING SEISMIC RECORDINGS AND SEISMIC SURVEY ACQUISITION METHOD ASSOCIATED THEREWITH.

Summary: A method for processing seismic data includes entering into a computer signals detected by a plurality of spaced apart seismic sensors resulting from actuating at least one seismic energy source at a plurality of times. The times have a variable interval between successive actuations. The detected signals from each sensor corresponding to each actuation are a trace. The traces from one actuation of the source are selected as an output shot record. Traces corresponding to an actuation prior to the output shot record and traces corresponding to an actuation subsequent to the output shot record are adjusted to a common time reference with the output shot record. Extended traces in the output shot record are generated by appending to the output shot record the adjusted traces from the at least one prior actuation and the at least one subsequent actuation. A random noise filter is applied to the extended traces.

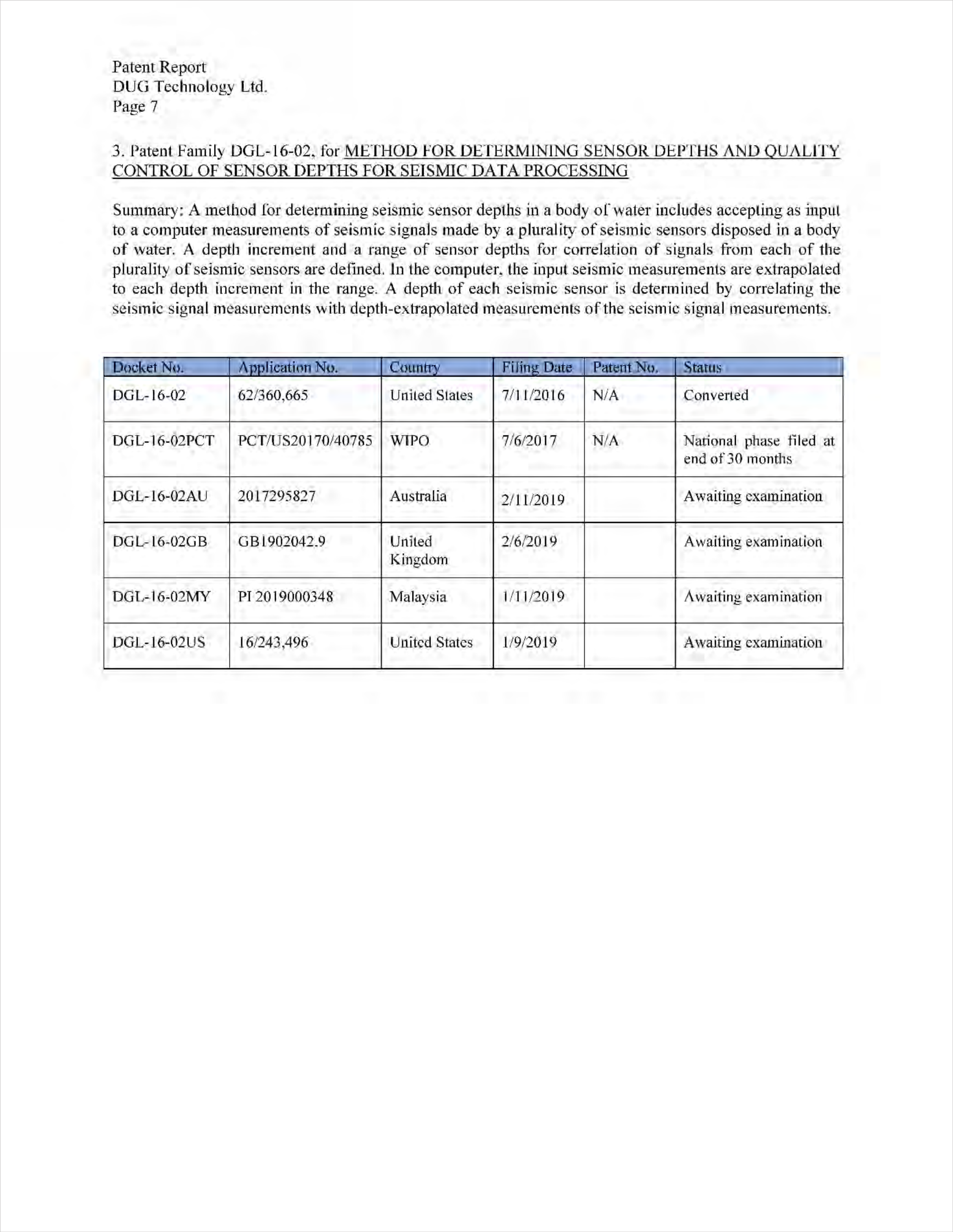
Docket No.	Application No.	Country	Filing Date	Patent No.	Status
DGL-15-01	62/267,943	United States	12/16/2015	N/A	Converted to PCT
DGL-15-01PCT	PCT/US2016/066435	WIPO	12/14/2016	N/A	National phase filed at end of 30 months
DGL-15-01AU	2016370548	Australia	6/14/2018		Examined. All claims found patentable. Response to formal objections prepared and filed 2/19/20. Acceptance expected on next action.



2. Patent Family DGL-16-01, for METHOD FOR DETERMINING FREE SURFACE REFLECTIVITY FOR SEISMIC DATA PROCESSING

Summary: A method according to one aspect for deghosting seismic data includes determining wave heights in an area wherein marine seismic data have been acquired by actuating a seismic energy source in a body of water and detecting seismic energy at each of a plurality of spaced apart seismic receivers deployed in the water. A reflectivity distribution function of the water surface is determined using the determined wave heights. A ghost function is determined from the reflectivity distribution function. The ghost function is applied to the marine seismic data to deghost the marine seismic data. In other embodiments, the reflectivity distribution function may be used to invert notional source signatures from near field seismic energy or modeling/attenuation free-surface multiples for both land and marine seismic data.

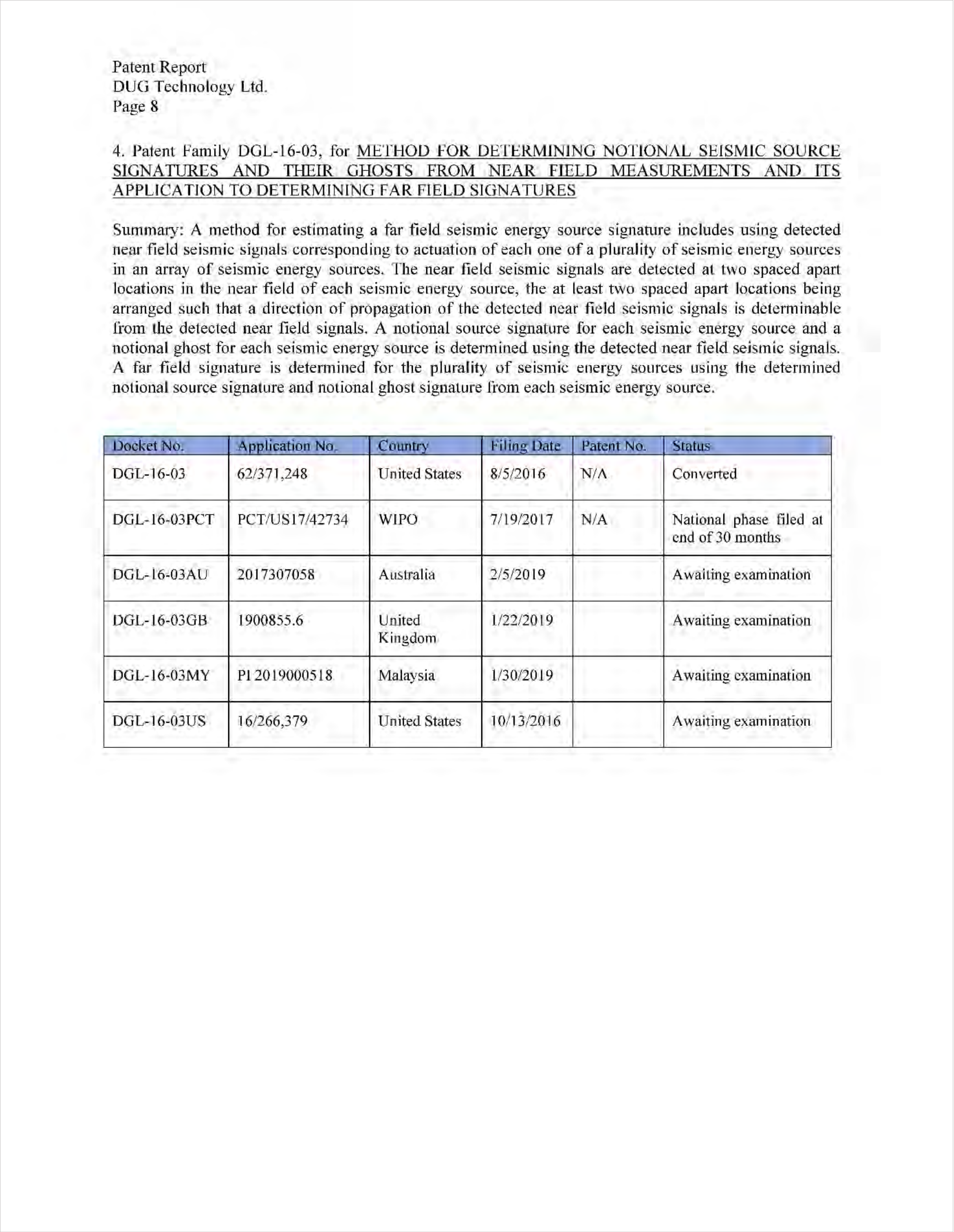
Docket No.	Application No.	Country	Filing Date	Patent No.	Status
DGL-16-01	62/306,704	United States	3/11/2016	N/A	Converted
DGL-16-01PCT	PCT/US2017/19805	WIPO	2/28/2017	N/A	National phase filed at end of 30 months
DGL-16-01AU	2017228842	Australia	8/30/2018		Examined. Response to claim objections filed.
DGL-16-01GB	1813733.1	United Kingdom	8/23/2018		Awaiting examination
DGL-16-01MY	PI-2018703201	Malaysia	9/7/2018		Awaiting examination
DGL-16-01US	16/107,489	United States	8/21/2018		Examined. Response to claim objections filed.



3. Patent Family DGL-16-02, for METHOD FOR DETERMINING SENSOR DEPTHS AND QUALITY CONTROL OF SENSOR DEPTHS FOR SEISMIC DATA PROCESSING

Summary: A method for determining seismic sensor depths in a body of water includes accepting as input to a computer measurements of seismic signals made by a plurality of seismic sensors disposed in a body of water. A depth increment and a range of sensor depths for correlation of signals from each of the plurality of seismic sensors are defined. In the computer, the input seismic measurements are extrapolated to each depth increment in the range. A depth of each seismic sensor is determined by correlating the seismic signal measurements with depth-extrapolated measurements of the seismic signal measurements.

