ANNUAL REPORT FY22

DUG Technology Ltd
ABN 99 169 944 334

Contents

All financial numbers are expressed in US Dollars unless otherwise stated

Year at a Glance

Revenue

FY22 $33.7 million

FY21 $38.5 million

2H22 $16.7 million

2H21 $16.5 million

HPC Revenue

FY22 $3.9 million

FY21 $2.7 million

2H22 $2.2 million

2H21 $1.5 million

EBITDA

FY22 $2.7 million

FY21 ($1.7 million)

2H22 $2.7 million

2H21 ($3.6 million)

Operating Cash Flow

FY22 ($0.4 million)

FY21 ($2.8 million)

2H22 $2.1 million

2H21 ($2.1 million)

People

237

Down 23%

on 30 June 2021

Gross Debt

(excl. lease liabilities)

$4.5 million

Down 75%

on 30 June 2021

Our Business

DUG FROM A HELICOPTER

Business Units

National Security & Space

Oil & Gas

Enterprise

Product Lines

Software

- Analytic software development
- Algorithms and optimisation
- Data processing and visualization
- DUG Insight in 36 countries

High-Performance Computing (HPCaaS)

- Green HPC and storage
- Patented DUG Cool immersion technology
- Design/own/operate some of the largest and greenest supercomputers on Earth
- Deployable complete HPC system

Services

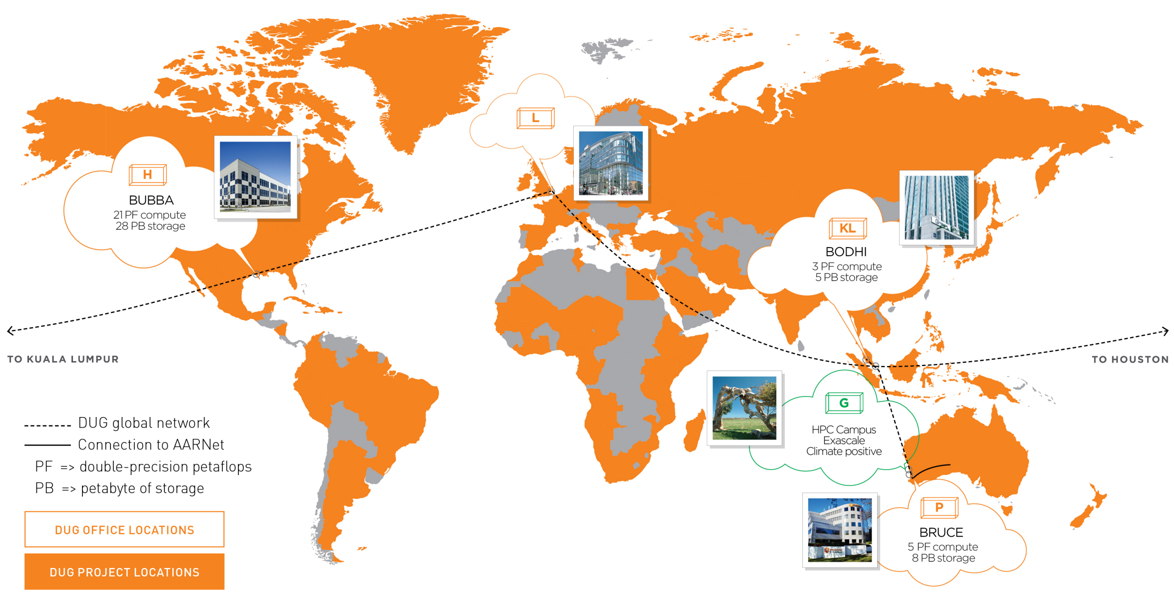
- Data science
- Geoscience
- High-frequency Full Waveform Inversion

Delivery Platform

dug McCloud

- Collaborative & client-focused
- Private & secure
- Multi-tiered integration
- Direct or cloud-based
- Brings together all business lines

GLOBAL LOCATIONS



Letter from the Managing Director

As Managing Director of DUG, I am pleased to present the 2022 Annual Report.

The first half of this financial year saw DUG face a number of challenges, but has ended with a very promising six months. We have truly experienced the highs and the lows of a world still grappling with the lasting impacts of a global pandemic.

The year started with poor market conditions driven primarily by a low oil price, which in turn affected DUG's financial performance in that business area. DUG took decisive action, restructuring the company into specific Business Units which has resulted in increased accountability, improved results, and ultimately in DUG becoming cash generative.

Part of this restructure was the reduction in our workforce numbers from 306 at 30 June 2021 to 237 at 30 June 2022. While these decisions are never easy for any business, they were necessary to ensure DUG would emerge from the COVID-19 pandemic and the downturn in oil price, stronger than ever. The final aspects of this restructure are playing out now with the London team moving to an office that is more fit-for-purpose and more affordable. What is important here is that significant leverage still exists to grow revenue with our current staff numbers, which is explained below.

Since March 2022 we have been and continue to action a tremendous back log of work in the oil and gas services division. This is the largest back log of work I can recall us ever having by a long shot. Unfortunately for various reasons (such as slow delivery of data and difficulty of vessels commencing seismic surveys) monetising this backlog is taking slightly longer than expected. However, momentum is building, and this revenue will most definitely be realised.

A breakthrough in our multi-parameter FWI Imaging was made late last year. It has subsequently been applied to many datasets with consistently good results. We are now able to replace the traditional processing and imaging of most datasets. We are working hard to generate more examples, ensuring world-wide promotion, rapidly capturing the market, and turning this tech into revenue.

This new technology uses roughly 10% of the manpower of the traditional workflow, which means our current workforce can dramatically increase our revenue given good technology adoption. The approximate equation is 10% of the man time, 10% of the calendar time and 15 times more compute.

I cannot understate the gravity of this breakthrough. Having worked in this area for more than three decades, I know first-hand that these discoveries do not come around regularly. It has the potential to cut workflows from many months to a few weeks. It has the potential to revolutionise the work we do in the oil and gas industry and I look forward to DUG being at the forefront of capturing this new market.

The increased accountability that has resulted from the introduction of Business Units has provided spare compute cycles from our current cluster which will allow us to significantly grow this business.

Our focus on software is going well and is demonstrated through good growth in revenue this financial year. The recurring revenue nature of software has been tested thoroughly over the past two years and has come out trumps! We have increased our sales force in this product line.

We have continued to grow our high performance computing as a service offering with significant beach-heads now established. This is another recurring revenue product line with good margins and massive potential, and we have grown the sales team involved in this product line as well.

We have also received our ISO9001 and ISO27001 accreditation! A tremendous achievement by the small team involved. This opens more business in the short term. We are now working on DISP accreditation, which will unlock further business opportunities, particularly in the defence space.

We have extended the CBA facilities for a further two years with bank debt of $4.5 million as at 30th June 2022.

Finally, I would like to thank all the shareholders for their continued support during this difficult period, as we all look forward to a much brighter future.

____

Matthew Lamont Ph.D.
MANAGING DIRECTOR

Operational and Financial Review

US$000's	FY2022	FY2021	% change
Revenue	33,664	38,450	(12%)
EBITDA[1]	2,725	(1,730)	258%
EBITDA[1] margin	8.1%	(4.5%)	280%
Loss before tax	(6,599)	(12,897)	49%
Loss after tax	(9,420)	(15,860)	41%
Loss per share (cents)	(8.13)	(16.58)	51%

EXECUTIVE SUMMARY

Positive EBITDA recorded for the year following a reset of the cost base of the Company and in particular the Services business line. HPCaaS and Software revenue grew in FY2022 with a reduction of Services revenue driving the decreased revenue for the year.

REVENUE ACROSS BUSINESS LINES

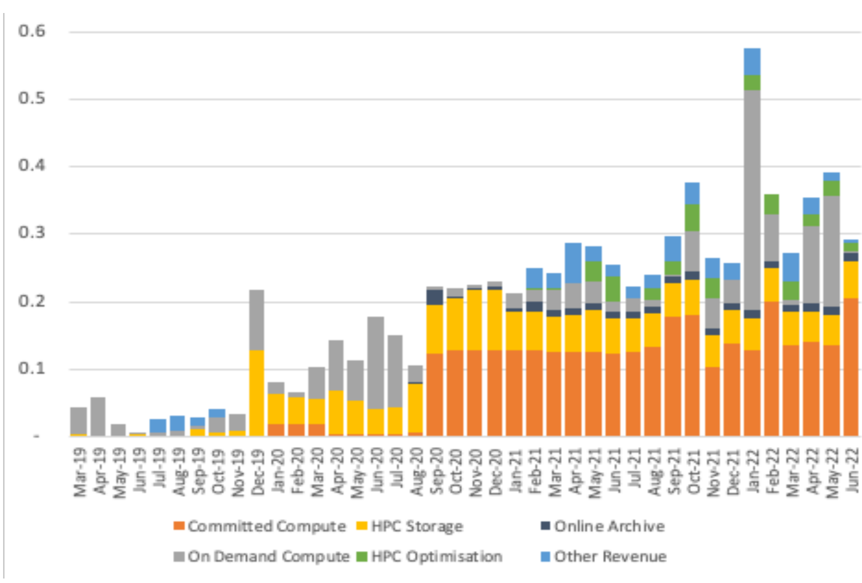
	FY 2022 US$000's	FY 2021 US$000's	% change
Services	23,666	30,603	(23%)
Software	6,069	5,165	18%
HPCaaS	3,929	2,682	46%
Total Revenue	**33,664**	**38,450**	**(12%)**

The total decrease in revenue of 12% is reflective of the volatility of the oil price leading into the start of the financial year and persisting for much of the first half. This impacted services project awards and therefore revenues. A recovery in the oil price commencing the turn of the calendar year supported strong tender and project wins over the last four months of the financial year, for completion in FY2023.

Software revenue grew by 18% with revenue growth experienced across most of the Group's major software customers from FY2021, together with new customers signed.

HPCaaS revenue grew by 46% following further investment by the Group in expanding its sales team in this strategically important, high growth and margin division. Included in FY2022 revenues was significant on-demand usage from a key customer testing the Group's FWI Imaging technology on their datasets.

Third Party HPCaaS Revenue (US$millions)



OTHER INCOME AND EXPENSES

	FY 2022 US$000's	FY 2021 US$000's	% change
Total revenue	33,664	38,450	(12%)
Other income	3,851	2,925	32%
Employee benefits	(25,379)	(30,834)	18%
Other expenses	(9,411)	(12,271)	23%
EBITDA[1]	**2,725**	**(1,730)**	**258%**
Depreciation and amortisation	(7,693)	(7,416)	(4%)
EBIT[1]	**(4,968)**	**(9,146)**	**46%**
Finance expense	(1,631)	(3,751)	57%
Loss before tax	**(6,599)**	**(12,897)**	**49%**
Tax expense	(2,821)	(2,963)	5%
Loss after tax	**(9,420)**	**(15,860)**	**41%**
Underlying EBITDA[1,2]	**2,789**	**1,501**	**86%**

Other income comprises R&D concessions, the amounts recognised for which were consistent to FY2021, and in the current year the Group also recorded a gain of $1.051 million on the early termination of its leased property in London as part of its restructuring and cost saving initiate.

Employee benefits reduced by 18% following the cost restructure of the business in November 2021; these costs included non-recurring redundancy expenses of $1.114 million. Similarly, other expenses decreased by 23% in part due to the restructure and from reduced non-recurring consulting and professional fees incurred during FY2021 year. Cost savings across employees and other expenses exceeded the reduction in revenue leading to improved EBITDA[1] performance for the year.

Depreciation and amortisation charges for the year were higher as a result of accelerated depreciation on leasehold improvements and other assets situated in the London office.

Finance costs decreased due to lower borrowings during the year following the conversion of convertible notes in FY2021. Included in finance costs is interest on lease liabilities of $0.865 million.

The Group's tax expense is predominantly incurred in Australia with R&D tax concessions received offsetting cash tax liabilities; the expense for the year was consistent with FY2021.

[1] These items are categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information.
[2] Underlying EBITDA for FY2022 excludes the gain on early termination of its London lease of $1.051 million and non-recurring redundancy costs of $1.114 million. In FY2021, non-recurring costs of US$3.231 million included redundancy costs, bad debt write-offs, legal fees and settlement costs in respect to a patent dispute and additional leave provisions required in non-Australian offices due to changes in local regulations as part of COVID-19 relief packages.