Docket No.	Application No.	Country	Filing Date	Patent No.	Status
DGL-16-02	62/360,665	United States	7/11/2016	N/A	Converted
DGL-16-02PCT	PCT/US20170/40785	WIPO	7/6/2017	N/A	National phase filed at end of 30 months
DGL-16-02AU	2017295827	Australia	2/11/2019		Awaiting examination
DGL-16-02GB	GB1902042.9	United Kingdom	2/6/2019		Awaiting examination
DGL-16-02MY	PI 2019000348	Malaysia	1/11/2019		Awaiting examination
DGL-16-02US	16/243,496	United States	1/9/2019		Awaiting examination



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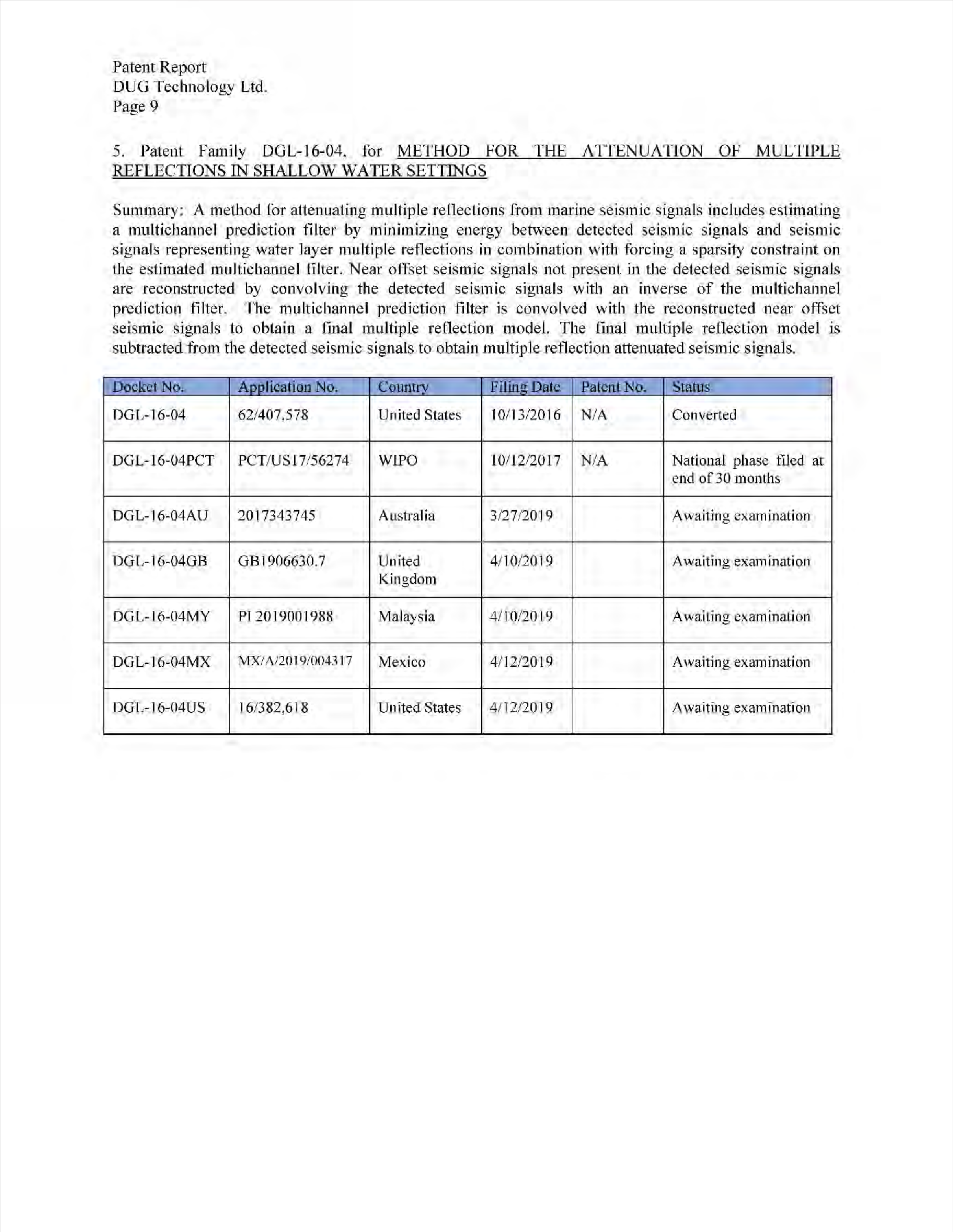
4. Patent Family DGL-16-03, for METHOD FOR DETERMINING NOTIONAL SEISMIC SOURCE SIGNATURES AND THEIR GHOSTS FROM NEAR FIELD MEASUREMENTS AND ITS APPLICATION TO DETERMINING FAR FIELD SIGNATURES

Summary: A method for estimating a far field seismic energy source signature includes using detected near field seismic signals corresponding to actuation of each one of a plurality of seismic energy sources in an array of seismic energy sources. The near field seismic signals are detected at two spaced apart locations in the near field of each seismic energy source, the at least two spaced apart locations being arranged such that a direction of propagation of the detected near field seismic signals is determinable from the detected near field signals. A notional source signature for each seismic energy source and a notional ghost for each seismic energy source is determined using the detected near field seismic signals. A far field signature is determined for the plurality of seismic energy sources using the determined notional source signature and notional ghost signature from each seismic energy source.

Docket No.	Application No.	Country	Filing Date	Patent No.	Status
DGL-16-03	62/371,248	United States	8/5/2016	N/A	Converted
DGL-16-03PCT	PCT/US17/42734	WIPO	7/19/2017	N/A	National phase filed at end of 30 months
DGL-16-03AU	2017307058	Australia	2/5/2019		Awaiting examination
DGL-16-03GB	1900855.6	United Kingdom	1/22/2019		Awaiting examination
DGL-16-03MY	PI 2019000518	Malaysia	1/30/2019		Awaiting examination
DGL-16-03US	16/266,379	United States	10/13/2016		Awaiting examination



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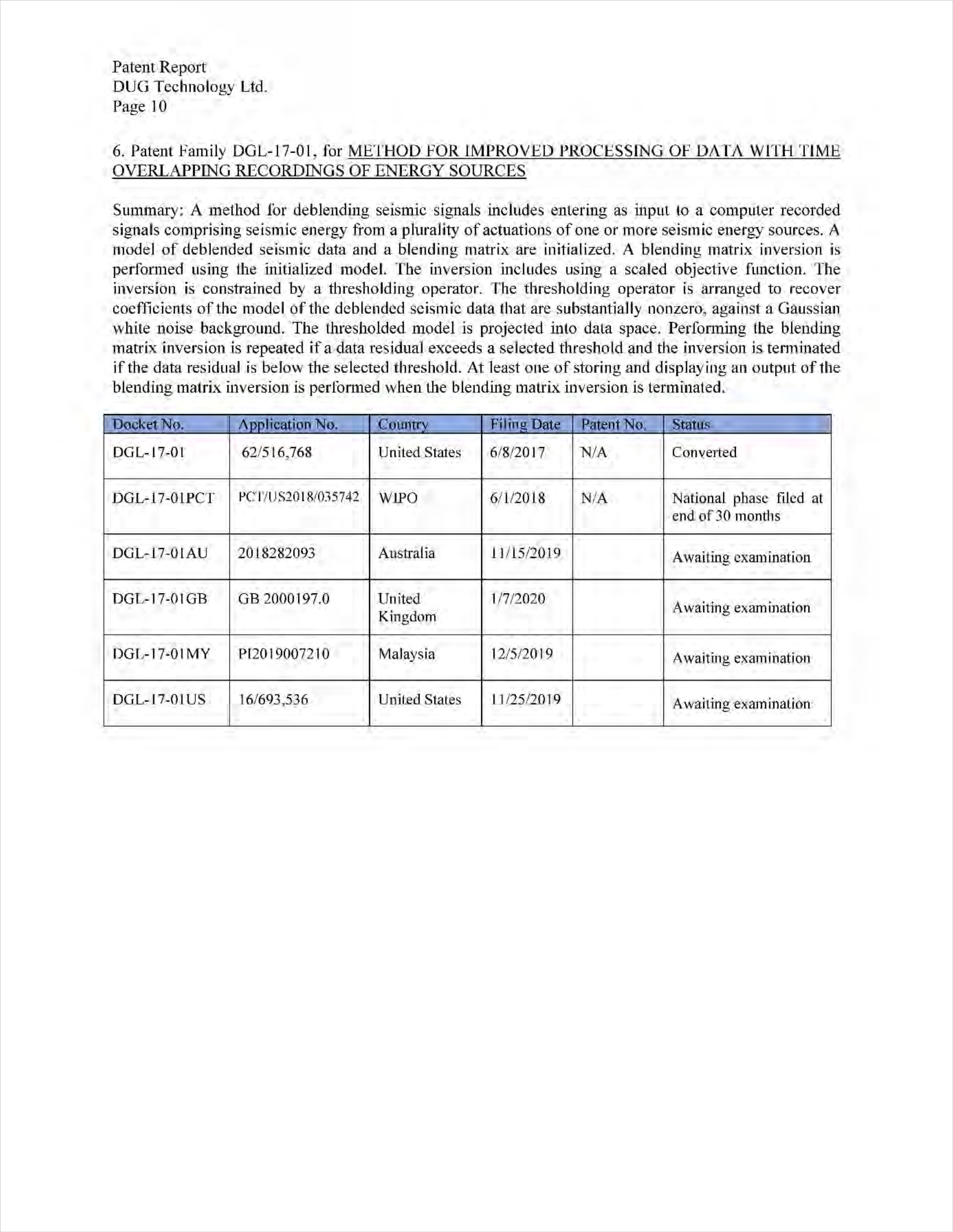
5. Patent Family DGL-16-04, for METHOD FOR THE ATTENUATION OF MULTIPLE REFLECTIONS IN SHALLOW WATER SETTINGS

Summary: A method for attenuating multiple reflections from marine seismic signals includes estimating a multichannel prediction filter by minimizing energy between detected seismic signals and seismic signals representing water layer multiple reflections in combination with forcing a sparsity constraint on the estimated multichannel filter. Near offset seismic signals not present in the detected seismic signals are reconstructed by convolving the detected seismic signals with an inverse of the multichannel prediction filter. The multichannel prediction filter is convolved with the reconstructed near offset seismic signals to obtain a final multiple reflection model. The final multiple reflection model is subtracted from the detected seismic signals to obtain multiple reflection attenuated seismic signals.

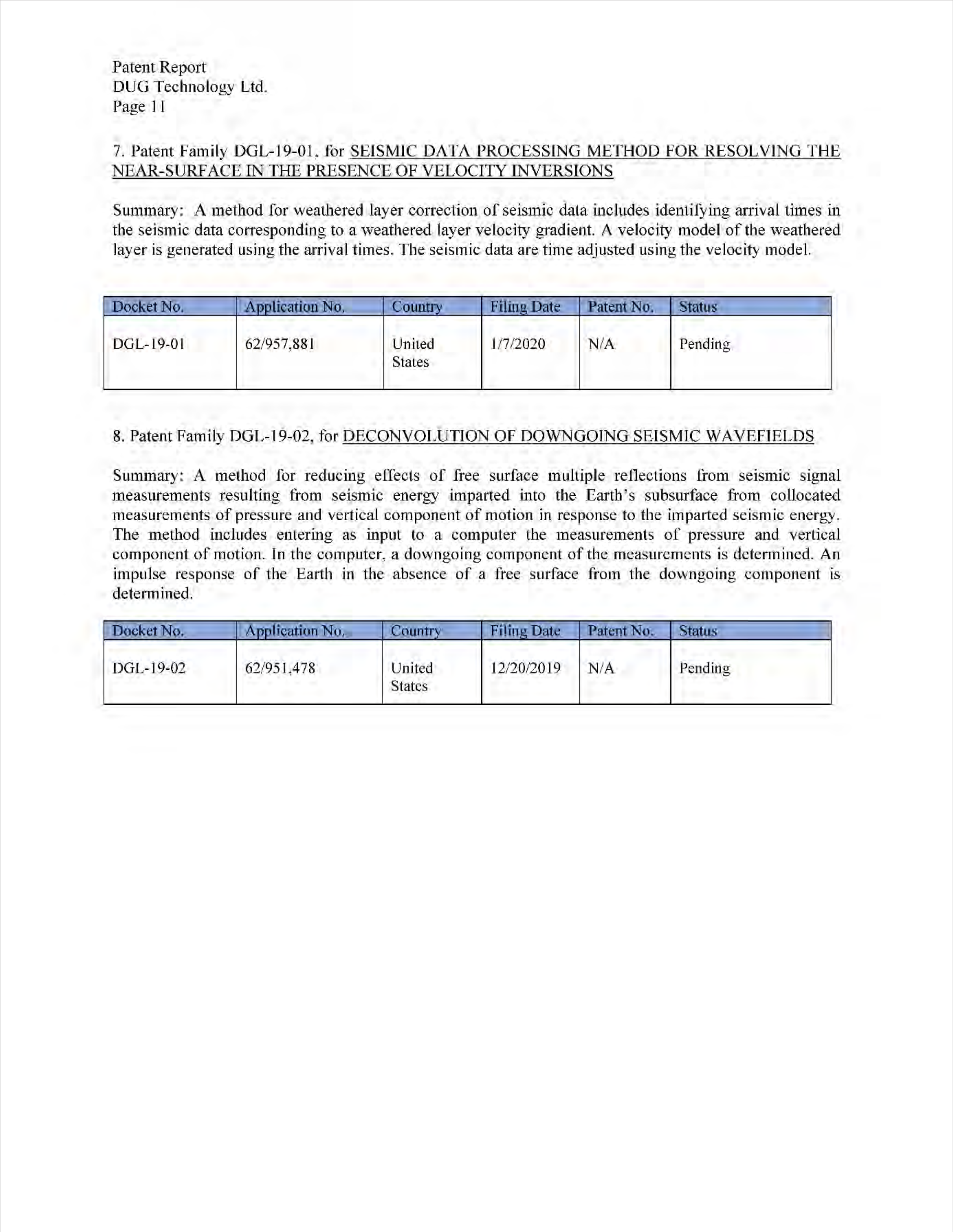
Docket No.	Application No.	Country	Filing Date	Patent No.	Status
DGL-16-04	62/407,578	United States	10/13/2016	N/A	Converted
DGL-16-04PCT	PCT/US17/56274	WIPO	10/12/2017	N/A	National phase filed at end of 30 months
DGL-16-04AU	2017343745	Australia	3/27/2019		Awaiting examination
DGL-16-04GB	GB1906630.7	United Kingdom	4/10/2019		Awaiting examination
DGL-16-04MY	PI 2019001988	Malaysia	4/10/2019		Awaiting examination
DGL-16-04MX	MX/A/2019/004317	Mexico	4/12/2019		Awaiting examination
DGL-16-04US	16/382,618	United States	4/12/2019		Awaiting examination



6. Patent Family DGL-17-01, for METHOD FOR IMPROVED PROCESSING OF DATA WITH TIME OVERLAPPING RECORDINGS OF ENERGY SOURCES

Summary: A method for deblending seismic signals includes entering as input to a computer recorded signals comprising seismic energy from a plurality of actuations of one or more seismic energy sources. A model of deblended seismic data and a blending matrix are initialized. A blending matrix inversion is performed using the initialized model. The inversion includes using a scaled objective function. The inversion is constrained by a thresholding operator. The thresholding operator is arranged to recover coefficients of the model of the deblended seismic data that are substantially nonzero, against a Gaussian white noise background. The thresholded model is projected into data space. Performing the blending matrix inversion is repeated if a data residual exceeds a selected threshold and the inversion is terminated if the data residual is below the selected threshold. At least one of storing and displaying an output of the blending matrix inversion is performed when the blending matrix inversion is terminated.

Docket No.	Application No.	Country	Filing Date	Patent No.	Status
DGL-17-01	62/516,768	United States	6/8/2017	N/A	Converted
DGL-17-01PCT	PCT/US2018/035742	WIPO	6/1/2018	N/A	National phase filed at end of 30 months
DGL-17-01AU	2018282093	Australia	11/15/2019		Awaiting examination
DGL-17-01GB	GB 2000197.0	United Kingdom	1/7/2020		Awaiting examination
DGL-17-01MY	PI2019007210	Malaysia	12/5/2019		Awaiting examination
DGL-17-01US	16/693,536	United States	11/25/2019		Awaiting examination



7. Patent Family DGL-19-01, for SEISMIC DATA PROCESSING METHOD FOR RESOLVING THE NEAR-SURFACE IN THE PRESENCE OF VELOCITY INVERSIONS

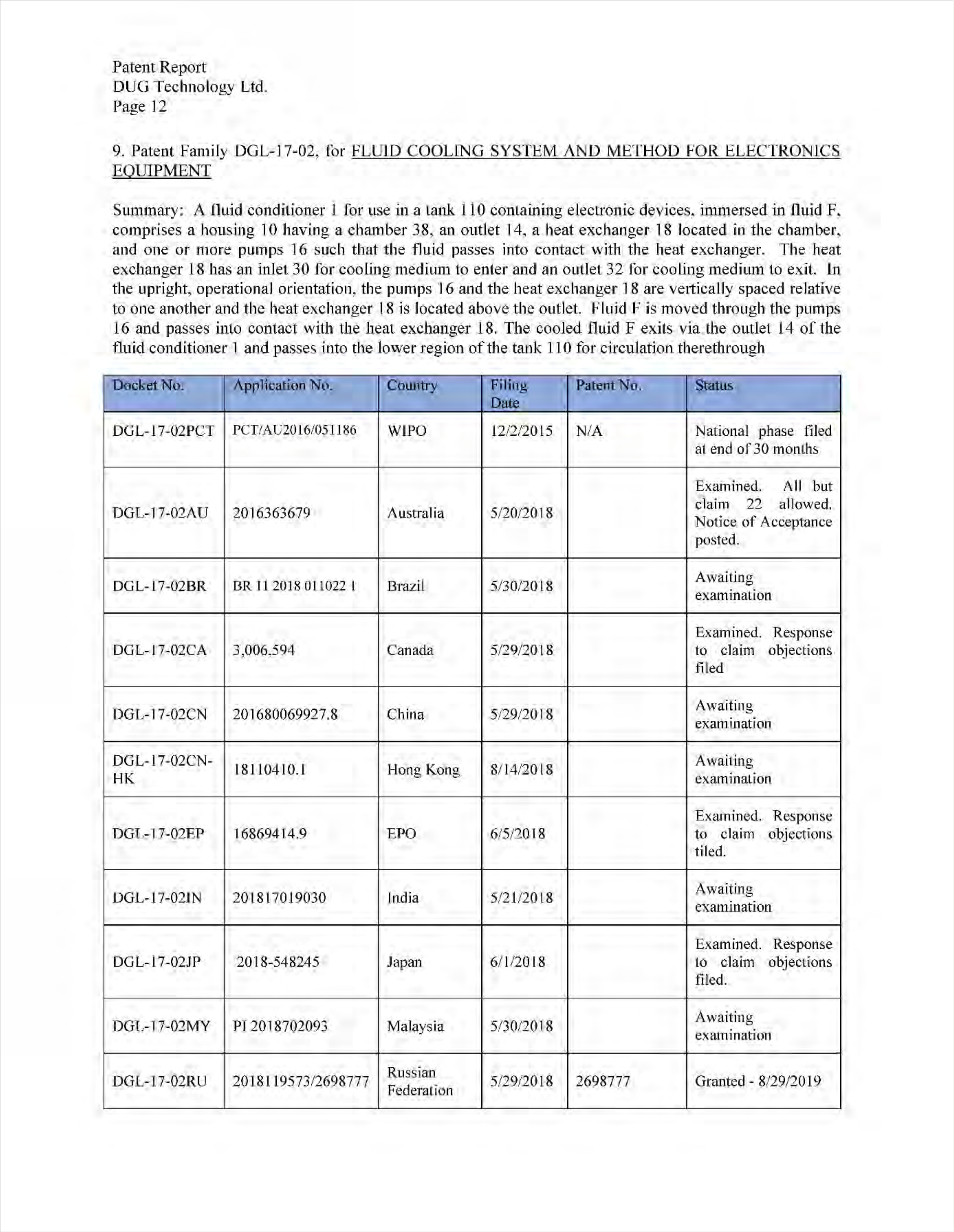
Summary: A method for weathered layer correction of seismic data includes identifying arrival times in the seismic data corresponding to a weathered layer velocity gradient. A velocity model of the weathered layer is generated using the arrival times. The seismic data are time adjusted using the velocity model.

Docket No.	Application No.	Country	Filing Date	Patent No.	Status
DGL-19-01	62/957,881	United States	1/7/2020	N/A	Pending

8. Patent Family DGL-19-02, for DECONVOLUTION OF DOWNGOING SEISMIC WAVEFIELDS

Summary: A method for reducing effects of free surface multiple reflections from seismic signal measurements resulting from seismic energy imparted into the Earth's subsurface from collocated measurements of pressure and vertical component of motion in response to the imparted seismic energy. The method includes entering as input to a computer the measurements of pressure and vertical component of motion. In the computer, a downgoing component of the measurements is determined. An impulse response of the Earth in the absence of a free surface from the downgoing component is determined.

Docket No.	Application No.	Country	Filing Date	Patent No.	Status
DGL-19-02	62/951,478	United States	12/20/2019	N/A	Pending