FINANCIAL POSITION

During the year, the Group improved its net asset position to $13.886 million at 30 June 2022 following a capital raising of $12.377 million under a placement and share purchase plan. The Group issued 18,649,842 new shares at A$0.90 each during September 2021 and October 2021.

Net current liabilities at 30 June 2022 of $2.226 million were an improvement on the prior year of $10.809 million. This includes non-refundable revenue collected in advance (contract liabilities) of $2.699 million (FY2021: $2.704 million). This improvement in position is an outcome of the capital raising and extension of banking facilities with CBA reflecting $2.494 million as a non-current liability.

Gross debt (excluding lease liabilities) reduced to $4.494 million at 30 June 2022 from $17.765 million in the prior year, with net debt of $1.838 million (FY2021: $7.749 million) reflecting 0.67x FY2022 EBITDA[1].

CBA banking facilities were extended to July 2024 during the year; key details of the extension are a quarterly amortisation of $0.5 million and the inclusion of flexibility for the Group to source asset financing from alternative funders to support growth.

CASH FLOWS

Cash flows utilised in operating activities totalled $0.425 million for the year (FY2021: $2.832 million) with a turnaround in cash generation in the second half of the year following cost reductions outlined above.

Cash flows invested into plant and equipment and intangible assets reduced to $1.499 million from $6.003 million in FY2021 following spending restrictions put in place by our financier for the majority of the year. The Group's just in time capital expenditure strategy, together with flexibility to source appropriate financing for capital equipment enables DUG to meet demand for compute to support growth.

Cash flows used in financing activities totalled $5.244 million (FY2021: cash generated of $6.772 million) were primarily debt repayments of $13.296 million and lease liability repayments of $2.168 million, offset by capital raised of $12.377 million.

Cash on hand at 30 June 2022 was $2.656 million, reduced from $10.016 million as a result of these cash flow movements.

[1] These items are categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information.

Risk Management

DUG's risk management processes support the Group and its management to identify, manage, and appropriately mitigate risks to the business. This is essential to operating a successful and growing global business.

Overseen by the Audit and Risk Committee and the Board, our risk processes identify and understand the uncertainties we face and help devise strategies to mitigate them if they are deemed a risk to achieving our strategic objectives.

Risk management takes place across the breadth of DUG's functions, permeating from its Code of Conduct and supported through corporate culture, reinforced by executive management. The risk management process at DUG is maturing, including with a comprehensive Integrated Management System (IMS) and the award of ISO 9001 (Quality Management Systems) and ISO 27001 (Information Security Management Systems) certifications. The IMS will significantly enhance the progress of achieving DUG's strategic objectives, in particular to grow the HPCaaS business line into new customer markets.

Key risks faced by DUG include the following:

MACRO-ECONOMIC RISKS

Oil Prices

Oil prices have a direct impact a large portion of DUG's customers' operations, including their exploration and evaluation activities that we primarily service. In the main, where oil prices increase there is a greater opportunity to provide customers with our services whilst the opposite is true for decreases in oil prices. In recent years, DUG has broadened its customer base beyond oil and gas providers which reduces its exposure to changes in oil prices.

Supply Chain

Timely and economic supply of key products and services such as computer components, power, and water are integral to DUG's ability to effectively service its customers. In most cases, DUG provides services to its customers using existing equipment, supported by cyclical purchases to increase compute to the network, such that in the event of supply chain challenges for compute components DUG is still able to service the customer. In many cases, DUG partners with key compute and storage media suppliers conducting various testing initiatives on its cluster enabling easier sourcing of supply of these items relative to some competitors where supply is constrained.

CUSTOMER RISKS

Reliance on Key Customers

The Group has a large portion of sales attributable to a relatively small number of customers. The positive and negative impacts of servicing more or less of the oil and gas majors are material. DUG is addressing this risk through technological innovation in its service offering to better differentiate itself from its competitors and grow market share in the oil and gas market, and to broaden its customer base beyond oil and gas through its HPCaaS business line.

Counterparty Credit
DUG services customers across more than 36 countries, providing credit arrangements where required. There is a risk that certain customers may remit late payments or fail to pay invoices due. This risk is managed through a formal Due Diligence process, a thorough Supplier Relationship policy, and working with large customers with whom DUG has a long relationships with. In addition, the Group can leverage its contractual rights to withhold data or services in the event of non-payment.

INNOVATION AND INTELLECTUAL PROPERTY RISKS

New Technologies
Research and development is a key focus for DUG with between US$5 million and US$10 million spent per annum researching new technologies, developing them for market readiness and continuing to optimise our products and services.

DUG have recently launched DUG Wave, a revolutionary high-frequency full waveform inversion technology. DUG expects that over time, revenue from this and other new technologies coming to market will contribute to the group's overall results. The Group is excited by this new technology and has a high level of confidence in its success, and in order to mitigate reputational risk the Group continues to operate a series of trials to demonstrate the effectiveness of this technology.

Protection of Intellectual Property
DUG holds patents and has patents pending to support its key innovations, including its innovative immersion cooling system and its software solutions. It is critical to the Company that its intellectual property is protected. The Group takes appropriate measures to enable employment contracts to include robust clauses with respect to intellectual property protection, and deploys security protocols designed to retain intellectual property within the business.

SECURITY AND DISRUPTION RISKS

Cyber Security
Security is DUG's highest priority for its customers and it is of critical importance that our customers' data as well as our own are secure. We offer a range of features to enhance security of data including private clouds, encryption layers with two-factor authentication, bare metal protection with no two customers accessing the same physical compute nodes and the option to provision dedicated compute nodes to our clients. We are also able to offer storage and processing services in each of our three main data centres in USA, Australia and Malaysia, enabling the Group to cater for our customers' data sovereignty requirements.

Beyond the standard security protocols such as firewalls, DUG engages with third parties to conduct system penetration testing at least annually, supported by internal vulnerability assessments performed quarterly.

Physical Security
DUG employs a number of physical controls to protect Group and customer assets, including the installation of CCTV, controlled access to all office locations with enhanced security accessing data centre and storage locations, and encryption of data in transit.

Disruption
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.

PEOPLE RISKS

Key Personnel and Attraction of Talent
DUG's success is borne from the people it employs, and attracting and retaining the calibre of people required is challenging. The impacts of COVID-19 continue to linger with border closures and travel restrictions having an impact on immigration into DUG's key markets. Skilled workers are attracted and retained by DUG through competitive salary packaging, including incentives in certain cases, and the provision of interesting and ground-breaking work.

As with many companies of DUG's size, the management team is relatively lean which can lead to risks on key personnel departures. Over the financial year the management team has been strengthened in several key areas with a focus on developing staff reporting to the management team to enhance DUG's strength in depth.

REGULATORY AND COMPLIANCE RISKS

Certifications
Presently DUG is not required to comply with ISO 9001 (Quality Management Systems) or ISO 27001 (Information Security Management Systems) to service customer contracts. However, not having these certifications has limited certain commercial opportunities that would otherwise have been available. For this reason, the Group focused on attaining these certifications and recently became accredited.

DUG has implemented an IMS which incorporates a suite of critical business policies required by ISO 9001 (Quality Management Systems) and ISO 27001 (Information Security Management Systems). Part of the IMS includes cyclical testing and review of compliance.

Compliance with laws and regulations
DUG has operations in Australia, USA, UK and Malaysia and sells its services into more than 36 countries worldwide. The Group is subject to various laws, policies and regulatory provisions across the jurisdictions in which we operate, including anti-bribery and corruption laws, sanctions, anti-trust laws, and domestic or international laws relating to taxation on the provision of services including withholding taxes. Failure to abide by these requirements may adversely impact our business and operations, and that of our customers and suppliers.

DUG engages with internal and external counsel and tax advisors to enable regulatory risks and changes thereof to be identified and addressed. Our Code of Conduct sets out our approach to bribery and corruption and our whistle blower policy provides an outlet for employees and third parties to anonymously notify the Group of suspected fraudulent or illegal activity.

Sustainability

DUG acknowledges that climate change is a reality.

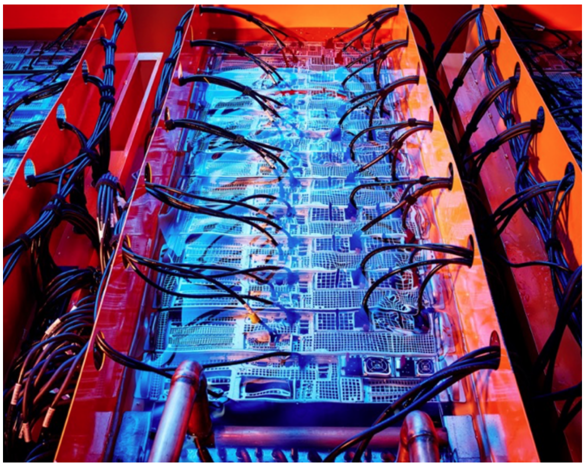
Science has proven beyond any doubt that the significant changes in air and ocean temperatures and loss of biodiversity over the past century are the result of human activities. Recent global warming is occurring significantly faster than any climatic variations of the past, and it is estimated that the current rate of species loss is between two and five orders of magnitude higher than the background extinction rate.

DUG firmly believes that everyone – individuals and businesses alike – has a responsibility to act, to act now, and to continue acting into the future. A coordinated, determined, international effort is required to tackle what is a global crisis. This effort will be increasingly driven by innovation, regulation and evolving client expectations.

THE GREENEST ENERGY IS THE ENERGY YOU DON'T USE

The world's data centres are significant users of energy; when combined they consume more than the national energy requirements of some large countries and emit roughly as much carbon dioxide as the global airline industry. Given the rapid pace of expansion in global data, energy usage unabated would reasonably be expected to double every four years.

DUG operates among the greenest datacentres in the world, utilising its patented DUG Cool immersion-cooling technology to reduce up to 51% of energy usage in its datacentres relative to industry averages. As our computers are cooled by oil, we also use 85% less synthetic refrigerants relative to traditional air-cooled solutions. Immersion cooling benefits DUG's sustainability footprint. Compute rooms are much quieter than others. Hardware failure rates are significantly reduced, thereby extending the useful life of compute.



DUG have recently commenced buying green power for usage in its USA and Australian datacentres and continue to seek methods to enhance its sustainability impacts whilst delivering a quality and value service to our clients.

Environmental impacts are increasingly becoming important to our clients and other stakeholders. Oil and gas companies are seeking opportunities to make their supply chains greener. Our focus on energy saving has been a key selling point to a number of clients in our growing HPCaaS business line.

Directors' Report

The Directors hereby present their report together with the consolidated financial statements of the Group comprising of DUG Technology Ltd (**DUG**, or **the Company**), and its subsidiaries for the year ended 30 June 2022 and the auditor's report thereon. The use of the words Company and Group are interchangeable for the purposes of this report.

DUG Board (L-R): Wayne Martin Louise Bower Frank Sciarrone Matthew Lamont Mark Puzey

DIRECTORS

The Directors of the Company at any time during or since the year ended 30 June 2022 are set out below. Directors were in office for the entire period unless otherwise stated.

Hon. Mr Wayne Martin AC QC LLB(Hons1st), LLM

INDEPENDENT NON-EXECUTIVE CHAIRPERSON

Mr Martin was Chief Justice of Western Australia from 2006 to 2018, prior to which he was a barrister from 1988. During his legal practice, Mr Martin led the legal team assisting the Royal Commission into the collapse of the HIH group of insurance companies, which resulted in a wide ranging and seminal analysis of the principles of corporate governance in the financial sector. Mr Martin is an arbitrator and mediator at Francis Burt Chambers and at 39 Essex Chambers.

OTHER CURRENT DIRECTORSHIPS

- Board member of the Western Australian Football Commission (since January 2019, Chairman since January 2020)

FORMER DIRECTORSHIPS

- Chairman of the Perkins Institute of Medical Research (served a 3 year term until March 2022)
- Chairman of Parkerville Children and Youth Care Inc (served a 3 year term until February 2022)
- Director of EON Foundation (resigned 29 October 2020)

SPECIAL RESPONSIBILITIES

- Chairman of the Board
- Chair of the Remuneration and Nomination Committee

Dr Matthew Lamont PhD

MANAGING DIRECTOR

Co-founder and Managing Director, Dr Lamont sets the Company's strategic direction. He remains intimately involved in its research and development and DUG McCloud initiatives. Prior to founding DUG, Dr Lamont held senior technical positions at Woodside in Perth and BHP Billiton in Houston. He is an Adjunct Associate Professor at Curtin University.