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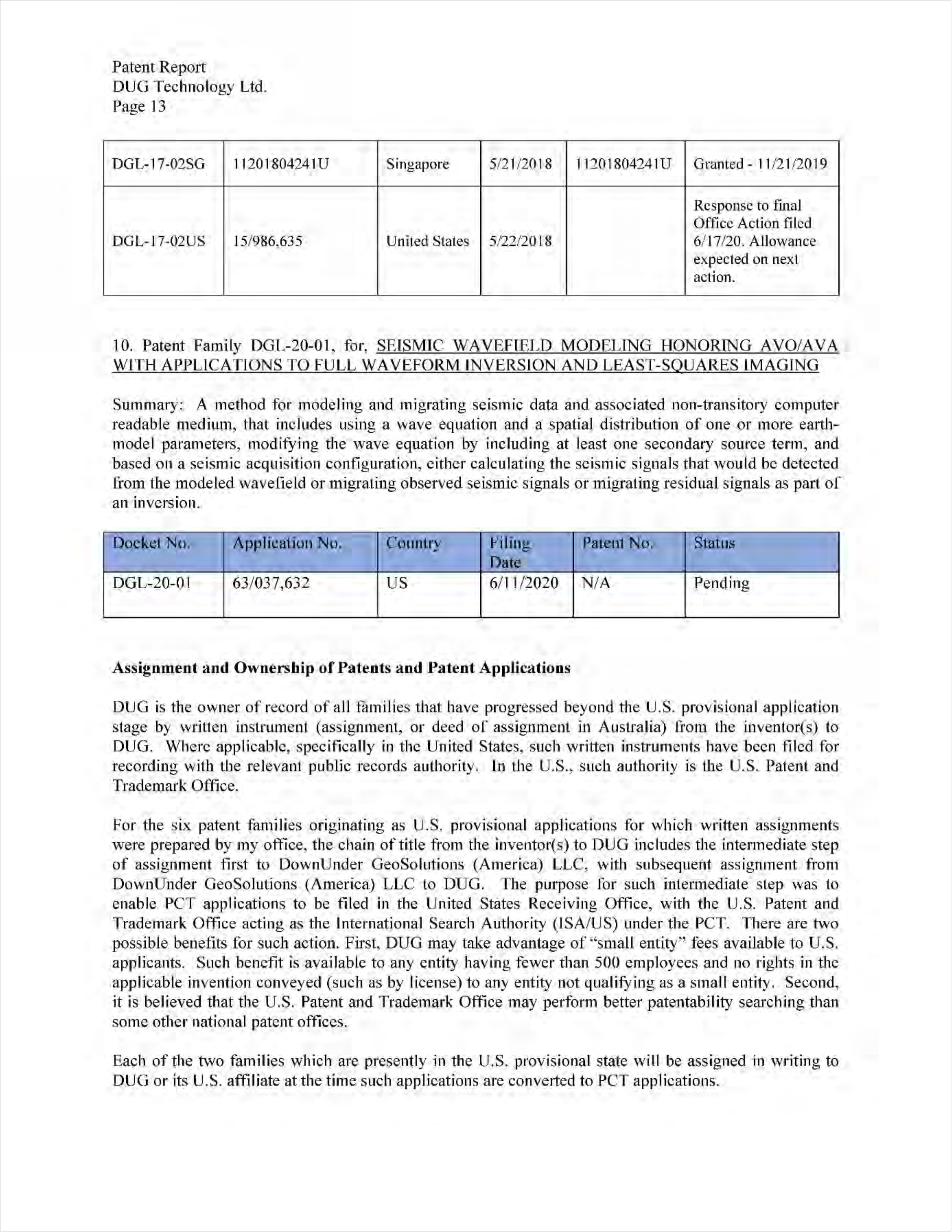
9. Patent Family DGL-17-02, for <u>FLUID COOLING SYSTEM AND METHOD FOR ELECTRONICS EQUIPMENT</u>

Summary: A fluid conditioner 1 for use in a tank 110 containing electronic devices, immersed in fluid F, comprises a housing 10 having a chamber 38, an outlet 14, a heat exchanger 18 located in the chamber, and one or more pumps 16 such that the fluid passes into contact with the heat exchanger. The heat exchanger 18 has an inlet 30 for cooling medium to enter and an outlet 32 for cooling medium to exit. In the upright, operational orientation, the pumps 16 and the heat exchanger 18 are vertically spaced relative to one another and the heat exchanger 18 is located above the outlet. Fluid F is moved through the pumps 16 and passes into contact with the heat exchanger 18. The cooled fluid F exits via the outlet 14 of the fluid conditioner 1 and passes into the lower region of the tank 110 for circulation therethrough

Docket No.	Application No.	Country	Filing Date	Patent No.	Status
DGL-17-02PCT	PCT/AU2016/051186	WIPO	12/2/2015	N/A	National phase filed at end of 30 months
DGL-17-02AU	2016363679	Australia	5/20/2018		Examined. All but claim 22 allowed. Notice of Acceptance posted.
DGL-17-02BR	BR 11 2018 011022 1	Brazil	5/30/2018		Awaiting examination
DGL-17-02CA	3,006,594	Canada	5/29/2018		Examined. Response to claim objections filed
DGL-17-02CN	201680069927.8	China	5/29/2018		Awaiting examination
DGL-17-02CN-HK	18110410.1	Hong Kong	8/14/2018		Awaiting examination
DGL-17-02EP	16869414.9	EPO	6/5/2018		Examined. Response to claim objections filed.
DGL-17-02IN	201817019030	India	5/21/2018		Awaiting examination
DGL-17-02JP	2018-548245	Japan	6/1/2018		Examined. Response to claim objections filed.
DGL-17-02MY	PI 2018702093	Malaysia	5/30/2018		Awaiting examination
DGL-17-02RU	2018119573/2698777	Russian Federation	5/29/2018	2698777	Granted - 8/29/2019



DGL-17-02SG	11201804241U	Singapore	5/21/2018	11201804241U	Granted - 11/21/2019
DGL-17-02US	15/986,635	United States	5/22/2018		Response to final Office Action filed 6/17/20. Allowance expected on next action.

10. Patent Family DGL-20-01, for, SEISMIC WAVEFIELD MODELING HONORING AVO/AVA WITH APPLICATIONS TO FULL WAVEFORM INVERSION AND LEAST-SQUARES IMAGING

Summary: A method for modeling and migrating seismic data and associated non-transitory computer readable medium, that includes using a wave equation and a spatial distribution of one or more earth-model parameters, modifying the wave equation by including at least one secondary source term, and based on a seismic acquisition configuration, either calculating the seismic signals that would be detected from the modeled wavefield or migrating observed seismic signals or migrating residual signals as part of an inversion.

Docket No.	Application No.	Country	Filing Date	Patent No.	Status
DGL-20-01	63/037,632	US	6/11/2020	N/A	Pending

Assignment and Ownership of Patents and Patent Applications

DUG is the owner of record of all families that have progressed beyond the U.S. provisional application stage by written instrument (assignment, or deed of assignment in Australia) from the inventor(s) to DUG. Where applicable, specifically in the United States, such written instruments have been filed for recording with the relevant public records authority. In the U.S., such authority is the U.S. Patent and Trademark Office.

For the six patent families originating as U.S. provisional applications for which written assignments were prepared by my office, the chain of title from the inventor(s) to DUG includes the intermediate step of assignment first to DownUnder GeoSolutions (America) LLC, with subsequent assignment from DownUnder GeoSolutions (America) LLC to DUG. The purpose for such intermediate step was to enable PCT applications to be filed in the United States Receiving Office, with the U.S. Patent and Trademark Office acting as the International Search Authority (ISA/US) under the PCT. There are two possible benefits for such action. First, DUG may take advantage of "small entity" fees available to U.S. applicants. Such benefit is available to any entity having fewer than 500 employees and no rights in the applicable invention conveyed (such as by license) to any entity not qualifying as a small entity. Second, it is believed that the U.S. Patent and Trademark Office may perform better patentability searching than some other national patent offices.

Each of the two families which are presently in the U.S. provisional state will be assigned in writing to DUG or its U.S. affiliate at the time such applications are converted to PCT applications.

My office is not aware of any claim by any third party against ownership of the seven patent families for which written instruments have been executed by the inventors.

Validity and Enforceability of DUG Patents and Applications

The following explanation of validity and enforceability of granted patents and patents that may grant from currently pending applications is based on the patent laws of the United States. Other jurisdictions' laws of patent validity and enforceability may vary, however the principles of patentability are similar in many jurisdictions.

To summarize, I am not currently aware of any reason that any of DUG's granted patents are subject to challenge on the ground of validity or enforceability, based on U.S. laws.

A U.S. patent is presumed valid. See Title 35, United States Code, Section 282. The presumption of validity means that a patent owner is not required to prove validity of the patent in a proceeding to enforce the patent against an unauthorized user ("infringer"). An accused infringer may defend a claim of infringement on the grounds that the patent is not valid or is unenforceable. Invalidity may be shown by proving existence of one or more acts ("prior art") that preceded the earliest possible priority date of the patent which cause the claims to fail to meet the legal requirements of patentability. Such acts include publication such as in a publicly available document, and public use or having the invention "on sale." The accused infringer is required to show invalidity by "clear and convincing evidence", which is a higher evidentiary standard than a plaintiff is required to show in a civil case in most U.S. jurisdictions ("more likely than not"). Without explaining in detail the evidentiary standard to show invalidity, as a practical matter and has been shown in the vast majority of patent litigation in the United States, a patent challenger is unlikely to show invalidity on the basis of any publication reviewed by the examiner during the application proceeding. Such publications are shown on the first page (and second page as applicable) of any U.S. patent.

U.S. patents carry a unique duty during the prosecution of the respective patent application. That is the "duty of candor" to the Patent and Trademark Office. The duty requires anyone connected with the application (inventors, Applicant and legal representative) to disclose to the Patent and Trademark Office any prior art (defined above) which is known or becomes known at any time during the application proceeding. The specifics are set forth in Title 37, Code of Federal Regulations, Section 1.56. Failure to obey the duty of candor risks a patent being found unenforceable. To my knowledge, all DUG's U.S. patent applications are in compliance with the duty of candor.

10 ADDITIONAL INFORMATION

10. Additional Information

10.1. REGISTRATION AND DUG CAPITAL STRUCTURE

10.1.1. Incorporation and conversion to a public company

DUG was registered in Western Australia in 2003, and with a new corporate structure on 5 June 2014 as a proprietary company limited by shares. On 14 February 2020 DUG was converted into a public company limited by shares, as resolved by DUG's Shareholders on 6 January 2020. On 13 March 2020, DUG changed its name from DownUnder GeoSolutions (Australia) Limited to DUG Technology Ltd.

10.1.2. Capital structure

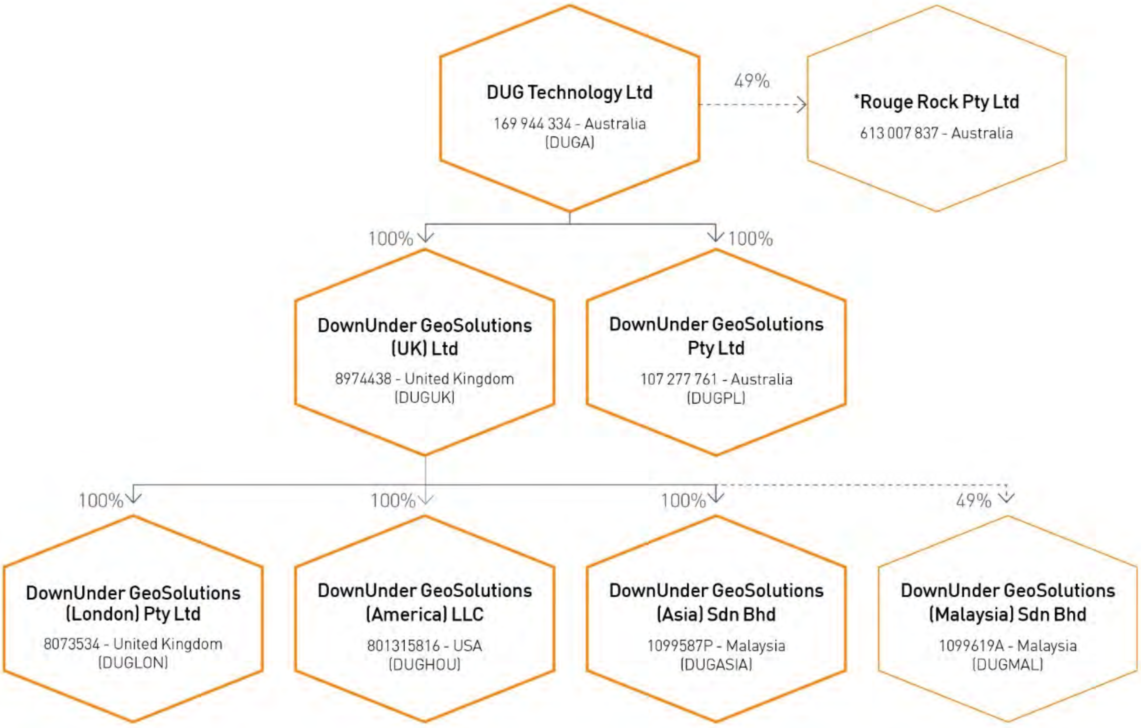
On Completion, DUG expects to have 99,473,544 of Shares on issue: The details of ownership of Shares as at Prospectus Date and expected ownership of Shares on Completion of the Offer are set out in Section 7.1.5.

10.2. COMPANY TAX STATUS AND FINANCIAL YEAR

DUG, the ultimate Australian holding company of the Group, is and will be subject to tax at the Australian corporate tax rate, currently being 30%. DUG's financial year ends on 30 June annually.

10.3. CORPORATE STRUCTURE

The following diagram represents the corporate structure of DUG:



*DUG notes that Mr Ramsden, a current Non-Executive Director of DUG, holds the remaining 51% interest in the shares of Rouge Rock and is also a Director of Rouge Rock. The other Director of Rouge Rock, Mr Raymond George Barnes, is not related to DUG.

10.4. LEAD MANAGER MANDATE

The Company has entered into a mandate with Canaccord dated 19 December 2019, to appoint Canaccord to act as sole Lead Manager for an issue or sale of Convertible Notes in the Company via a pre-IPO raising, and Lead Manager for a subsequent issue or sale of New Shares through an IPO on the ASX (**Lead Manager Mandate**).

Pursuant to the Lead Manager Mandate, Canaccord is engaged to provide lead manager services to the Company, including but not limited to:

- Assisting with the overall management and administration of the pre-IPO raising and the IPO raising in conjunction with the Company's management team;
- Assisting in the pre-IPO raising and the IPO raising application process and other administration aspects; and
- Providing such other assistance to the Company in connection to the pre-IPO raising and IPO raising, as agreed in writing from time to time.

10.4.1. Commissions, fees and expenses

Pursuant to the Lead Manager Mandate, as consideration for the provision of the Lead Manager services in relation to the pre-IPO raising and the IPO raising, the Company has agreed to:

- Pay Canaccord a capital raising fee of 5% of total capital raised pursuant to the pre-IPO raising; and
- Pay Canaccord a capital raising fee of 5% of total capital raised and total amount paid to the Selling Shareholders pursuant to the IPO raising.

The Company has agreed to reimburse the Lead Manager for all reasonable out-of-pocket and travel expenses incurred by the Lead Manager in relation to the pre-IPO raising and the IPO raising. The Company is also responsible for the reasonable fees and disbursements of the Lead Manager's legal advisers and of any other professional adviser retained by the Lead Manager, resulting from or arising out of either or both of the Lead Manager Mandate and an underwriting agreement (if any) (**Lead Manager's Advisors Costs**). The Lead Manager agrees that the total reimbursement of Lead Manager's Advisors' Costs incurred by the Lead Manager and payable by the Company under the Lead Manager Mandate shall not exceed A$50.0k unless otherwise approved by the Company in writing in advance.

10.4.2. Termination

10.4.2.1. TERMINATION BY DUG

If the Company terminates the Lead Manager Mandate for any reason other than pursuant to negligence, recklessness, breach of the Lead Manager Mandate, wilful misconduct or fraud of the Lead Manager, and during the term of the Lead Manager Mandate, or on or prior to 60 days after the termination of the Lead Manager Mandate, the Company:

- Undertakes any alternative form of equity or hybrid capital raising other than the IPO, other than from any existing Company Shareholders or their related bodies corporate or affiliates; or
- Terminates the Lead Manager Mandate or desists from actively pursuing the IPO; or
- Enters into an agreement with a third party pursuant to which the third party agrees to acquire 50% or more of the Company,

the Company must pay Canaccord a withdrawal fee ranging from A$10.0k up to the full amount of the management and capital raising fees that would have been payable to the Lead Manager by the Company had the pre-IPO raising and IPO raising contemplated by the Prospectus been completed.

A summary of the withdrawal fees payable by the Company are set out below:

- If the withdrawal fee event occurs prior to the commencement of the investor roadshow for the IPO, the withdrawal fee payable will be A$30.0k for each month (or part thereof) since the first due diligence committee meeting, up to a maximum of A$300.0k.
- If the withdrawal fee event occurs after the commencement of the IPO investor roadshow but prior to either the Lead Manager signing an Underwriting Agreement (if any) or lodgement by the Company of the Prospectus pertaining to the IPO raising with ASIC, the withdrawal fee payable will be A$800.0k.
- If the withdrawal fee event occurs after the Lead Manager signs the Lead Manager Mandate (including the Underwriting Agreement, if any) or the Prospectus is lodged with ASIC - the withdrawal fee payable will be equal to the full amount of the management and capital raising fees that would have been payable to the Lead Manager by the Company had the pre-IPO raising and IPO raising contemplated by the Prospectus been completed.

The Company must pay the Lead Manager with withdrawal fee within 14 days of the withdrawal fee event occurring.

10.4.2.2. TERMINATION BY CANACCORD

Canaccord may elect to terminate the Lead Manager Mandate at any time with or without cause upon seven days written notice to the Company.

10.4.2.3. INDEMNITY

Subject to certain exclusions relating to, among other things, negligence, recklessness, fraud or wilful misconduct by the indemnified parties, the Company has agreed to keep the Lead Manager and certain affiliated parties indemnified from losses suffered in connection with the pre-IPO raising and IPO raising.

10.4.2.4. REPRESENTATIONS AND WARRANTIES

The Lead Manager Mandate contains standard representations and warranties by the Company to the Lead Manager. The representations and warranties given by the Company include but are not limited to matters such as power and authorisations, compliance with applicable laws and regulations, the due diligence process, financial information, the conduct of the pre-IPO raising and IPO raising, and litigation.

10.5. CONVERTIBLE NOTE

As at Prospectus Date, DUG has on issue 18,240,000 Convertible Notes with a total face value of A$18.2m. The Convertible Notes were issued to Convertible Note Holders under the pre-IPO capital raising and have the following key terms:

Face Value: Each Convertible Note has a face value of A$1.00;

Interest: Interest will accrue at 10% per annum, any accrued unpaid interest to be paid to the Convertible Note Holder in cash within two Business Days of either the event of default of the Company or of the Company being admitted to the Official List of the ASX;

Maturity Date: Will be either:

- Six months from the date the Convertible Notes were issued; or
- If the Prospectus is lodged with ASIC within the six-month period, three months from the date of lodgement;

Convertible Notes: The Convertible Notes do not confer on the Convertible Note Holder any entitlement to attend or vote at general meetings, receive dividends or participate in any rights issue, bonus issue or other equivalent offer made to the holders of Shares;

Convertible Shares: Convertible Notes will be converted into Shares on payment of the Conversion Price on a Conversion Event. On conversion DUG will be discharged of its obligations under the Convertible Notes;

Conversion Events: The Convertible Notes may be converted within 10 Business Days of the occurrence of any of the following:

- Completion of the IPO;
- DUG undertaking a capital raising of A$5.0m (excluding any capital raising as part of the IPO); or
- An event which results in a change of Control of DUG;

Conversion Price: If the Convertible Notes are converted into Shares on Completion, 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$130.0m. If the Convertible Notes are issued on the Maturity Date (as defined in the Convertible Note agreement), then the lesser of the price equal to 70% of fair market value (determined in accordance with the Convertible Note agreement) and A$2.00.

The Conversion Price of the Convertible Note is A$1.08.

Refer to Section 7.1.5 for a summary of the impact of the Convertible Notes and Convertible Shares on DUG's capital structure at Prospectus Date and on Completion.

10.6. OTHER MATERIAL CONTRACTS

In addition to the executive employment agreements set out in Section 6.3.2 and the Lead Manager Mandate set out in Section 10.4, the Company has the following material contracts:

10.6.1. Material data processing and storage agreements

DUG's main data processing agreements can be broadly grouped into four categories, being DUG McCloud contracts, seismic data processing contracts, on-board service contracts, and software solutions contracts. These contracts vary in their terms depending on the client, jurisdiction and services offered. DUG's pricing models are contained in the relevant contracts. DUG is responsible for delivering the agreed products and services in good faith and with reasonable professional skill, and otherwise the service is provided as is. There are contractual consequences if DUG breaches these relevant obligations, ranging from rectification within an agreed time frame, and potentially, damages and/or termination.

10.6.1.1. DUG MCCLOUD CONTRACTS

DUG has entered into agreements with Geoprocesados SA DE CV, Polarcus UK Limited, Santos WA Energy Pty Ltd, and Fairfield Geotechnologies under which the Company provides cloud-based services through its DUG McCloud platform. These services include access to compute nodes, disc storage, software licences, training, technical support and other services as agreed. These services may be governed by individual service purchase orders made pursuant to an MSA. Clients are charged on an 'as use' basis, fees incurred for software, compute node, disk space or training service use. Costs are capped per financial year for software use.

The common terms in the DUG McCloud contracts include:

Term	On average, two years in length with options to extend in favour of the client, subject to early termination rights.
Termination	Clients can terminate by providing written notice to DUG of up to 30 days. Either party may also terminate on the occurrence of two material breaches not remedied, or if either party ceases business operations or is subject to insolvency proceedings.
IP	DUG owns all IP rights in algorithms and software as well as any created in the course of the agreement.
Liability	Liability capped at payments made under the agreement, based on the last 12 months.

10.6.1.2. SEISMIC DATA PROCESSING CONTRACTS

DUG has entered into seismic data processing agreements with clients including Axxis Geo Solutions A.S, Searcher Seismic Pty Ltd, Spectrum Geo Pty Ltd, Polarcus Seismic Ltd and Equinor ASA amongst others for seismic data processing, depth imaging, quantitative interpretation and other related services. Each client enters into an MSA and then issues purchase orders for the provision of services or the delivery of projects.

The material terms of the MSA's are set out below:

Term	Ongoing until terminated.
Termination	Clients can terminate by providing written notice to DUG of seven days. Either party may terminate due to a material breach of the agreement.
IP	Each party retains their rights to their previously existing IP. Any IP rights created during the provision of the services passes from DUG to the client on payment of the full price for the services rendered by DUG.
Liability	Liability is capped to the agreed payments made under the agreement with no cap for IP infringement or personal injury resulting from gross negligence or wilful misconduct. Neither party to the agreements are liable for consequential loss.

10.6.1.3. ONBOARD SERVICE CONTRACTS

DUG has entered into an agreement with Polarcus UK Limited, continuing an arrangement for DUG to provide certain hardware, software, training, support and maintenance for Polarcus UK Limited's vessels, with an option to include additional on-shore sites. Fees are paid monthly.

The material terms are as follows:

Term	The initial contract runs from 1 January 2020 to 1 January 2023. If it is not terminated by written notice six months before 1 January 2023, the agreement will automatically renew for up to two 12-month periods.
Termination	The client may terminate the agreement by six months written notice prior to the automatic renewal. Either party may terminate the agreement if the other becomes insolvent, commits a material breach not rectified within 14 days, commits repeated breaches, or a force majeure event occurs for more than 30 days.
IP	The parties retain their rights to their previously existing IP. Any IP rights created during the provision of the services vests in the party creating them. In particular, the parties retain rights to any software developed using DUG's application programming interface.
Liability	Mutual indemnities are provided regarding any damage in respect of personal injury and property loss arising out of gross negligence or wilful misconduct, and damage to third parties. These indemnities are capped at US$500k (excluding third party indemnities).