Mr Francesco (Frank) Sciarrone BCom

INDEPENDENT NON-EXECUTIVE DIRECTOR (APPOINTED JULY 2015)

Over the past 35 years Mr Sciarrone has held senior management positions in the banking, funds management and investment advisory industries.

OTHER CURRENT DIRECTORSHIPS

- Executive Chairman of Vantage Wealth Management Pty Ltd (since April 2008)
- Chairman of Fire and Emergency Services Superannuation Board (since April 2011) and prior Chair of Audit and Risk and Investment Committees
- Director of Government Employees Superannuation Board, current Chair of the Audit and Risk and Investment Committees (since February 2016)
- Director of Biovision Pty Ltd and Biovision 2020 Holdings Pty Ltd (since January 2012)

FORMER DIRECTORSHIPS

- Chairman of 12 Buckets Inc (resigned October 2021)
- Chairman Coal Industry Superannuation Board (retired October 2014)
- Chairman Clough Superannuation Board (retired February 2015)

SPECIAL RESPONSIBILITIES

- Member of the Audit and Risk Committee
- Member of the Remuneration and Nomination Committee (since 22 September 2021)

Ms Louise Bower HBCompt, CA

NON-EXECUTIVE DIRECTOR

Ms Bower is a chartered accountant with over 25 years' experience. During her time as the Company's CFO (2009-2021), Ms Bower was responsible for global commercial operations including financial planning, management of financial risks, and governance. Prior to joining DUG, Ms Bower held financial roles in different industry sectors and jurisdictions, including South Africa and the United Kingdom.

OTHER CURRENT DIRECTORSHIPS

- Non-Executive Director of Babylon Pump & Power Ltd (ASX:BPP) (since November 2021)
- Non-Executive Director of Lycopodium Ltd (ASX:LYL) (since August 2022)

SPECIAL RESPONSIBILITIES

- Member of the Audit and Risk Committee

Mr Mark Puzey FCA, FAICD, CGEIT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Puzey was with global accounting firm KPMG for 33 years. During this time he held roles in internal and external audit, IT advisory, risk management, governance, strategy and business transformation; focused on ASX listed companies. Mr Puzey was the Asia Pacific IT governance and strategy service line leader, primary partner in Australia providing IT service organisation audit opinions and national leader of product heads (IT advisory).

OTHER CURRENT DIRECTORSHIPS

- Deputy Chair and Audit & Risk Management Chair of Horizon Power (since December 2021)
- Chairman and Non-Executive Director of M8 Sustainable Ltd (ASX:M8S) (since December 2019)
- Non-Executive Director of E3Sixty Ltd (since May 2020)

SPECIAL RESPONSIBILITIES

- Chair of the Audit and Risk Committee
- Member of the Remuneration and Nomination Committee

Mr Michael Malone BSc, PostGradDip, FAICD, FAIM, FACS

INDEPENDENT NON-EXECUTIVE DIRECTOR (RESIGNED 6 AUGUST 2021)

Mr Malone founded iiNet in 1993 and continued as its CEO for 20 years. Mr Malone has been recognised with many industry awards including 2012 Australian Entrepreneur of the Year and is also a recipient of the Charles Todd Medal for outstanding contributions to telecommunications.

OTHER CURRENT DIRECTORSHIPS

- Seven West Media Limited (ASX:SWM) (since June 2015)
- NBN Co (since April 2016)

SPECIAL RESPONSIBILITIES

- Member of the Audit and Risk Committee (Resigned 6 August 2021)
- Member of the Remuneration and Nomination Committee (Resigned 6 August 2021)

Interests in the shares of the Company and related bodies corporate

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

	Number of Ordinary Shares	Issued under Loan Funded Share Plan	Total Shares
Wayne Martin	287,037	-	**287,037**
Matthew Lamont	23,464,197	576,457	**24,040,654**
Frank Sciarrone	600,000	-	**600,000**
Louise Bower	264,851	1,124,821	**1,389,672**
Mark Puzey	121,667	-	**121,667**

COMPANY SECRETARY

Ms Jacqueline Barry CertGovPrac

Ms Barry has over 14 years' experience in company secretarial and corporate governance roles. Before joining DUG, Ms Barry was joint Company Secretary of Magnum Mining and Exploration Ltd (ASX:MGU) and also held assistant company secretarial positions for a number of resources companies listed on ASX and AIM.

PRINCIPAL ACTIVITIES

DUG is an ASX listed technology company, headquartered in Australia with offices in Perth, London, Houston and Kuala Lumpur, that specialises in analytical software development and reliable, green, high-performance computing (HPC). The Company is built on a strong foundation of applied science and a history of converting research into practical, real-world solutions. DUG delivers innovative software products and cost effective, cloud-based HPC as a service backed by bespoke support for technology onboarding. DUG's expertise in algorithm development and code optimisation enables clients to leverage big data and solve complex problems.

DUG designs, owns, and operates a network of some of the largest and greenest supercomputers on Earth. The company continues to invest and innovate at the forefront of software and HPC, working towards a climate-positive future.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

REVIEW OF OPERATIONS

A review of and information about the operations of the Group during FY2022 is contained in pages 7 to 9, which form part of this Director's Report.

DIVIDENDS

No dividends were paid or declared during the year ended 30 June 2022 and up to the date of signing this report (year ended 30 June 2021: nil).

EVENTS SUBSEQUENT TO REPORTING DATE

On 9 August 2022 the Company executed the full lease documentation for a five year lease for its new London office premises. This resulted, subsequent to the reporting date, in the recognition of a right of use asset and a corresponding lease liability of $1,602,000.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the result of those operations, or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Group in future financial years and the expected results of those operations have been included generally within the annual report.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

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

Premiums paid are not disclosed because disclosure is prohibited by the insurance contract.
To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' MEETINGS

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

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Eligible to Attend[1]	Attended[2]	Eligible to Attend[1]	Attended[2]	Eligible to Attend[1]	Attended[2]
Wayne Martin	10	10	-	-	2	2
Matthew Lamont	10	10	-	-	-	-
Frank Sciarrone	10	10	4	4	2	2
Louise Bower	10	10	4	4	-	-
Mark Puzey	10	10	4	4	1	1
Michael Malone[3]	1	1	-	-	-	-

1. No. of meetings held while the director was a member of the board / committee.
2. No. of meetings attended.
3. Mr Malone resigned as a director on 6 August 2021.

Committee membership

Members of the Company's Audit and Risk Committee (ARC) and Remuneration and Nomination Committee (RNC) during the year were:

ARC	RNC
Mark Puzey - Chair	Wayne Martin - Chair
Frank Sciarrone	Frank Sciarrone
Louise Bower	Mark Puzey (appointed 22 September 2021)
Michael Malone (resigned 6 August 2021)	Michael Malone (resigned 6 August 2021)

Mr Martin is a standing observer on the ARC. Dr Lamont and Ms Josephine Leong (DUG's Head of Human Resources) are standing observers on the RNC.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 26 and forms part of the Directors' Report for the Financial Statements for the year ended 30 June 2022.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor Ernst & Young during the year ended 30 June 2022. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received the following amounts for the provision of non-audit services:

	30 June 2022 US$	30 June 2021 US$
Financial accounting advisory work	17,500	-

REMUNERATION REPORT

The Remuneration Report is set out on pages 20 to 25 and forms part of this Directors' Report.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Consolidated Financial Statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Perth on 30 August 2022.

Signed in accordance with a resolution of the Directors.

Mark Puzey
DIRECTOR

Remuneration Report (Audited)

PERSONS ADDRESSED AND SCOPE OF THE REMUNERATION REPORT

This remuneration report (the **Report**) forms part of the Directors' Report for the year ended 30 June 2022 and has been audited in accordance with section 300A of the Corporations Act 2001. The Report has been prepared in accordance with the Corporations Act, applicable regulations and the Company's policies regarding key management personnel (**KMP**) remuneration governance.

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

Name	Position	Term as KMP
Non-Executive Directors:		
Wayne Martin	NED, Chairperson, Chair of RNC	Full financial year
Frank Sciarrone	NED, ARC member, RNC member	Full financial year
Louise Bower	NED, ARC member	Full financial year
Mark Puzey	NED, Chair of ARC, RNC member	Full financial year
Michael Malone	NED, ARC member, RNC member	Ceased 6 August 2021
Executive Directors and other Senior Executives:		
Matthew Lamont	Managing Director	Full financial year
Sam Cruickshank	Chief Financial Officer	Appointed 9 March 2022
Philip Schwan	Chief Technical Officer	Ceased 28 October 2021

OUR EXECUTIVE REMUNERATION POLICIES AND STRUCTURES

DUG rewards its executives with a level and mix of remuneration appropriate to their position, responsibility and performance, in a way that aligns with the business strategy. Executives receive fixed remuneration and variable remuneration consisting of short-term and long-term incentive opportunities.

HOW REMUNERATION IS GOVERNED

Human Resources and the Managing Director provide recommendations to the RNC on the remuneration outcomes for the executive team. No external remuneration advisors were engaged during the 2022 or 2021 financial years. Executive remuneration levels are reviewed annually by the RNC with reference to the remuneration guiding principles and market movements.

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

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

EMPLOYMENT TERMS FOR KMPs

The remuneration and other terms of employment for executive KMPs are covered in formal employment contracts of an ongoing nature. Details of remuneration and employment arrangements for KMPs at 30 June 2022 are as follows:

Matthew Lamont - Managing Director

Term	Description
Remuneration and other benefits	Under the terms of his employment contract, Dr Lamont is entitled to receive annual fixed remuneration of A$490,800 gross (exclusive of superannuation). Dr Lamont is also entitled to a vehicle up to a lease value of A$3,200 per month after tax (convertible to salary at employee's discretion). Annual fixed remuneration comprises 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. (No awards under the Short-Term Incentive Plan or Long-Term Incentive Plan were made for the year ended 30 June 2022.)
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.

Sam Cruickshank - Chief Financial Officer (appointed on 9 March 2022)

Term	Description
Remuneration and other benefits	Under the terms of his employment contract, Mr Cruickshank is entitled to receive annual fixed remuneration of A$300,000 gross (exclusive of superannuation). A target bonus arrangement was agreed to the value of A$50,000 based on meeting certain performance targets during Mr Cruickshank's first six months of employment. An assessment will be made in September 2022 in respect to the quantum of payment made; any payment of the target bonus arrangement will be included in the FY2023 Remuneration Report. Annual fixed remuneration comprises 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. (No awards under the Short-Term Incentive Plan were made for the year ended 30 June 2022.)
Termination and notice periods	Employment may be terminated by either party giving three months' notice. Should the employment be terminated by the Company within five years of his commencement, Mr Cruickshank will be entitled to an additional three months of gross salary as a termination benefit.
Restraints	During the term of his employment, Mr Cruickshank cannot have an interest in any business that competes with DUG.

Short-Term Incentive Plan

The Company operates a Short-Term Incentive Plan to:

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

The Board has absolute discretion to determine the eligible participants for the Short-Term Incentive Plan. 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.

Due to the overall financial position of the Group and the market within which it operates, at the commencement of the financial year, the Board determined that the Short-Term Incentive Plan would be suspended for FY2022, consequently no short-term incentive awards to KMP were made in respect of the year ended 30 June 2022.

Long-Term Incentive Plan

The Board also operates a Long-Term Incentive Plan to continue to reward DUG's employees by issuing equity incentives. The Long-Term Incentive Plan is designed 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.

No new awards were made during FY2022.

NED POLICY AND RATES

DUG's NED fee policy is designed to attract and retain high-calibre directors who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence and objectivity. The RNC reviews NED remuneration annually against comparable companies. The Board also considers advice from external advisors when undertaking the review process. NED fees consist of a base fee and committee fees. The committee fee recognises the additional time commitment required by NEDs who serve on Board committees.

The tables below summarise Board and Committee fees payable to NEDS (inclusive of superannuation) for the year ended 30 June 2022:

Base Fees	A$
Chairperson	$120,000 (inc Committee Fees, reduced from $180,000 effective 1 Sep 2021)
Non-Executive Director	$75,000

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

NED fees are determined within an aggregate NED fee pool limit which is periodically approved by shareholders. The maximum aggregate amount that may be paid to NEDs for their services is A$600,000 per annum. The Board will not seek an increase to the aggregate NED fee pool limit at the 2022 AGM.