10.6.1.4. SOFTWARE SOLUTIONS – DUG INSIGHT

DUG has entered into software evaluation and licence agreements (**DUG Insight Licence Agreement**) with clients including Apache, INPEX and TGS, whereby DUG licenses the use of DUG Insight.

DUG Insight is a full-featured multi-dimensional visualisation and interpretation software package for scientific signal processing and visualisation.

The DUG Insight Licence Agreement provides scope for DUG to provide two distinct DUG Insight licences being:

- **Commercial licences:** A licence fee must be paid to obtain a commercial DUG Insight licence. The licensee has the option to utilise a 30-day evaluation licence free of charge prior to acquiring a commercial DUG Insight licence.
- **Academic licences:** DUG may provide free or discounted academic DUG Insight licences which are limited to teaching and academic research purposes.

A commercial DUG Insight Licence is available in two forms, being:

- **Node-locked licences:** A node-locked licence is valid only on a single designated computer. A separate licence fee must be paid for each designated computer, and the licensee may not use DUG Insight on any systems not specifically licenced.
- **Floating licences:** A floating licence may be used on any member of a licensee's organisation based in the country of purchase. Each floating licence allows on concurrent user.

The material terms of the DUG Insight Licence Agreement are set out below:

Term	Ongoing for the term for which a licence fee has been paid, or an academic licence has been issued. The licence term automatically renews at the end of each licence term. Thirty days prior to the end of the licence term, DUG provides an electronic renewal invoice to the licensee which specifies the rates to apply to the renewed licence term.
Termination	Upon expiry of the licence term without renewal, or termination of the DUG Insight Licence Agreement by DUG, the rights and licence granted by DUG to the licensee terminate and the licensee must stop using DUG Insight immediately. DUG may terminate the DUG Insight Licence Agreement immediately if the licensee is in breach.
IP	DUG Insight and all IP rights in, and relating to it, are the property of DUG and the licensee does not acquire any rights, proprietary or otherwise, to DUG Insight.
Liability	DUG's total liability to a licensee for any claim, including any interest on any claim, arising out of a DUG Insight Licence Agreement is limited to the licence fee paid in the 12 months preceding the circumstances that gave rise to the claim.

10.7. TAXATION CONSIDERATIONS

10.7.1. Summary of tax issues for Australian tax resident investors

The comments in this Section 10.7 provide a general outline of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus and that hold Shares on capital account for Australian income tax purposes. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts (other than managed investment trusts and attribution managed investment trusts), partnerships and complying superannuation entities that hold their shares on capital account.

This summary does not consider the consequences for foreign resident Shareholders, insurance companies, banks, managed investment trusts, attribution managed investment trusts, Shareholders that hold their Shares on revenue account or carry on a business of trading in shares, Shareholders who are exempt from Australian tax, Shareholders who acquired their Shares pursuant to an employee share or option scheme or in return for services or Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the Income Tax Assessment Act 1997 (Cth).

The summary is general in nature and is not exhaustive of all Australian tax consequences that could apply in all circumstances of any given Shareholder. The individual circumstances of each Shareholder may affect the taxation implications of the investment of the Shareholder.

It is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.

The summary is based on the relevant Australian tax law in force, applicable case law and published rulings, determinations, statements of administrative practice of the relevant Australian tax authority at the time of issue of this Prospectus. The summary does not take into account the tax law of countries other than Australia.

Tax laws are complex and subject to ongoing change. The tax consequences discussed in these summaries do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not constitute financial product advice as defined in the Corporations Act. DUG and its advisers disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

10.7.2. Dividends: Australian resident individuals and complying superannuation entities

Where dividends on a Share are paid by DUG, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid for taxation purposes (including under a dividend reinvestment plan), together with any franking credits attached to that dividend.

The rate of tax payable by each Australian Shareholder that is an individual will depend on the individual circumstances of the Shareholder and his/her prevailing marginal rate of income tax.

Shareholders who are individuals or complying superannuation entities should be entitled to a tax offset equal to the franking credits attached to the dividend subject to being a qualified person (refer further comments below). The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

Where a dividend paid by DUG is unfranked, the Shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

Shareholders, including Shareholders who are individuals or complying superannuation entities should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

10.7.3. Dividends: corporate Shareholders

Where a Shareholder is a company (i.e. corporate Shareholder), the Shareholder is also required to include both the dividend and any associated franking credits in their assessable income. Subject to the Shareholder being a 'qualified person' (refer further below), a tax offset is then allowed up to the amount of the franking credits on the dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credits attached to the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own shareholder(s) on the payment of franked dividends.

Excess franking credits received by a corporate Shareholder cannot generally give rise to a refund, but may in certain circumstances be converted into carry forward tax losses.

Corporate Shareholders should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation and availability of carry forward tax losses arising from excess tax offsets.

10.7.4. Dividends: trusts and partnerships

Australian tax resident Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and any associated franking credits in assessing income for the purpose of determining the net income of the trust or partnership. Subject to being a “qualified person” (refer to further comments below), the relevant beneficiary of the trust, to whom trust income is distributed and who is presently entitled to the trust income or relevant partner of the partnership may be entitled to a tax offset equal to the beneficiary’s or partner’s share of the franking credit, if any, received by the trust or partnership.

10.7.5. "Qualified Person"

To be eligible for the benefit of franking credits and any associated tax offset a Shareholder must be a "qualified person". Broadly, to be a "qualified person", the Shareholder must satisfy the "holding period" rule, including if necessary, the "related payment" rule. The "holding period" rule requires that a Shareholder hold the Shares “at risk” for at least 45 days continuously in the period beginning the day after the day on which the Shareholder acquires the Shares and ending on the 45th day after the day on which the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. Any reference to holding a Share in this Section 10.7.5 also includes holding an interest in Shares.

Any day on which a Shareholder has a materially diminished risk of loss or opportunity for gain in respect of the Shares (for example through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares “at risk”.

In broad terms, the "related payment" rule will apply if a Shareholder or any of their "associates" passes, or is under an obligation to pass the benefit of the dividend to another person. Under the "related payment" rule the Shareholder will need to have held the Shares "at risk" for a continuous period of 45 days commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend.

Where these rules are not satisfied the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset. The "holding period" rule is subject to certain exceptions, including that it will not apply to a Shareholder who is an individual whose franking credit entitlement (from distributions received in the relevant income year) do not exceed A$5.0k for the relevant income year. Special rules apply to trusts and beneficiaries.

Further, there are special integrity measures such as dividend washing rules which can apply such that no tax offset is available (nor is an amount required to be included in your assessable income) for a dividend received. Shareholders should obtain their own professional tax advice in respect of the impact of these as well as other integrity measures which may apply to the claiming of tax offsets, having regard to their own facts and circumstances.

10.7.6. Capital gains tax (CGT) implications for Australian tax resident Shareholders on a disposal of Shares

The disposal of a Share by a Shareholder will be a CGT event.

A capital gain will arise where the capital proceeds received (or deemed to be received) on the disposal of the Share exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs incurred in relation to the acquisition or disposal of the Shares). In the case of an arm’s length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the Shares.

A capital loss will arise where the reduced cost base of the Share exceeds the capital proceeds received (or deemed to be received) on the disposal of the Share (broadly, the amount paid to acquire the Share plus any transaction costs incurred in relation to the acquisition or disposal of the Share). In the case of an arm’s length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the Shares. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other forms of assessable income.

Generally, all capital gains and losses made by a Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Shareholder has made a net capital gain or net capital loss for the year. A net capital gain is included in a Shareholder’s assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of the loss recoupment rules for companies).

A "CGT discount" may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held (for income tax purposes) for at least 12 months prior to the CGT event. Where the "CGT discount" applies, any net capital gain arising to individuals and entities acting as Trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses. The reduced amount is included in assessable income.

Where the Shareholder is the trustee of a trust that has held (for income tax purposes) the Shares for at least 12 months before disposal, the "CGT discount" may flow through to the beneficiaries of the trust if those beneficiaries are not companies and are Australian tax residents. Shareholders that are trustees (and the beneficiaries of any corresponding trust) should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for the "CGT discount".

10.7.7. Tax File Numbers

Resident Shareholders may, if they choose, quote their tax file number (**TFN**), or where relevant their ABN, to DUG. However, if a valid TFN, ABN or exemption details are not provided, Australian income tax may be required to be deducted by DUG from distributions and/or unfranked dividends at the maximum marginal tax rate plus any relevant levy (e.g. the Medicare levy). Australian tax should not be required to be deducted by DUG in respect of fully franked dividends.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN.

Resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any income tax withheld on dividends in their income tax returns.

10.7.8. Stamp duty

No duty should be payable by a Shareholder on the issue or acquisition of Shares pursuant to the Offer. Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

10.7.9. Australian Goods and Services Tax (GST)

No GST should be payable by Shareholders in respect of the acquisition or disposal of their Shares in DUG regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition or disposal of the Shares. Separate GST advice should be sought by Shareholders in respect to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by DUG.

10.8. OWNERSHIP RESTRICTIONS

10.8.1. General foreign selling restrictions

The sale and purchase of Shares in DUG is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 10.8 contains a general description of these laws.

10.8.2. Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in DUG.

10.8.3. Foreign Acquisitions and Takeovers Act

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where a foreign person holds a substantial interest in DUG or foreign persons hold an aggregate substantial interest in DUG, DUG itself will be a "foreign person" for the purposes of the FATA.

Where an acquisition of a substantial interest or an aggregate substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy (**FATA Policy**) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the FATA Policy, acquisitions of a direct interest in an Australian company by foreign Governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the FATA Policy, a "direct interest" will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

10.9. FOREIGN SELLING RESTRICTIONS

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold in the Offer, in any country outside Australia except to the extent permitted below.

10.9.1. Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**the SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

10.9.2. New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (**the FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- Is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- Meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- Is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- Is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- Is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

10.9.3. Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**the SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

10.9.4. United Kingdom

Neither this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the UK and no prospectus (within the meaning of Section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the UK by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under Section 86(1) of the FSMA. This document is issued on a confidential basis in the UK to "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing Section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the UK.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the UK in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

In the UK, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

10.10. PRIVACY

By filling out an Application Form to apply for Shares, you are providing personal information to DUG and the Share Registry, which is contracted by DUG to manage Applications. DUG, and the Share Registry on its behalf, may collect, hold, use and disclose that personal information for the purpose of processing your Application, servicing your needs as a Shareholder, providing facilities and services that you need or request and carrying out appropriate administration. If you do not provide the information requested in the Application Form, DUG and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in DUG's Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included in the Share register if you cease to be a Shareholder.

DUG and Share Registry may disclose your personal information from time to time to inform you about other products and services offered by DUG which they consider may be of interest to you. Your personal information may also be provided to DUG’s agents and service providers on the basis that they deal with such information in accordance with DUG’s privacy policy. The members, agents and service providers of DUG may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared include those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- The Share Registry for ongoing administration of the Share register;
- The Lead Manager in order to assess your Application;
- Brokers for the purpose of providing their services;
- Printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- Market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, contractors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

Information contained in DUG's Share register is also used to facilitate corporate communications (including DUG's financial results, annual reports and other information that DUG may wish to communicate to its Shareholders) and compliance by DUG with legal and regulatory requirements.

An applicant has a right to access, correct and update his or her personal information that DUG and the Share Registry hold about that person, subject to certain exemptions under law. A reasonable fee may be charged for access. Access requests must be made in writing or by telephone call to DUG's registered office or the Share Registry's office, details of which are disclosed in the corporate directory on the final page of this Prospectus. DUG will aim to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact DUG or the Share Registry if any of the details you have provided change.

Applicants can obtain a copy of DUG's privacy policy by visiting the DUG website (www.dug.com). By submitting an Application you agree that DUG and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

10.11. LITIGATION AND CLAIMS

Other than as set out below at Section 10.12, as at Prospectus Date, so far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which DUG is directly or indirectly concerned, which is likely to have a material adverse impact on the business or financial position of DUG.

10.12. PATENT INFRINGEMENT LITIGATION

Two of the Company's wholly owned subsidiaries, DownUnder GeoSolutions Pty Ltd and DownUnder GeoSolutions (Asia) Sdn Bhd, are co-respondents in litigation commenced in November 2018 in the Federal Court of Australia by one of their competitors, PGS Australia Pty Ltd. The other co-respondents to the litigation are eight entities from the Polarcus group of companies.

PGS is the Australian subsidiary of Petroleum Geo-Services ASA, an international marine geophysical company. PGS acquires and processes seismic data to provide seismic images and 3D data describing the subsurface beneath the ocean floor. PGS is the registered owner of a number of patents in Australia, including:

- Australian Registered Patent Numbered 2003207039 (the 039 Patent), which expires on 2 July 2023; and
- Australian Registered Patent Numbered 2004203132 (the 132 Patent), which expires on 9 July 2024.

Both the 039 Patent and the 132 Patent relate to the acquisition and processing of marine seismic data. The claimed invention in the 039 Patent relates to the acquisition of marine seismic data using multiple sources that are a known distance from one another, such that the sources are reflected by substantially the same portion of the seabed. The 132 Patent relates to a method used to process seismic data, where the data was obtained from at least two seismic sources using a variable time delay between the sources.

The litigation presently concerns the acquisition by one or more of the Polarcus co-respondents, and subsequent processing by one or both of the DUG co-respondents, of data during the course of three marine seismic surveys known as the Capreolus, Cygnus and Baxter surveys.

In the litigation, PGS claims that:

1. The DUG co-respondents have infringed certain claims of the 039 Patent and 132 Patent by using the methods comprised in those claims;
2. The DUG co-respondents have infringed certain claims of the 039 Patent and 132 Patent in the pursuit of a common design with the Polarcus co-respondents;
3. In so doing, the DUG co-respondents have caused loss and damage to PGS in the form of:
   a. Loss of profits from the sale of PGS' products and services in Australia;
   b. Further and alternatively, loss of licence fees; or
   c. Further and alternatively, loss of value of the 039 and 132 Patent.

The DUG co-respondents deny the claims made by PGS. DownUnder GeoSolutions Pty Ltd has also filed a cross-claim against PGS. The cross-claim pleads that relevant claims of both the 039 and 132 Patents are invalid because they are not patentable inventions, certain claims are not fairly based on the matters described in the specifications, and the specifications do not accurately describe the invention fully and are unclear.

All of the parties have filed pleadings in respect of the main claim and the cross-claim. However, in May 2020, PGS filed an interlocutory application seeking leave of the Court to amend its statement of claim to include allegations that the respondents had, or were continuing to, infringe the 039 Patent and 132 Patent by conducting additional surveys and, in the case of the DUG co-respondents, engaging in one or more reprocessing projects of data acquired in the Capreolus and Cygnus surveys.

The respondents have indicated that they do not consent to PGS being granted leave to file an amended statement of claim in the proposed terms. The respondents have filed affidavit evidence in support of their opposition to PGS' interlocutory application. There are orders for PGS to file affidavit evidence in reply and for all parties to file written submissions in relation to PGS' interlocutory application.

In any event, before the litigation can progress any further toward trial, all of the parties to the litigation will be required to file amended pleadings. As at the date of this Prospectus, no orders have been made with respect to the provision of discovery (a process of disclosing evidence with respect to the litigation) or evidence (which is likely to include evidence from independent experts in the relevant fields) and a trial date has not yet been set. At best it is presently able, the Company anticipates that any trial of the litigation is unlikely to occur prior to 2021.

Whilst the DUG co-respondents are defending the claims made by PGS and DownUnder GeoSolutions Pty Ltd has filed a cross-claim seeking the revocation of the 039 Patent and 132 Patent, the outcome of litigation is inherently uncertain. Should PGS be partially or wholly successful in its claims against the DUG co-respondents, the DUG co-respondents may be required to pay damages to PGS and/or be required to alter their operations so as to avoid being in breach of any injunction. PGS is also seeking to recover from the DUG co-respondents its legal fees and costs associated with the litigation.

In Australia, should PGS be partially or wholly successful in its claims against the DUG co-respondents, the Company may be unable to use its DUG Deblend technology in the course of processing marine seismic data (or permitting its clients from using such technology for that purpose). Such restrictions would apply until the relevant patent or patents expire in 2023 (in the case of the 039 Patent) and 2024 (in the case of the 132 Patent). Outside of Australia, DUG may be able to continue to use its DUG Deblend technology in the course of processing marine seismic data in those jurisdictions in which PGS is not the owner of equivalent patents.

The DUG co-respondents are likely to continue to incur significant costs in defending the litigation and prosecuting the cross-claim (whether or not PGS' claims are successful) while the litigation is ongoing.

10.13. CONSENTS TO BE NAMED AND INCLUSION OF STATEMENT AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties listed below in this Section 10.13 (each a consenting party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the consenting parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements appear:

- Canaccord has given, and has not withdrawn prior to Prospectus Date, its written consent to be named in this Prospectus as Lead Manager to the Offer;
- Clayton Utz has given, and has not withdrawn prior to Prospectus Date, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation and stamp duty matters) to DUG in relation to the Offer in the form and context in which it is named;
- Baker Botts has given, and has not withdrawn prior to Prospectus Date, its written consent to be named in this Prospectus as UK and US legal adviser to DUG in relation to the Offer in the form and context in which it is named;
- ZICO Law has given, and has not withdrawn prior to Prospectus Date, its written consent to be named in this Prospectus as Malaysian legal adviser to DUG in relation to the Offer in the form and context in which it is named;
- MSPCS has given, and has not withdrawn prior to Prospectus Date, its written consent to be named in this Prospectus as Investigating Accountant to DUG in relation to the Financial Information in the form and context in which it is named and to the inclusion in this Prospectus of its Investigating Accountant's Report in Section 8 in the form and context in which it is included;
- Moore Stephens Perth has given, and has not withdrawn prior to Prospectus Date, its written consent to be named in this Prospectus as Auditor to DUG in the form and context in which it is named;
- Richard A. Fagin has given, and has not withdrawn prior to Prospectus Date, his written consent to be named in this Prospectus as Patent Attorney to DUG in relation to DUG's IP in the form and context in which he is named and to the inclusion in this Prospectus of the Patent Report in Section 9 in the form and context in which it is included; and
- Computershare Investor Services Pty Limited has given, and has not withdrawn prior to Prospectus Date, its written consent to be named in this Prospectus as the Share Registry to DUG in the form and context in which it is named.

No consenting party referred to in this Section has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each consenting party referred to in this Section has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, except as stated above in this Section.

DUG has included statements in this Prospectus made by, attributed to or based on statements made by the following parties:

- CSO, “High Performance Computing Market Garner USD 718.9 Bn by 2026” (2019).
- Data Centre Dynamics, "DCD>Awards 2019: Winners announced" (2019).
- Equinix, "Equinix Design PUE" (2020).

- ExxonMobil Europe, "Overview" (2019).
- Fortune 500 (2019).
- International Centre for Radio Astronomy Research, "WA Science and Industry Leaders put their Heads Together to Search for the First Starts and Galaxies' (2020).
- Kimberlite Research, “Geologic & Geophysical Software Supplier Performance Report” (2020).
- Mordor Intelligence, " Cloud Storage Market Size, Share – Growth, Trends and Forecasts (2020-2025)" (2020).
- Ron Bousso of Reuters, "After Billion-barrel Bonanza, BP goes Global with Seismic Tech" (2019).
- Uptime Institute, “Annual Data Center Survey Results” (2019).
- Google, “Google 2019 Environmental Report” (2019).
- PESA News, “The background believers of Dorado who had the vision & drive to make it all happen” (2020).

The inclusion of statements made by, attributed to or based on statements made by these parties has not been consented to by the relevant party for the purpose of Section 729 of the Corporations Act and are included in this Prospectus by DUG on the basis of ASIC Corporations (Consent to Statements) Instrument 2016/72 relief from the Corporations Act for statements used from books, journals or comparable publications.

10.14. ASIC RELIEF

The Company has sought and obtained a declaration from ASIC modifying Chapter 6 of the Corporations Act so that the voluntary escrow arrangements described in Section 7.1.7 do not give rise to a relevant interest for the Company in respect of the escrowed Shares held by Voluntary Escrowed Shareholders.

10.15. COSTS OF THE OFFER

The costs of the Offer are expected to be US$1.8m (A$2.8m) (pre-GST) based on the Offer Price. These costs will be borne by DUG from the proceeds of the Offer. These costs of the Offer include adviser fees as referred to in Section 6.3.1.

10.16. CONTRACT SUMMARIES

Summaries of contracts set out in Section 10.6 of this Prospectus are included for the information of potential investors but do not purport to be complete and are qualified by the text of the contracts themselves.

10.17. PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents, that the assets shown in them are owned by DUG. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at Prospectus Date.

10.18. GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in Western Australia and each applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Western Australia and of the Commonwealth of Australia.

10.19. STATEMENT OF DIRECTORS AND SELLING SHAREHOLDERS

Each Director and Selling Shareholder has authorised the issue of this Prospectus and has consented to its lodgement with ASIC and has not withdrawn that consent as at Prospectus Date.

11 APPENDICES

11. Appendices

APPENDIX A. SUMMARY OF KEY ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information included in Section 4 are set out below.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in Section 4 are as follows. These policies have been consistently applied to the period covered by the Financial Information section, unless otherwise stated.

The consolidated financial information of DUG comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is comprised of for-profit entities.

1. Basis of preparation

The financial information of DUG has been prepared in accordance with Australian Accounting Standards and Interpretations of the AASB which are consistent with International Financial Reporting Standards (IFRS) as issued by the IASB.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The directors have decided not to early adopt any of the new and amended pronouncements. Their assessment is that none of the pronouncements that are relevant to the Group are expected to significantly impact on the financial position of the Group or future results.

2. 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 US$ because 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 refinanced to US$ (Para 10(a) – "the currency in which funds from financing activities")

The consolidated financial information is presented in US dollars, which is the parent entity's functional and presentation currency.

3. Basis of measurement

The consolidated financial information, except for cashflow information, have been prepared on an accrual basis and is based on historical costs unless otherwise stated.

4. 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:

JUDGEMENTS USED IN ESTIMATING REVENUE RECOGNISED OVER TIME

As discussed in Note 5 (c), 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.

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 (refer Note 5 (i)) 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.

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 increase/decrease where the useful lives are less than/greater than previously estimated lives, or will increase when technically obsolete or non-strategic assets that have been abandoned or sold are 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.