STATUTORY AND SHARE-BASED REPORTING

Executive KMP remuneration for the years ended 30 June 2022 and 30 June 2021

	Year	Short-Term Benefits			Post-employment Benefits	Long-term Benefits		Total Remuneration	Total Remuneration	Performance Related
		Salary & Fees	Cash Bonus	Other[1]	Super-annuation	Employee Entitlements	Share-based Payments			
		US$	US$	US$	US$	US$	US$	US$	A$	%
Matthew Lamont	**2022**	**357,505**	**-**	**61,027**	**18,362**	**5,955**	**2,890**	**445,739**	**611,862**	**1%**
	2021	366,628	-	40,719	16,081	6,105	1,046	430,579	576,215	-
Louise Bower[2]	**2022**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2021	138,928	179,940	7,147	30,292	802	466	357,575	492,340	50%
Sam Cruickshank[3]	**2022**	**68,072**	**-**	**1,939**	**5,675**	**-**	**-**	**75,686**	**105,131**	**-**
	2021	-	-	-	-	-	-	-	-	-
Philip Schwan[4]	**2022**	**66,069**	**-**	**-**	**-**	**-**	**2,008**	**68,077**	**93,459**	**3%**
	2021	264,276	-	-	-	-	727	265,003	355,210	-
Total	**2022**	**491,646**	**-**	**62,966**	**24,037**	**5,955**	**4,898**	**589,502**	**810,452**	**1%**
	2021	769,832	179,940	47,866	46,373	6,907	2,239	1,053,157	1,423,765	17%

1. Includes motor vehicle benefits and changes in accrued annual leave.
2. Ms Bower resigned as an executive on 28 February 2021 and continued as a non-executive Director, thus amounts reflected above are up to date of resignation. The cash bonus refers to the IPO Bonus granted on successful admission to the ASX. Additional remuneration from 1 March 2021 is shown in the table at 2.6.2. below.
3. Mr Cruickshank commenced as a KMP on appointment as Interim Chief Financial Officer on 9 March 2022.
4. Mr Schwan ceased as a KMP on resignation on 28 October 2021.

NED remuneration for the years ended 30 June 2022 and 30 June 2021

	Year	Short-Term Benefits Board and Committee Fees US$	Post-employment Benefits Superannuation US$	Long-term Benefits Share-based payments US$[4]	Total Remuneration US$	Total Remuneration A$
Wayne Martin	**2022**	**86,157**	**8,616**	**-**	**94,773**	**130,000**
	2021	122,795	11,666	-	134,461	180,000
Frank Sciarrone	**2022**	**52,976**	**5,298**	**-**	**58,274**	**80,000**
	2021	54,575	5,185	-	59,760	80,000
Louise Bower[1]	**2022**	**52,976**	**5,298**	**1,943**	**60,217**	**82,667**
	2021	18,747	1,781	237	20,765	26,984
Mark Puzey	**2022**	**62,909**	**6,292**	**-**	**69,201**	**95,000**
	2021	64,808	6,157	-	70,965	95,000
Charles Ramsden[2]	**2022**	**-**	**-**	**-**	**-**	**-**
	2021	12,241	1,163	-	13,404	18,750
Michael Malone[3]	**2022**	**5,546**	**555**	**-**	**6,101**	**8,242**
	2021	54,575	5,185	-	59,760	80,000
Total	**2022**	**260,564**	**26,059**	**1,943**	**288,566**	**395,909**
	2021	327,741	31,137	237	359,115	480,734

1. Ms Bower resigned as an executive on 28 February 2021 and continued as a non-executive member of the Board. Remuneration disclosed in this table is from 1 March to 30 June 2021.
2. Mr Ramsden resigned on 25 September 2020.
3. Mr Malone resigned on 6 August 2021.
4. Share-based payments for Non-Executive Directors relate to a tranche of the loan funded share plan issued to Ms Bower on 3 July 2020 that the Board resolved to continue over the vesting period to 30 June 2023 upon Ms Bower's transition as a Non-Executive Director.

Reporting currency

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

Compensation for the Australian-based executives, Dr Lamont, Ms Bower (up until the date of her resignation as an executive) and Mr Cruickshank, is paid in Australian dollars and, for reporting purposes, converted to US dollars based on the applicable exchange rate at the date of payment.

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

Shares awarded, vested and lapsed during the year

The table below discloses the number of shares granted, vested or lapsed during the year under the Company's loan-funded share plans.

	Year	Opening Balance	Shares Awarded				Lapsed & not Vested	Closing Balance	Vested & Exercisable
			Shares Awarded	Award Date	Vesting Date	Issue Price			
Matthew Lamont	**2022**	**576,457**	**-**	**N/A**	**N/A**	**N/A**	**-**	**576,457**	**539,190**
	2021	539,190	37,267	3/07/20	30/06/23	A$1.35	-	576,457	539,190
Louise Bower	**2022**	**1,124,821**	**-**	**N/A**	**N/A**	**N/A**	**-**	**1,124,821**	**1,099,765**
	2021	1,099,765	25,056	3/07/20	30/06/23	A$1.35	-	1,124,821	1,099,765
Philip Schwan	**2022**	**5,732,760**	**-**	**N/A**	**N/A**	**N/A**	**-**	**5,732,760**	**5,706,866**
	2021	5,706,866	25,894	3/07/20	30/06/23	A$1.35	-	5,732,760	5,706,866
Total	**2022**	**7,434,038**	**-**				**-**	**7,434,038**	**7,345,821**
	2021	7,345,821	88,217				-	7,434,038	7,345,821

All shares held at 30 June 2020 were fully vested on the admission of the Company to the ASX on 10 August 2020.

During the financial year ended 30 June 2021, shares were awarded under the Long-Term Incentive Plan (**LTIP**). This award was split into two sub-tranches with one half being an EPS target measurable on the 30 June 2023 results with all shares vesting at a growth exceeding 250% from 30 June 2020, the second half is a total shareholder return hurdle with an increase of 325% leading to all shares in this tranche vesting at 30 June 2023. The fair value of shares awarded under the LTIP was calculated at $0.122 per share for the TSR shares and $0.515 for the EPS shares using the Monte Carlo method, with a share price of $1.35, a volatility of 40%, a risk free rate of 0.29 %, a dividend yield of 0% and a expected life of 6 years.

Shareholdings of KMPs

	Balance 1 July 2021	Granted as Remuneration under Loan Share Plan	Other Acquisitions	Divested	No Longer a KMP	Balance 30 June 2022
NEDs						
Wayne Martin	231,481	-	55,556	-	-	287,037
Frank Sciarrone	345,686	-	254,314	-	-	600,000
Louise Bower	1,389,672	-	-	-	-	1,389,672
Mark Puzey	51,000	-	90,667	(20,000)	-	121,667
Michael Malone[1]	185,186	-	-	-	(185,186)	-
Executives						
Matthew Lamont	23,807,321	-	233,333	-	-	24,040,654
Sam Cruickshank	-	-	-	-	-	-
Philip Schwan[2]	7,232,760	-	-	-	(7,232,760)	-
Total	**33,243,106**	**-**	**633,870**	**(20,000)**	**(7,417,946)**	**26,439,030**

1. Ceased as a KMP on resignation on 6 August 2021
2. Ceased as a KMP on resignation on 28 October 2021.

Loans to KMP and their related parties

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

Pursuant to the Unsecured Loan Agreement, interest is charged at the benchmark interest rate stated by the Australian tax authorities on 31 March each year. Since inception, an amount of US$354,335 has been repaid and the number of shares outstanding under this agreement was 1,500,000.

The maturity date of the Unsecured Loan Agreement was extended during the year to 30 June 2024. If the loan is not repaid in full by the maturity date, Mr Schwan has agreed to repay a minimum of A$250,000 per annum until such time as the loan has been repaid in full.

The balance on the loan, at the option of the Company, becomes immediately due and payable if Mr Schwan fails to pay the minimum annual repayments. The Company will only have recourse to the proceeds paid or payable from the disposal of the abovementioned shares.

Other transactions and balances with KMP and their related parties

Details and terms and conditions of other transaction with KMP and their related parties:
Subsequent to the resignation of Ms Bower as an executive on 28 February 2021, the Group retained Comsen Solutions Pty Ltd, a company of which Ms Bower is a director, to provide consulting services on normal commercial terms and conditions. An amount of US$78,492, in addition to the NED remuneration disclosed above, was paid to Comsen Solutions Pty Ltd during the year ended 30 June 2022 (FY2021: US$19,791).

End of remuneration report

Auditor's Independence Declaration

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of DUG Technology Ltd

As lead auditor for the audit of the financial report of DUG Technology Ltd for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of DUG Technology Ltd and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
30 August 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	30 June 2022 US$ '000	30 June 2021 US$ '000
Income			
Revenue from contracts with customers	2	33,664	38,450
Other income	3	3,851	2,925
		37,515	**41,375**
Expenses			
Depreciation and amortisation		(7,693)	(7,416)
Employee benefits	4	(25,379)	(30,834)
Other expenses	5	(9,411)	(12,271)
Operating Loss		**(4,968)**	**(9,146)**
Finance expense	7	(1,631)	(3,751)
Net finance expense		**(1,631)**	**(3,751)**
Loss before tax		**(6,599)**	**(12,897)**
Tax expense	8	(2,821)	(2,963)
Loss for the year		**(9,420)**	**(15,860)**
Attributable to:			
Equity holders of the parent		(9,268)	(15,982)
Non-controlling interest		(152)	122
Total Comprehensive Loss		**(9,420)**	**(15,860)**
Loss per share			
Basic and diluted loss per share (cents per share)	9	(8.13)	(16.58)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	30 June 2022 US$ '000	30 June 2021 US$ '000
ASSETS			
Current assets			
Cash and cash equivalents	10	2,656	10,016
Trade and other receivables	11	4,938	5,856
Prepayments		583	593
Contract assets	12	292	843
Income tax receivable		404	342
Other assets	16	667	38
Total current assets		**9,540**	**17,688**
Non-current assets			
Property, plant and equipment	13	19,060	23,074
Right of use asset	14	9,888	14,028
Intangible assets	15	545	455
Other assets	16	33	713
Total non-current assets		**29,526**	**38,270**
Total assets		**39,066**	**55,958**
LIABILITIES			
Current liabilities			
Trade and other payables	17	2,691	2,204
Loans and borrowings	18	2,000	17,765
Contract liabilities	12	2,699	2,704
Lease liabilities	19	1,572	2,171
Provisions	20	2,804	3,653
Total current liabilities		**11,766**	**28,497**
Non-current liabilities			
Loans and borrowings	18	2,494	-
Lease liabilities	19	10,804	15,759
Provisions	20	116	186
Total non-current liabilities		**13,414**	**15,945**
Total liabilities		**25,180**	**44,442**
NET ASSETS		**13,886**	**11,516**
EQUITY			
Share capital	21	50,381	38,672
Reserves	21	(2,152)	(570)
(Accumulated loss)/Retained earnings		(34,343)	(26,586)
TOTAL EQUITY		**13,886**	**11,516**
Equity attributable to equity holders of parent		13,948	11,426
Non-controlling interest		(62)	90
TOTAL EQUITY		**13,886**	**11,516**

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the accompanying Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Share Capital US$ '000	Translation Reserve US$ '000	Share-based Payment reserve US$ '000	Retained Earnings/ (Accumulated Losses) US$ '000	Total US$ '000	Non-controlling Interests US$ '000	Total Equity US$ '000
Balance at 1 July 2021	**38,672**	**(2,177)**	**1,607**	**(26,676)**	**11,426**	**90**	**11,516**
Loss for the year	-	-	-	(9,268)	(9,268)	(152)	(9,420)
Total comprehensive loss for the year	**-**	**-**	**-**	**(9,268)**	**(9,268)**	**(152)**	**(9,420)**
TRANSACTIONS WITH EQUITY HOLDERS							
Share based payments	-	-	81	-	81	-	81
Receipts from loan funded share plan	12	-	-	-	12	-	12
Shares issued during the period (net of costs)	11,697		-	-	11,697	-	11,697
Transfer of SBP reserves to retained earnings	-	-	(1,663)	1,663	-	-	-
Total transactions with equity holders	**11,709**	**-**	**(1,582)**	**1,663**	**11,790**	**-**	**11,790**
Balance at 30 June 2022	**50,381**	**(2,177)**	**25**	**(34,281)**	**13,948**	**(62)**	**13,886**
Balance at 1 July 2020	**4,645**	**(2,177)**	**1,601**	**(10,694)**	**(6,625)**	**(32)**	**(6,657)**
(Loss)/Profit for the year	-	-	-	(15,982)	(15,982)	122	(15,860)
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**(15,982)**	**(15,982)**	**122**	**(15,860)**
TRANSACTIONS WITH EQUITY HOLDERS							
Share based payments	-	-	6	-	6	-	6
Receipts from loan funded share plan	354	-	-	-	354	-	354
Shares issued during the period (net of costs)	33,673	-	-	-	33,673	-	33,673
Total transactions with equity holders	**34,027**	**-**	**6**	**-**	**34,033**	**-**	**34,033**
Balance at 30 June 2021	**38,672**	**(2,177)**	**1,607**	**(26,676)**	**11,426**	**90**	**11,516**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the accompanying Consolidated Financial Statements.