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.

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.

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.

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.

5. Significant accounting policies

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

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 US 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) in respect of the periods reported in this section. Therefore, no adjustments were made to the Statement of profit or loss and other comprehensive income for the period ending 30 June 2018 and consequently revenue has been recognised on a consistent basis for the years ended FY18, FY19 and H1FY20.

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.

Accounting policies applicable to specific types of revenue

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. HPC is invoiced at an agreed rate per node hour, whilst storage is based on an agreed rate for petabytes used.

Service revenue

The Company provides services, such as data processing, 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 licence and support fees.

Revenues relating to non-refundable upfront 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. Revenue relating to support or maintenance services provided over the period of the licence agreement are recognised as revenue over the term of the agreement.

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.

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 whilst 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 technical 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 12 months after the end of the annual 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' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual 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 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 12 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 DownUnder GeoSolutions (Australia) Pty 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 year and any adjustment to tax payable or receivable in respect of previous years. 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 to the extent that the Group;
- The reversal of temporary differences where DUG 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 DownUnder GeoSolutions (Australia) Pty Ltd.

f) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and service tax except:

- Where the amount of GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the amount of GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable, or payable, to the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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 improvements pool is made up of the Group's office fit out costs.

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

- Right of use assets - See policy note 5(n) -no longer than period of lease.
- HPC computer equipment (compute & storage) - 4 to 5 years for new purchases as from 1 July 2019 (previously 3 to 4 years).
- HPC Computer equipment (data centre infrastructure) - 10 to 20 years, no longer than the period of the lease, including renewal options.
- Office equipment and motor vehicles - 3 to 4 years.
- Leasehold improvements (comprising office fit outs) - 10 to 20 years, no longer than the period of the lease, including renewal options.

The impact on the statement of profit or loss of the change to useful lives of computer equipment is explained in Section 0, Note 5.

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.

Research and development
R&D costs are expensed as incurred.

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.

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.

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.

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 AASB 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 *AASB 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 AASB 3 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 AASB 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 inter-group 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) Impairment of assets

Non-derivative financial assets
Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers and issuers;
- The disappearance of an active market for a security; or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost
The Group considers evidence of impairment for financial assets measured at both a specific asset and a collective level. All individually significant assets are assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Equity-accounted investees
An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying value. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite life intangible assets are tested annually for impairment.

Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets of cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of the asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

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.

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 year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Leases
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 assets and corresponding lease liability is recognised by the Company where the Company is the 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 lease 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 its 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 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 shorter. 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.

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.

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.

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.

APPENDIX B. GLOSSARY

Defined Terms	
H1FY20	Half year ending 31 December 2019.
AASB	Australian Accounting Standards Board.
ABN	Australian Business Number.
ACN	Australian Company Number.
AGS	Axxis Geo Solutions.
Application Form	The application form attached to or accompanying this Prospectus relating to the Offer in either paper or electronic format.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange operated by it (as the context requires).
ASX Listing Rules	The official listing rules of ASX as amended from time to time.
ASX Recommendations	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition).
ASX Settlement	ASX Settlement Pty Limited ACN 008 504 532.
ASX Settlement Operating Rules	The operating rules of ASX Settlement.
A$ or $	Australian dollars.
Auditor	Moore Stephens Perth, Chartered Accountants.
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB and Urgent Issues Group interpretations.
Australian Accounting Standards Board	The AASB is an Australian Government agency under the Australian Securities and Investments Commission Act 2001.
AWS	Amazon Web Services. A cloud vendor.
Azure	Microsoft Azure. A cloud vendor.
Baker Botts	Baker Botts L.L.P. and its associated law firm Baker Botts (UK) LLP.
bn	Billion.
Board	The board of Directors of DUG.
Board Committees	Committees established by the Board, including the Audit and Risk Committee and Remuneration and Nomination Committee.
Business Day	A day which is not a Saturday, Sunday or public holiday in Perth, Western Australia.
Canaccord	Canaccord Genuity (Australia) Limited ACN 075 071 466.
CAGR	Compound annual growth rate.
CFO	Chief Financial Officer.
CGT	Capital Gains Tax.
Chairperson	The Chair of DUG.
CHESS	The Clearing House Electronic Sub-register System for settlement of shares on the ASX, operated by ASX Settlement.
Closing Date	The closing date of the Offer as set out in the Key Date (subject to DUG reserving the right to extend the Closing Date or to close the Offer early.
CFS	Cluster File Systems.
CBA	Commonwealth Bank of Australia.
Company Secretary	Company secretary of DUG.
Completion	The completion of the Offer, being the date on which all of the New Shares and Sale Shares are issued to successful applicants in accordance with the terms of the Offer.
Constitution	The constitution of DUG from the date of Admission as amended from time to time.

Defined Terms	
Control	Has the meaning given in Section 50AA of the Corporations Act.
Conversion Price	Has the meaning given in Section 10.5.
Convertible Note	Has the meaning given in Section 10.5.
Convertible Note Holder	A holder of a Convertible Note.
Corporations Act	Corporations Act 2001 (Cth).
DCD	Data Centre Dynamics.
Director	Director of DUG.
DSL	Domain-specific languages.
DUG	DUG Technology Ltd ACN 169 944 334.
DUG co-respondents	DownUnder GeoSolutions Pty Ltd and DownUnder GeoSolutions (Asia) Sdn Bhd.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EFIC	Export Finance Insurance Corporation.
Eligible Participant	Has the meaning given in Section 6.3.3.1.
Enterprise Value	Enterprise value at the Offer Price is defined as the indicative Market Capitalisation at the Offer Price, less pro forma net cash as at 31 December 2019.
Exaflop	One thousand petaflops.
Existing Owners	Shareholders of DUG as at Prospectus Date.
Executive Director	A Director of DUG who is also a full-time employee of the Company.
Expiry Date	The last date on which Shares may be issued under this Prospectus, being no later than 13 months after Prospectus Date.
FATA	Foreign Acquisitions and Takeovers Act 1975 (Cth).
FATA Policy	Australian Federal Government's Foreign Investment Policy.
Financial Information	Has the meaning given to that term in Section 4.1.
Flops	Floating point operations per second.
FWI	Full wave inversion.
GDPR - Europe	General Data Protection Regulation.
General Counsel	General counsel of DUG.
GPU	Graphics processing unit.
Group	DUG Technology Ltd and its subsidiary and associated entities.
GST	Goods and Services Tax or similar tax imposed in Australia.
HF-FWI	High-frequency full-waveform inversion.
HPC	High performance computing.
HPCaaS	HPC as a service.
Hz	Hertz.
IASB	International Accounting Standards Board.
ICRAR	International Centre for Radio Astronomy Research.
IFRS	International Financial Reporting Standards.
Intel	Intel Corporation, an American multinational corporation and technology company.
Investigating Accountant	Moore Stephens Perth Corporate Services Pty Ltd.
Investigating Accountant's Report	The report prepared by the Investigating Accountant in Section 8.
IP	Intellectual Property.
IPO	Initial Public Offering.
IPO Bonus	Ms Bower's bonus in connection with the Offer as set out in Section 6.3.2.2.
IT	Information Technology.
k	Thousand.

Defined Terms	
KL	Kuala Lumpur.
Lead Manager's Advisors Costs	Has the meaning given in Section 10.4.1.
Lead Manager	Canaccord Genuity (Australia) Limited.
Lead Manager Mandate	Has the meaning given in Section 10.4.
Leadership Team	The leadership team of DUG includes Matthew Lamont, Louise Bower, Philip Schwan, Troy Thompson, Simon Davey, Gunaseelan Cumaran, Mark Lommers and Stuart Midgley.
Loan	Loans issued to acquire Shares under the Loan Share Plan, as set out in Section 6.3.3.
Loan Share Plan	The DownUnder GeoSolutions (Australia) Pty Ltd (now changed its name to DUG Technology Ltd) Loan Share Plan Rules containing the key terms summarised in Section 6.3.3 and under which Eligible Employees were granted Shares and Loans.
Long Term Incentive Plan	The new Long Term Incentive Plan containing the key terms summarised in 6.3.5 and under which eligible participants are granted Loan Shares and Awards.
Lustre	The Lustre® file system is an open-source, parallel file system.
m	Million.
Market Capitalisation	Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on Completion.
Moore Stephens Perth	Moore Stephens Perth, Chartered Accountants.
MSPCS	Moore Stephens Perth Corporate Services Pty Ltd.
MSA	Master service agreement.
MSC	Multimedia super corridor.
MW	Megawatt
New Shares	Means the Shares to be issued by DUG pursuant to this Prospectus.
Non-Executive Director	A Director of DUG who is not a full-time employee of the Company.
NVIDIA	Inventor of the GPU, which creates interactive graphics on laptops, workstations, mobile devices, notebooks, etc.
NPAT	Net profit after tax.
Offer	The offer of Shares under this Prospectus, comprising the New Shares and Sale Shares.
Offerors	DUG and the Selling Shareholders.
Offer Information Line	1300 582 256 (toll free within Australia) or +61 1300 582 256 (from outside of Australia) from 8.30 am to 5.00 pm WAST, Business Days.
Offer Price	A$1.35 per Share.
Official List	The official list of the ASX, of entities which have been admitted to, and not removed from, listing.
Official Quotation	The quotation of Shares on the ASX for trading purposes.
Other Existing Owners	Includes Existing Owners who are not Employees, Directors, members of the Leadership Team or Convertible Note Holders.
P&I	Processing and imaging.
PB	Petabyte.
PF	Petaflop. One thousand trillion (10^{15}) flops.
PGS	PGS Australia Pty Ltd.
Polarcus co-respondents	Eight members of the Polarcus group company entities, being co-respondents to the litigation.
Privacy Act	Privacy Act 1988 (Cth).

Defined Terms	
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date this Prospectus was lodged with ASIC, being 10 July 2020.
PUE	Power usage effectiveness.
QC	Quality control.
R&D	Research and development.
SaaS	Software as a service.
Sale Shares	The Shares offered by Selling Shareholders, pursuant to this Prospectus.
Selling Shareholder	Dr Matthew Lamont, Dr Troy Thompson and Mr Philip Schwan.
Services	DUG’s services business unit.
Settlement	Settlement in respect of the Shares which are the subject of the Offer.
SFO	Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.
Share	A fully paid ordinary share in DUG.
Share Registry	Computershare Investor Services Pty Limited.
Shareholders	A registered holder of a Share.
Short Term Incentive Plan	The new Short Term Incentive Plan containing the key terms summarised in 6.3.4 and under which eligible participants are granted equity incentives.
SKA	Square Kilometre Array.
Software	DUG’s software business unit.
Sophisticated or Professional Investors	An investor to whom offers or invitations in respect of securities may be made without the need for a disclosure document under sections 708(8) and 708(11) of the Corporations Act, provided that such a person is not located in the US and is not or acting for the account or benefit of a person located in the US.
SSD	Solid-state drive.
TCO	Total cost of ownership.
UK	United Kingdom of Great Britain and Northern Ireland.
US	United States of America.
US Securities Act	US Securities Act of 1933.
US$	US dollars.
VAST	Universal storage for data.
VM	Virtual machine.
VPN	Virtual private network.
WAST	Western Australia Standard Time
you	The investors under this Prospectus, and “your” has a corresponding meaning.
ZICO Law	Zaid Ibrahim & Co.

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Team DUG, 2007