Consolidated Statement of Cashflows

For the year ended 30 June 2022

	Note	30 June 2022 US$ '000	30 June 2021 US$ '000
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		34,669	39,426
Cash paid to suppliers		(7,914)	(9,998)
Cash paid to employees		(27,098)	(31,536)
Income tax paid		(256)	(807)
Income tax refunded		174	-
Receipt of Government Grants		-	83
Net cash flows used in operating activities	30	**(425)**	**(2,832)**
CASHFLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,319)	(6,019)
Acquisition of intangible assets		(196)	(192)
Proceeds from disposal of property, plant and equipment		16	208
Net cash used in investing activities		**(1,499)**	**(6,003)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		12,377	18,509
Receipts from loan funded share plan		-	354
Shareholder loan repayment		12	-
Transaction costs relating to capital raising/borrowings		(680)	(1,450)
Costs relating to borrowings		(181)	-
Repayment of borrowings		(13,296)	(6,100)
Payment of principal portion of lease liabilities		(2,168)	(2,475)
Interest paid – Lease liabilities		(865)	(800)
Interest paid – Convertible notes		-	(542)
Interest paid – Debt		(443)	(724)
Net cash flows (used in)/ from financing activities		**(5,244)**	**6,772**
Net decrease in cash and cash equivalents		**(7,168)**	**(2,063)**
Cash and cash equivalents at the beginning of the year		10,016	12,033
Effect of changes in foreign currency		(192)	46
Cash and cash equivalents at the end of the year	10	**2,656**	**10,016**

The Consolidated Statement of Cashflows is to be read in conjunction with the Notes to the accompanying Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

1. SEGMENT INFORMATION

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

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

DUG McCloud is a collaborative cloud platform that enables clients to mix and match the three product offerings with their own codes and expertise, to suit their needs and desired outcomes.
The Group monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. The Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments. No operating segments have been aggregated to form the above reportable segments.

The Services segment is a significant user of compute and software and is therefore charged by the HPCaaS and Software segments for their use. This results in inter-segment revenue reported in the HPCaaS and Software segments with the corresponding costs recorded in other expenses in the Services segment. These inter-segment values eliminate on consolidation. Over time, internal charges made from the HPCaaS and Software segments to the Services segment change based on commercial discussions between the segments to enable fair market value pricing.

Operating segments

30 June 2022	HPCaaS US$ '000	Services US$ '000	Software US$ '000	Total Segments US$ '000	Eliminations US$ '000	Consolidated US$ '000
Income						
Revenue from contracts with external customers	3,929	23,666	6,069	33,664	-	33,664
Inter-segment	11,575	-	1,233	12,808	(12,808)	-
Other income	795	1,137	1,919	3,851	-	3,851
	16,299	**24,803**	**9,221**	**50,323**	**(12,808)**	**37,515**
Segment EBITDA	**4,276**	**(4,796)**	**3,245**	**2,725**	**-**	**2,725**
Segment assets	**27,264**	**6,555**	**2,187**	**36,006**	-	**36,006**
Segment liabilities	**12,724**	**4,492**	**3,470**	**20,686**	-	**20,686**

30 June 2021	HPCaaS US$ '000	Services US$ '000	Software US$ '000	Total Segments US$ '000	Eliminations US$ '000	Consolidated US$ '000
Income						
Revenue from contracts with external customers	2,706	30,603	5,141	38,450	-	38,450
Inter-segment	17,262	57	-	17,319	(17,319)	-
Other Income	446	1,683	796	2,925	-	2,925
	20,414	**32,343**	**5,937**	**58,694**	**(17,319)**	**41,375**
Segment EBITDA	**7,232**	**(11,080)**	**2,118**	**(1,730)**	-	**(1,730)**
Segment assets	**32,065**	**11,755**	**1,780**	**45,600**	-	**45,600**
Segment liabilities	**14,068**	**9,109**	**3,500**	**26,677**	-	**26,677**

	30 June 2022 US$ '000	30 June 2021 US$ '000
Reconciliation of assets		
Segment assets	36,006	45,600
Cash and cash equivalents	2,656	10,016
Income tax receivable	404	342
Total assets	**39,066**	**55,958**
Reconciliation of liabilities		
Segment liabilities	20,686	26,677
Loans and borrowings	4,494	17,765
Total liabilities	**25,180**	**44,442**

	30 June 2022 US$ '000	30 June 2021 US$ '000
Reconciliation of profit		
Segment EBITDA	2,725	(1,730)
Depreciation and amortisation	(7,693)	(7,416)
Finance expense	(1,631)	(3,751)
Loss before tax	**(6,599)**	**(12,897)**

Geographic segments

	30 June 2022 US$ '000	30 June 2021 US$ '000
Geographic location of non-current operating assets		
Australia	3,533	3,990
United Kingdom	293	3,932
United States of America	25,171	28,360
Malaysia	496	1,275
Total assets	**29,493**	**37,557**

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

Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

	30 June 2022 US$ '000	30 June 2021 US$ '000
Services	23,666	30,603
Software	6,069	5,165
HPCaaS	3,929	2,682
Revenue from contracts with customers	**33,664**	**38,450**
Timing of revenue recognition		
Over time[1]	32,925	37,650
At a point in time[2]	739	800
Revenue from contracts with customers	**33,664**	**38,450**

1 Relating to the sale of software licenses other than node-locked licences, services and HPCaaS.
2 Relating to revenue from node-locked software licences.

Geographic information

Australia	9,302	11,471
United Kingdom	9,677	9,982
United States of America	9,712	10,776
Malaysia	4,973	6,221
Revenue from contracts with customers	**33,664**	**38,450**

Revenue from one customer amounted to $3,946,000 (2021: $3,764,000), arising from sales in the services segment $777,000 (2021: $1,659,000), the software segment $595,000 (2021: $545,000) and the HPCaaS segment $2,574,000 (2021: $1,560,000).

Accounting policy

Revenue from contracts with customers is recognised when the Group 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. If a contract has multiple performance obligations, the transaction price is allocated to each performance obligation identified in the contract on a relative stand-alone selling price basis. The principles applied for each of the main types of contracts with customers are described in more detail below.

a) HPCaaS revenue

Through the DUG McCloud platform, clients connect to and access DUG's HPCaaS and storage under a contracted, committed or burst business model. For these contracts, revenue is recognised when the customers use services based on quantity of services rendered and the contracted transaction prices (agreed rate per node hour for HPC services or an agreed rate for petabytes used for storage). When variable consideration is included in HPCaaS contracts, this is assessed at contract inception and factored in while determining transaction price. This estimate is reassessed and updated periodically.

b) Services revenue

The Group provides services to customers by way of contracts in accordance with customer specifications, which are normally considered one performance obligation. This performance obligation is considered to be satisfied over time because the Group performs the service at the customer specification, the resultant data is owned by the customer and the Group has no alternative right to otherwise use or benefit from the resultant data. The Group recognises contract revenue over time as the services are performed by reference to the Group's progress towards completion of the contract and its entitlement to the compensation under 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). In addition, certain revenue contracts entered by the Group require judgement in the identification and separation of performance obligations and the allocation of revenue to each of the performance obligations. 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.

Depending on nature of the contract, progress is measured based on working duration and compute processing. When it is probable that total contract costs will exceed total contract revenue, the contract is considered onerous and the present obligation under the contract is recognised immediately as a provision. 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. This typically occurs when contracts contain requirements for customers to pay additional fees upon specific future events such as discovery, change of ownership or third-party data access after the data services have already been delivered to the customer. The variable consideration is only recognised when these future events have taken place.

c) Software revenue

Revenue from the sale of software is predominantly in the form of annual licence fees. There are 2 types of licences – node locked (valid only for a designated computer) and floating (may be used by any person directly employed by the Licensee but only allows one concurrent user).

Revenues relating to node-locked licence agreements are recognised at the point of sale, as the Group considers that such agreements provide customers with a right to use the Group's software products and as such the performance obligation is fulfilled at the point in time at which the customer receives the licence key.

Revenues relating to floating licence agreements are recognised on a daily basis over the term of the agreement, as the Group considers that such agreements provide customers with a right to access the Group's software products and as such the performance obligation is fulfilled over the contract term.

d) Associated contract balances

Under AASB 15, the timing of revenue recognition, customer invoicing and cash collections results in the recognition of trade receivables, contract assets and contract liabilities on the Group's Consolidated Statement of Financial Position. The contract liabilities mostly represent non-refundable payments received or receivable in advance from customers for floating licences which will be recognised in future periods and not a future cash outflow. In the event most of the consideration under the contract is received more than 12 months in advance of satisfying the related performance obligation, a financing factor is accrued and included in the value of the revenue recognised upon satisfying the performance obligation. The Group applies the practical expedient for short-term advances received from customers in that the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between satisfying the performance obligation and the payment is one year or less.

3. OTHER INCOME

	30 June 2022 US$ '000	30 June 2021 US$ '000
Government grant - R&D tax concession	2,800	2,842
Gain on lease remeasurement	1,051	-
Government grant - other	-	83
Other income	**3,851**	**2,925**

Accounting policy

a) Government grants

Government grants that are non-cash research and development (R&D) tax incentives are recognised at their fair value where there is a reasonable assurance that the grant will be approved and the Group will comply with all attached conditions. Non-cash government grants relating to R&D costs 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. Government grants that relate to the purchase of property, plant and equipment and any capitalised development costs are deducted from the cost of the asset and are credited to profit and loss over the expected lives of the related assets.

The R&D activities with the Australian Government provide a non-cash tax rebate against taxable income. The rules for claiming this grant are complex and necessitate certain judgements to be made upon the costs incurred by the Group on R&D activities. The Group periodically reviews the judgements made in respect to R&D costs and engages consultants to provide the Group with advice on calculations brought to account and lodged annually with the Australian Tax Office.

b) Gain on lease remeasurement

Refer to Note 19.

4. EMPLOYEE BENEFITS

	30 June 2022 US$ '000	30 June 2021 US$ '000
Salaries and fees	20,038	24,444
Superannuation	1,779	1,974
Payroll tax	1,321	1,585
Other benefits	2,160	2,825
Share based payments	81	6
	25,379	**30,834**

Accounting policy

a) Short-term employee benefits

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

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

b) Other long-term employee benefits

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

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

c) 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.

d) Loan funded share plans

The loan funded share plans allow certain employees to acquire shares in the Company. 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 Monte Carlo pricing model, taking into account the terms and conditions upon which the shares were granted. Employees have been granted limited recourse loans to acquire the shares. The loans have not been recognised as the Company only has recourse to the value of the shares. Refer to Note 29 for details of the loan funded share plan.

5. OTHER EXPENSES

	30 June 2022 US$ '000	30 June 2021 US$ '000
Sales and marketing	754	388
Office facilities	1,191	1,153
Consultants	657	1,534
Loss on disposal of property, plant and equipment	1	15
Realised and unrealised foreign exchange (gain)/loss – net	(137)	488
IT facilities and related costs	3,588	3,602
Professional fees	999	1,849
Other	2,358	3,242
Other expenses	**9,411**	**12,271**

6. AUDITOR'S REMUNERATION

	30 June 2022 US$	30 June 2021 US$
Amounts received or due and receivable by auditors of the Group are set out below:		
Amounts received or due and receivable by Ernst & Young for audit services		
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of controlled entities	275,600	306,638
Amounts received or due and receivable by Ernst & Young for non-audit services		
Financial accounting advisory work	17,500	-
Amounts received or due and receivable by Moore Australia Audit (WA)		
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of controlled entities	-	49,723
Amounts received or due and receivable by other firms		
Fees for auditing the local statutory financial report of the oversees controlled entities	56,563	44,252
Total remuneration paid to auditors	**349,663**	**400,613**

7. FINANCE EXPENSE

	30 June 2022 US$ '000	30 June 2021 US$ '000
Interest expense - debt	543	704
Debt arrangement fees	206	95
Interest expenses - leases	865	1,134
Convertible note expenses	-	1,339
Other finance charges	17	-
IPO and capital raising fees	-	479
Finance expense	**1,631**	**3,751**

8. INCOME TAXES

	30 June 2022 US$ '000	30 June 2021 US$ '000
a) Amounts recognised in consolidated profit or loss and other comprehensive income		
The components of tax expense comprise:		
Current tax expense	2,821	2,893
Adjustment for prior years	-	70
Total current tax expense	**2,821**	**2,963**
b) Numerical reconciliation of tax expense		
Loss before tax	**(6,599)**	**(12,897)**
Tax using the Company's domestic tax rate of 30%	(1,980)	(3,869)
Add/(Less) the tax effect of:		
Effect of tax rates in foreign jurisdictions	1,367	1,956
Change in tax rates	-	(1,491)
Research and development income	(840)	(852)
Research and development expense	2,109	2,214
Reclassification of withholding tax	-	89
Other non-assessable income	(94)	(29)
Other non-deductible expenses	43	390
Other differences	284	(861)
Adjustment for prior years	-	70
Deferred tax assets not recognised	1,932	5,345
Tax Expense	**2,821**	**2,963**

c) Movement in temporary differences

At 30 June 2022 the Group has unrecognised deferred tax assets amounting to US$16,986,000 (30 June 2021: US$15,054,000). Whilst such deferred tax assets are no longer recognised, they remain available to the Group to be used against future taxable income. The movement in temporary differences is outlined below:

	Balance 1 July 2021 US$ '000	Recognised in Profit or Loss US$ '000	Balance 30 June 2022 US$ '000
Deferred tax liabilities			
Property, plant and equipment	(3,799)	450	(3,349)
Cash and cash equivalents	(52)	47	(5)
Deferred tax assets			
Trade and other receivables	637	(635)	2
Trade and other payables	957	849	1,806
Leases	599	(8)	591
Provisions	921	(297)	624
Intangible assets	-	133	133
Other current assets	706	(208)	498
R&D credits carried forward	104	600	704
Tax losses carried forward	14,981	1,001	15,982
Net deferred tax asset not recognised	(15,054)	(1,932)	(16,986)
	-	-	-

	Balance 1 July 2020 US$ '000	Recognised in Profit or Loss S$ '000	Balance 30 June 2021 US$ '000
Deferred tax liabilities			
Property, plant and equipment	(2,838)	(961)	(3,799)
Cash and cash equivalents	(18)	(34)	(52)
Deferred tax assets			
Trade and other receivables	122	515	637
Trade and other payables	384	573	957
Leases	540	59	599
Provisions	743	178	921
Other current assets	482	224	706
R&D credits carried forward	-	104	104
Tax losses carried forward	10,293	4,688	14,981
Deferred tax assets derecognised	(9,708)	(5,346)	(15,054)
	-	-	-

d) Franking credit balance

The franking account balance of the Company as at the end of the financial year at 30% is A$656,000 (2021: A$800,000). The balance will be reduced to A$561,000 when the Company receives its income tax refund of A$95,000 in FY2023.

Accounting policy

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.

a) Current tax

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

b) Deferred tax

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Significant management judgment is required to estimate the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit in the nearer term.

Given the significant uncertainty arising from the current economic environment, no deferred tax assets were recognised at year-end. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

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

9. LOSS PER SHARE

	30 June 2022 US$ '000	30 June 2021 US$ '000
Basic and diluted loss per share (cents per share)	(8.13)	(16.58)
Loss used in calculating basic and diluted loss per share	(9,268)	(15,982)

	30 June 2022 No.	30 June 2021 No.
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	113,971,258	96,383,021

Accounting policy

Basic earnings per share is calculated as a net profit or loss attributable to members, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

10. CASH AND CASH EQUIVALENTS

	30 June 2022 US$ '000	30 June 2021 US$ '000
Cash at bank and on hand	2,656	10,016
Total cash and cash equivalents	**2,656**	**10,016**

A secured bank overdraft facility of A$1,000,000 (2021: A$1,000,000) is in place, with an applicable floating charge rate based on an overdraft index rate plus a margin. The bank overdraft was not utilised at 30 June 2022 or 30 June 2021.

11. TRADE AND OTHER RECEIVABLES

	30 June 2022 US$ '000	30 June 2021 US$ '000
Current asset		
Trade receivables	4,959	6,451
Provision for expected credit losses	(21)	(601)
Trade receivables – net	**4,938**	**5,850**
Other receivables	-	6
Trade and other receivables	**4,938**	**5,856**

Accounting policy

Receivables which generally have 30 day terms are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Expected credit loss is recognised using the simplified approach. The expected credit loss assessment requires, in some cases, a significant degree of estimation and judgement. The level of provision is assessed by applying the Expected Credit Loss (**ECL**) model which takes into account forward looking attributes of the individual debtor as well as historical data such as recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Bad debts are written off as incurred.

Expected credit loss lifetime credit

Credit terms for trade receivables average 30 days. The following table shows the movement in lifetime expected credit loss that has been recognised for trade and other receivables in accordance with the simplified approach set out in AASB 9: *Financial Instruments*.

	30 June 2022 US$ '000	30 June 2021 US$ '000
As at 1 July	(601)	(93)
Increase in provision for expected credit losses	(4)	(585)
Prior year provision utilised for debts written off	435	-
Unwind of prior year's provision	149	77
As at 30 June	**(21)**	**(601)**

The main source of credit risk to the Group is considered to relate to the class of assets described as "trade and other receivables" (also referred to in Note 23). At 30 June 2022 a total of 34% of year end trade receivables were concentrated to the top five customers (30 June 2021: 40%).

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 30 June 2022 is determined as follows. The expected credit losses below also incorporate forward-looking information.

30 June 2022	Current US$ '000	31-60 days US$ '000	61-90 days US$ '000	>90 days US$ '000	Total US$ '000
Gross carrying amount	**3,842**	**396**	**212**	**509**	**4,959**
Specific loss allowing provision	-	-	-	-	-
Expected credit loss provision	(14)	(2)	(1)	(4)	(21)
Net carrying amount	**3,828**	**394**	**211**	**505**	**4,938**
Expected loss rate	0.4%	0.5%	0.5%	0.8%	0.4%

30 June 2021	Current US$ '000	31-60 days US$ '000	61-90 days US$ '000	>90 days US$ '000	Total US$ '000
Gross carrying amount	**3,045**	**823**	**400**	**2,189**	**6,457**
Specific loss allowing provision	-	(80)	-	(304)	(384)
Expected credit loss provision	(79)	(11)	(23)	(104)	(217)
Net carrying amount	**2,966**	**732**	**377**	**1,781**	**5,856**
Expected loss rate	2.6%	1.5%	5.5%	5.5%	3.6%

Financial assets measured at amortised cost

	30 June 2022 US$ '000	30 June 2021 US$ '000
Trade and other receivables		
Current	4,938	5,856
Total financial assets classified as loans and other receivables	**4,938**	**5,856**

12. CONTRACT ASSETS / LIABILITIES

	30 June 2022 US$ '000	30 June 2021 US$ '000
Contract Assets – Current		
Services revenue	293	837
High-performance computing revenue	-	6
Provision for expected credit losses	(1)	-
Total	**292**	**843**
Contract Liabilities – Current		
Services revenue	264	226
Software revenue	2,270	2,354
High-performance computing revenue	165	124
Total	**2,699**	**2,704**

Accounting policy

Contract Liabilities represent the fair value of consideration received from its customer in advance of the Group meeting its performance obligations to deliver goods or services. Contract assets represents the fair value of consideration in exchange for goods or services that the Group has transferred to its customer, but contractually is not entitled to invoice.

Impairment of contract assets

The Group has applied the expected credit loss module based on lifetime expected loss allowance for contract assets. The contract asset balance at year-end represents the unbilled balance with eleven reputable customers. The provision for expected credit losses takes into account the customer's operational reputation, past historical experience and the short-term nature of the contract assets.

13. PROPERTY, PLANT AND EQUIPMENT

	Data Centre Infrastructure and HPC US$ '000	Leasehold Improvements US$ '000	Office Equipment and Motor Vehicles US$ '000	Under Construction US$ '000	Total US$ '000
Cost					
Balance at 1 July 2020	54,429	4,655	1,777	1,384	62,245
Additions	5,699	1	1	320	6,021
Reclassifications	1,068	-	-	(1,068)	-
Disposals	(2,113)	-	(120)	(208)	(2,441)
Balance at 30 June 2021	**59,083**	**4,656**	**1,658**	**428**	**65,825**
Balance at 1 July 2021	59,083	4,656	1,658	428	65,825
Additions	952	12	-	355	1,319
Reclassifications	356	-	-	(356)	-
Disposals	(276)	-	-	(8)	(284)
Balance at 30 June 2022	**60,115**	**4,668**	**1,658**	**419**	**66,860**
Accumulated depreciation					
Balance at 1 July 2020	35,962	2,170	1,613	-	39,745
Depreciation	4,565	529	130	-	5,224
Disposals	(2,098)	-	(120)	-	(2,218)
Balance at 30 June 2021	**38,429**	**2,699**	**1,623**	**-**	**42,751**
Balance at 1 July 2021	38,429	2,699	1,623	-	42,751
Depreciation	4,042	1,230	29	-	5,301
Disposals	(252)	-	-	-	(252)
Balance at 30 June 2022	**42,219**	**3,929**	**1,652**	**-**	**47,800**
Carrying amounts					
As 30 June 2021	**20,654**	**1,957**	**35**	**428**	**23,074**
At 30 June 2022	**17,896**	**739**	**6**	**419**	**19,060**

Accounting policy

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost is the fair value of consideration given to acquire the assets at the time of its acquisition. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit and loss.

Subsequent expenditure

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

Depreciation

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

Compute and storage	5 years
Data centre infrastructure	20 years
Leasehold improvements	No longer than period of lease
Right of use asset	No longer than period of lease
Office equipment and motor vehicles	3 to 4 years

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment, as well as intangible assets (note 15). The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will decrease where the useful lives are greater than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. The Group 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.

Security

General security agreements, and there equivalents, exist worldwide throughout the Group's property, plant and equipment assets.

Accounting judgements, estimation and assumptions

Amounts included in the 'Under Construction' category include capitalised costs in respect to planning and design of a new data centre in Geraldton totalling $277,000. This amount is recognised as an asset within this category following judgements made that it is probable that financing for the development of the project will be obtained and future economic benefits will flow to the Group.

Impairment assessment

Refer to Note 22 for information on how the Group assesses impairment of non-financial assets.

14. RIGHT OF USE ASSETS

	Offices US$ '000	Data Centre US$ '000	Global Fibre Links US$ '000	Total US$ '000
Cost				
Balance at 1 July 2020	11,959	8,319	684	20,962
Additions	37	-	757	794
Reclassifications	(88)	-	-	(88)
Disposals	(174)	-	-	(174)
Balance at 30 June 2021	**11,734**	**8,319**	**1,441**	**21,494**
Balance at 1 July 2021	11,734	8,319	1,441	21,494
Additions	30	-	13	43
Remeasurement of lease	(3,899)	-	-	(3,899)
Balance at 30 June 2022	**7,865**	**8,319**	**1,454**	**17,638**
Accumulated depreciation				
Balance at 1 July 2020	5,053	495	35	5,583
Depreciation	1,404	396	289	2,089
Reclassifications	(33)	-	-	(33)
Disposals	(173)	-	-	(173)
Balance at 30 June 2021	**6,251**	**891**	**324**	**7,466**
Balance at 1 July 2021	6,250	891	324	7,465
Depreciation	1,562	396	328	2,286
Remeasurement of lease	(2,001)	-	-	(2,001)
Balance at 30 June 2022	**5,811**	**1,287**	**652**	**7,750**
Carrying amounts				
At 30 June 2021	**5,483**	**7,428**	**1,117**	**14,028**
At 30 June 2022	**2,054**	**7,032**	**802**	**9,888**

Accounting policy

The accounting policy for Right Of Use Assets is disclosed together with the accounting policy for Leases at Note 19.

15. INTANGIBLE ASSETS

	Website US$ '000	Software US$ '000	Patents and Trademarks US$ '000	Total US$ '000
Cost				
Balance at 1 July 2020	20	91	1,515	1,626
Acquisitions	-	125	67	192
Reclassifications	-	1,035	(1,035)	-
Balance at 30 June 2021	**20**	**1,251**	**547**	**1,818**
Balance at 1 July 2021	20	1,251	547	1,818
Acquisitions	-	74	122	196
Balance at 30 June 2022	**20**	**1,325**	**669**	**2,014**
Accumulated amortisation				
Balance at 1 July 2020	7	91	1,215	1,313
Reclassifications	-	1,035	(1,035)	-
Amortisation	5	-	45	50
Balance at 30 June 2021	**12**	**1,126**	**225**	**1,363**
Balance at 1 July 2021	12	1,126	225	1,363
Amortisation	6	48	52	106
Balance at 30 June 2022	**18**	**1,174**	**277**	**1,469**
Carrying amounts				
At 30 June 2021	**8**	**125**	**322**	**455**
At 30 June 2022	**2**	**151**	**392**	**545**

Accounting policy

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.

Patents

Legal costs directly attributable to establishing or renewing patent registrations are recognised as intangible assets when it is probable that the patent will generate future economic benefits, is separable from other rights and obligations, and its costs can be reliably measured. Other expenditure that does not meet these criteria are recognised as an expense as incurred. Amortisation is calculated using the straight-line method to allocate the costs of intangible over its estimated useful life.

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:

Software	2.5 to 4 years
Website	2.5 to 4 years
Trademarks / Patents	10 years

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

16. OTHER ASSETS

	30 June 2022 US$ '000	30 June 2021 US$ '000
Current		
Bonds and security deposits	596	-
Other current assets	71	38
	667	**38**
Non-current		
Bonds and security deposits	33	713
	33	**713**

Current bonds and security deposits relate to certain Group premises where the lease expires within 12 months. The non-current bonds and security deposits are for property leases with average terms of 3.09 years (2021: 4.44 years).

Accounting policy

Bonds and security deposits relate to cash paid to meet the collateral requirements for occupancy leased assets and equipment leases. Bonds and security deposits are non-interest bearing, with terms ranging from less than 1 year, to 18 years.

17. TRADE AND OTHER PAYABLES

	30 June 2022 US$ '000	30 June 2021 US$ '000
Current		
Trade payables	653	446
Accruals	1,299	887
Payroll-related payables	432	604
GST / VAT payable	277	244
Other	30	23
	2,691	**2,204**

The normal trade credit terms granted by trade creditors to the Group is 30 days.

Accounting policy

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

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

Revenue, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the relevant tax authorities. Receivables and payables are stated inclusive of the amount of GST or VAT receivable or payable. The net amount of GST or VAT recoverable from, or payable to, the relevant tax authorities is included with other receivables or payables in the Consolidated Statement of Financial Position.

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

18. LOANS AND BORROWINGS

	Bank Facilities US$ '000	Total US$ '000
30 June 2022		
Current	2,000	2,000
Non-current	2,494	2,494
	4,494	**4,494**
30 June 2021		
Current	17,765	17,765
Non-current	-	-
	17,765	**17,765**

Bank facilities

As at 30 June 2022, the Group has the following bank facilities in place:

- A term debt facility of US$4,500,000 (30 June 2021: US$17,805,000) of which US$4,500,000 was drawn down at 30 June 2022 (30 June 2021: US$17,796,000). Attributable to this facility is unamortised borrowing costs at 30 June 2022 of US$6,000 (30 June 2021: US$31,000).
- An overdraft facility of A$1,000,000 (30 June 2021: A$1,000,000) which was not drawn at 30 June 2022 or 30 June 2021.
- A contingent instrument facility of US$1,000,000 (30 June 2021: US$1,000,000). At 30 June 2022, bank guarantees issued on behalf of the Group entities totalled US$689,000 (30 June 2021: US$675,000).

The term debt facility expires on 1 July 2024 with quarterly repayments of US$500,000 required up to the maturity date with the balance payable on 1 July 2024. The overdraft and contingent instrument facilities are subject to annual review by the financier who in their absolute discretion can determine to roll over for a further 12 months.

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

- A first ranking general security to Commonwealth Bank of Australia (CBA) over all present and future rights, property and undertakings.
- 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. There is a security carve-out for the financing of specific assets through third party financiers.

Covenants imposed by the bank and tested on a periodic basis include:

- A gross leverage ratio based on financial indebtedness divided by Group EBITDA; and
- A debt service coverage ratio of Group EBITDA divided by debt service of the group.

During the financial year, the Group did not achieve the forecast EBITDA required as part of the CBA Term Debt Facility Amendment dated 30 August 2021. CBA informed the Company that it would waive this occurrence but retain its rights in relation to any future occurrence.

Following the refinancing on 30 June 2022, interest is calculated at SOFR plus a line fee of 4.25%. The weighted average effective interest rate on the term debt facility at 30 June 2022 was 5.75% per annum (30 June 2021: 3.91%).

The amount drawn-down and available for each bank facility at 30 June 2022 is as follows:

	Facility Commitment US$ '000	Amount Drawn US$ '000	Undrawn Commitment US$ '000
Contingent instrument facility	1,000	(688)	312
Overdraft facility	689	-	689
Term debt facility	4,500	(4,500)	-
Total	**6,189**	**(5,188)**	**1,001**

Accounting policy

a) Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Profit or Loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are capitalised and amortised on a straight-line basis over the term of the facility.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

b) Finance costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other finance costs are expensed in the period in which they occur. Finance costs consist of interest and other costs incurred in connection with the borrowing of funds.

19. LEASE LIABILITIES

	30 June 2022 US$ '000	30 June 2021 US$ '000
Current	1,572	2,171
Non-current	10,804	15,759
	12,376	**17,930**

Right-of-use assets

The Group's lease portfolio includes buildings, which their remaining lease term ranges from less than 1 year to 18 years.

Options to extend

The option to extend the lease term is contained in the property leases of the Group. These clauses provide the Group opportunities to manage leases in order to align with its strategies. All of the extension options are only exercisable by the Group. The extension options which were probable to be exercised have been included in the calculation of the right-of-use asset. Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Within Five Years US$ '000	More than Five Years US$ '000
Extension options expected not to be exercised	1,120	1,511

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

	30 June 2022 US$ '000	30 June 2021 US$ '000
Depreciation charge related to right of use assets	2,286	2,089
Interest expense on lease liabilities	865	1,134

Total cash outflow for leases

	30 June 2022 US$ '000	30 June 2021 US$ '000
Total cash outflow for leases including interest	3,034	3,275
Total cash outflow for short-term leases and low-value assets	35	82

Gain on lease remeasurement

During the year, the Company exercised it is right to terminate the lease over its previous London office premises in July 2022, being 5 years after lease commencement, in order to right-size the London office space and reduce the ongoing fixed accommodation costs associated with that office location. The Company had previously determined the amount recognised for the London office right of use asset and lease liability based on it its lease term of 10 years. In accordance with AASB 16, this change has been treated as a lease modification and, the Company has remeasured the right of use asset and lease liability taking into account the remaining lease term to July 2022. As a result, a net gain on remeasurement of US$1,051,000 is included in other income (refer to Note 3).

As of 30 June 2022, the Group had identified a replacement London office following execution of an 'agreement to lease' which was signed on 14 June 2022, but as at the reporting date, the Group was yet to execute the full lease documentation. The signed 'agreement to lease' does not meet the definition of a lease under AASB 16 and therefore no right of use asset, or lease liability was recognised for the new London office as at 30 June 2022.

Subsequent to the end of the reporting period, on 9 August 2022, the Company executed the full lease documentation for a five year lease for the abovementioned new London office premises. This resulted, subsequent to the end of the reporting period, in the recognition of a right of use asset and a corresponding lease liability of $1,602,000.

Accounting policy: Leases (the Company as a lessee)

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

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

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Group is required to determine the measurement of lease liabilities based on the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, if readily available. Where the implicit interest rate is not readily available, the Group is required to use the Group's incremental borrowing rate. Judgement is required to determine the appropriate discount rate to apply. The discount rate must reflect the rate of interest that a lessee would have to pay to borrow the funds necessary to purchase the right of use asset, over a similar term with a similar security, in a similar economic environment.

Another AASB 16 area that requires judgment relates to the assessment of the likelihood of the Group exercising, or not exercising any extension or termination options available within a lease. In performing these reasonably certain assessments, management considers all facts and circumstances that create an economic incentive to either exercise, or not exercise an extension or termination option.

20. PROVISIONS

	30 June 2022 US$ '000	30 June 2021 US$ '000
Current		
Provision for annual leave	1,780	2,365
Provision for long service leave	775	875
Salary deferment	104	-
Make good provision	145	-
Provision for onerous contracts	-	413
	2,804	**3,653**
Non-current		
Provision for long service leave	116	186
	116	**186**

Reconciliation of movement in provisions

	30 June 2022 US$ '000	30 June 2021 US$ '000
Provision for annual leave		
Balance at beginning of year	2,365	1,912
Net movement during the financial year	(585)	453
Balance at end of year	**1,780**	**2,365**
Provision for long service leave		
Balance at beginning of year	1,061	890
Net movement during the financial year	(170)	171
Balance at end of year	**891**	**1,061**
Provision for onerous contracts		
Balance at beginning of year	413	437
Reversed	(413)	(437)
Addition	-	413
Balance at end of year	**-**	**413**

Accounting policy

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.

Provision for onerous contracts

Onerous contract provision relates to certain contracts where it is probable that total contract costs will exceed total contract revenue. Key assumptions regarding costs to complete contracts include estimation of time to completion, labour costs and compute costs. A provision is made for legally binding obligations (contracts) whereby the unavoidable costs of fulfilling the contracts exceed the economic benefits expected to be received. All incremental costs directly related to contract fulfilment are included in the calculation. When it is probable that total contract costs will exceed total contract revenue, the contract is considered onerous and the present obligation under the contract is recognised immediately as a provision. Key assumptions regarding costs to complete contracts include estimation of time to completion, labour costs and compute costs. Any reasonably possible change in these assumptions will not have a significant impact on the Group.

21. CAPITAL AND RESERVES

a) Share capital

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

	30 June 2022		30 June 2021	
	No.	US$ '000	No.	US$ '000
Fully paid up shares				
Balance at beginning of period	90,951,067	38,672	54,802,919	4,645
Loan funded shares sold from leavers	17,705	12	-	-
Receipts of non-recourse loans in equity	-	-	-	354
Issued and fully paid shares	18,649,842	12,377	-	-
Issued on conversion of convertible notes	-	-	16,888,889	16,273
Issued on IPO	-	-	19,259,259	18,509
Costs of capital raisings issued	-	(680)	-	(1,109)
Balance at end of year	**109,618,614**	**50,381**	**90,951,067**	**38,672**
Issued under loan funded share plans				
Balance at beginning of year	8,522,477	-	8,353,967	-
Loan funded shares sold	(17,705)	-	-	-
Issued during the year	-	-	168,510	-
Balance at end of year	**8,504,772**	**-**	**8,522,477**	**-**
Total shares issued	**118,123,386**	**50,381**	**99,473,544**	**38,672**

- 18,649,843 fully paid ordinary shares were issued at A$0.90 (US$0.66) per share following an announcement on 7 September 2021 regarding a two tranche placement to new and existing sophisticated investors and institutional investors, and a share purchase plan as follows:
    - 14,899,999 shares issued on 13 September 2021 under tranche 1 of the placement
    - 1,766,667 shares issued on 20 October 2021 under tranche 2 of the placement
    - 1,983,176 shares issued on 19 October 2021 under the share purchase plan
- The Company invites key employees to acquire shares in the Company under loan funded share plans. During the period ended 30 June 2022, no shares were issued under the plan (30 June 2021: 168,510). The shares are granted at market value with the assistance of a limited recourse loan for a term of six years. Any dividends payable in respect of these shares are repayable against the loan, until the loan is fully repaid. During the year 17,705 shares issued under the loan funded share plan were sold and the loan amount repaid.
- Shares issued under the loan funded share plans are in-substance options. The fair value of the in-substance options granted under the loan funded share plans are measured using the Monte Carlo method, taking into account the terms and conditions on which the share options were granted. The model takes into account expected dividends and share price volatility of the Company to predict the share performance. Expected volatility is determined by calculating the annualised standard deviation of daily change in share price over a 90 day period.
  The exercise price of the in-substance option is equal to the market price of the underlying shares on the date of the grant.

Accounting policy

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.

b) Reserves

	30 June 2022 US$ '000	30 June 2021 US$ '000
Share-based payments reserve	25	1,607
Translation reserve	(2,177)	(2,177)
	2,152	**(570)**
Reconciliation of movement in reserves:		
Share-based payments reserve		
Balance at beginning of year	1,607	1,601
Transfer to retained earnings	(1,663)	-
Share based payment expense	81	6
Balance at end of year	**25**	**1,607**

- The share-based payment reserve comprises expenses incurred from the issue of the Company's shares under employee loan funded share plans.
- The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group where the functional currencies are different to the presentation currency for reporting purposes. As all entities within the Group have a United States dollars (US$) functional currency, there is not expected to be movements in this reserve.

22. IMPAIRMENT OF NON-CURRENT ASSETS

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to each of its cash generating units (**CGU**) 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 such as expected future cash flows from CGUs, discount rates used to calculate the present value of those cash flows, future revenue, margins and estimated long-term growth rate.

As at 30 June 2022, the Group's main cash generating units (**CGUs**) are:

- HPCaaS;
- Software; and
- Services

The carrying values of CGUs are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate an impairment trigger and that the carrying value may be impaired.

The recoverable amount of a CGU is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

At 30 June 2022, an impairment trigger was noted in respect to the loss before tax of the business and consequently an impairment review was undertaken across all CGUs. The recoverable amount of these CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on the financial forecast and extrapolated using the estimated growth rates covering a five-year period and a terminal growth rate thereafter. These growth rates are a combination of historical data and forecasts specific to the CGU.

As a result of this analysis, the Group did not identify any impairment for these CGUs (2021: nil).

Key assumptions used in value in use calculations

The values assigned to the key assumptions represent management's assessment of future trends in the relevant CGUs and have been based on historical data from both external and internal sources. The key assumptions used in the estimation of the recoverable amounts are set out below.

- A post-tax nominal discount rate of 11.99-16.31% has been used which represents the Group's weighted average cost of capital applicable to the geographic location of the CGU.
- Revenue growth rates for FY2024 to FY2027 are set at 10% for HPCaaS and 6% each for Software and Services from the Board approved FY2023 budget.
- Cost growth rates for FY2024 to FY2027 within the five-year period are set at an inflationary level of 4% from the Board approved FY2023 budget
- The resultant EBITDA margin over the forecast period for the Services CGU increases during the forecast period to levels similar to those achieved in FY2020. The EBITDA margin for the HPCaaS CGU also increases over the forecast period reflecting the full utilisation of the Group's existing compute capacity and the capital intensive nature of this CGU.

- The long-term growth rate post FY2027 has been set at 2%.
- Capital expenditure to maintain current capacity has been estimated based on historical spending and excludes expansionary capital expenditure.
- Working capital requirements of both CGU's have been determined based on historical requirements adjusted for revenue growth assumptions.

Sensitivity to changes in assumptions

The impairment assessment is sensitive to movements in key assumptions including the discount rate applied and EBITDA margin. Management has performed sensitivity analysis for these variables to determine if reasonable changes in the assumptions would cause the carrying amount of the above CGUs to exceed their recoverable amount.

Under the existing assumptions, the HPCaaS CGU will break even if the post-tax nominal discount rate increased to 14.75% or if the EBITDA margin decreased by in excess of 200bps in absolute terms. The Services CGU will break even if the EBITDA margin decreased by 360bps in absolute terms and the Software CGU is not sensitive to reasonable changes in assumptions.

23. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

a) Financial risk management

The Group's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, trade and other payables, loans and borrowings and lease liabilities. The total for each category of the financial instruments are as follows:

	30 June 2022 US$ '000	30 June 2021 US$ '000
Financial assets		
Cash and cash equivalents	2,656	10,016
Trade and other receivables	4,938	5,856
Bonds and security deposits – current	596	-
Bonds and security deposits – non current	33	713
	8,223	**16,585**
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	(2,691)	(2,204)
Lease liabilities	(12,376)	(17,930)
Loans and borrowings	(4,494)	(17,765)
	(19,561)	**(37,899)**

b) Financial risk management policies

The Directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management is reviewed by the Board of Directors on a regular basis, including monitoring credit risk and future cash flow requirements. The main purpose of non-derivative financial instruments is to raise finance for company operations. The Group does not have any derivative instruments as at 30 June 2022 (30 June 2021: nil).

c) Specific financial risk exposures and management

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

CREDIT RISK

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

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

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

The Group trades with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis, with the result that the Group's bad debt exposure is not significant.
At 30 June 2022 a total of 35% of year end trade receivables were concentrated to the top five customers (FY21: 40%). The Group is confident these receivables are collectable and are active in the management of these overdue amounts.

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with high credit ratings assigned by international credit rating agencies.

30 June 2022	Carrying Amount US$ '000	Past Due and Impaired US$ '000	Current US$ '000	31-60 days US$ '000	61-90 days US$ '000	>90 days US$ '000
Trade receivables	4,959	-	3,842	396	212	509
ECL provision	(21)	-	(14)	(2)	(1)	(4)
Bonds and security deposits	629	-	629	-	-	-
	5,567	**-**	**4,457**	**394**	**211**	**505**

30 June 2021	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Trade receivables	6,451	392	3,039	823	400	1,797
Specific loss provision	(384)	(304)	-	(80)	-	-
ECL provision	(217)	(88)	(79)	(11)	(23)	(16)
Bonds and security deposits	713	-	713	-	-	-
	6,563	**-**	**3,673**	**732**	**377**	**1,781**

LIQUIDITY RISK

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

- Preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- Monitoring undrawn debt facilities;
- Obtaining funding from a variety of sources;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The timings of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities.

30 June 2022	Carrying Amount US$ '000	Contractual Cash Outflows US$ '000	6 Months or Less US$ '000	6-12 Months US$ '000	1-2 Years US$ '000	2-5 Years US$ '000	More than 5 Years US$ '000
Bank loans	4,494	4,616	1,044	1,034	2,538	-	-
Lease liabilities	12,376	18,688	1,193	1,093	1,848	3,921	10,633
Trade and other payables	2,691	2,691	2,691	-	-	-	-
	19,561	**25,995**	**4,928**	**2,127**	**4,386**	**3,921**	**10,633**

30 June 2021	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Bank loans	17,765	18,125	360	17,765	-	-	-
Lease liabilities	17,930	25,224	1,569	1,568	2,966	7,062	12,059
Trade and other payables	2,204	2,204	2,204	-	-	-	-
	37,899	**45,553**	**4,133**	**19,333**	**2,966**	**7,062**	**12,059**

Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts (refer to Note 18 for further details).

MARKET RISK

Interest rate risk

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

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

	30 June 2022 US$ '000	30 June 2021 US$ '000
Impact on profit		
2.0% increase in interest rates	(223)	(574)

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year. The Group also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

CAPITAL MANAGEMENT

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

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

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

Accounting policy

a) 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.

b) Classification and subsequent measurement

i. 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.

ii. 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;
- 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.

iii. 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: Business Combinations applies, the Group did not make an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss. Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group’s accounting policy.

iv. 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 investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

v. 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.

vi. 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:
- contract assets, and
- trade receivables.

In measuring the expected credit loss a provision matrix for trade receivables and contract assets (work in progress) has been used, taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience, etc).
For intergroup loan receivables, the Group recognises 12 month expected credit losses i.e. the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date.

vii.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.

24. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	30 June 2022 US$	30 June 2021 US$
Short-term benefits	815,176	1,325,379
Post-employment benefits	50,096	77,510
Other long-term benefits	5,955	6,907
Share-based payments	6,841	2,476
Total compensation paid to key management personnel	**878,068**	**1,412,272**
Comprising:		
Senior executives	589,502	1,053,157
Non-executive directors	288,566	359,115
	878,068	**1,412,272**

There are no other key management compensation transactions for the year ended 30 June 2022 or 30 June 2021.

25. RELATED PARTY TRANSACTIONS

The Group's main related parties are as follows:

a) Entities exercising control over the Group

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

b) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity, is considered key management personnel.

Other transactions with directors and key management personnel

Transactions with Directors and key management personnel related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	30 June 2022 US$	30 June 2021 US$
Payments made to Comsen Solutions Pty Ltd, a company of which Ms Bower controls and is a Director.	78,492	19,791
Amounts outstanding at reporting date		
Amount payable to Directors and key management personnel	8,767	7,052

For other details of disclosures relating to key management personnel, refer to Note 24.
Fees paid to executive and non-executive directors are disclosed in Remuneration Report.

26. CONSOLIDATED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest 30 June 2022 %	 30 June 2021 %
Parent entity:			
DUG Technology Ltd	Australia		
Subsidiaries:			
DUG Technology (Australia) Pty Ltd	Australia	100	100
DownUnder GeoSolutions (UK) Ltd	United Kingdom	100	100
DownUnder GeoSolutions (London) Pty Ltd	United Kingdom	100	100
DownUnder GeoSolutions (America) LLC	USA	100	100
DownUnder GeoSolutions (Asia) Sdn Bhd	Malaysia	100	100
DownUnder GeoSolutions (Malaysia) Sdn Bhd	Malaysia	49	49

Accounting policy

Subsidiaries are entities controlled by the Company. The Company 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.

The Group considers that it controls DownUnder GeoSolutions (Malaysia) Sdn Bhd even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of DownUnder GeoSolutions (Malaysia) Sdn Bhd with a 49% equity interest and is responsible for the strategic direction and day to day management of the entity. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee, and
- Rights arising from other contractual arrangements

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

27. PARENT ENTITY DISCLOSURES

As at, and throughout, the year ended 30 June 2022 the parent entity of the Group was DUG Technology Ltd.

	30 June 2022 US$ '000	30 June 2021 US$ '000
Results of parent entity:		
Loss for the year	(2,830)	(22,171)
Other comprehensive income/(expense)	-	-
Total comprehensive income/(expense) for the year	**(2,830)**	**(22,171)**
Financial position of parent entity:		
Current assets	17,240	7,878
Non-current assets	3,649	3,649
Total assets	**20,889**	**11,527**
Current liabilities	68	23
Total liabilities	**68**	**23**
Total equity of parent entity comprising of:		
Share capital	50,901	39,192
Reserves	(796)	787
Accumulated losses	(29,284)	(28,474)
Total equity	**20,821**	**11,505**

a) Parent entity contingent liabilities

There were no contingent liabilities of the parent entity as at 30 June 2022.

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

There were no capital commitments of the parent entity as at 30 June 2022.

28. FAIR VALUE MEASUREMENTS

The methods for estimating fair value are outlined in the relevant notes to the financial statements. The carrying amounts of financial assets and liabilities of the Group carried at amortised cost reasonably approximate their fair values. Level 3 inputs were used for all assets and liabilities to determine that the carrying value approximates fair value.

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

29. SHARE BASED PAYMENTS

Loan Funded Share Plans

The Company invites key employees to acquire shares in DUG Technology Ltd under loan funded share plans. Up until 30 June 2020, shares were offered in terms of the Company's Loan Share Plan. Upon completion of the Company's initial public offering of shares in August 2020, all shares issued under the Loan Share Plan vested and no further offers of shares will be made under this plan.
From 1 July 2020, the Company offers loan funded shares to key employees under its Long-Term Incentive Plan.

Under both plans, the shares are granted at market value with the assistance of a limited recourse loan for a term of ten years under the Loan Share Plan and six years under the Long-Term Incentive Plan. Any dividends payable in respect of these shares are repayable against the loan, until the loan is fully repaid.

Loan share plan terms are stated in A$ and converted to US$ at the closing spot rate on 30 June each year. The tables below details the shares issued under the Loan Share Plan (**LFSP**) and the Long-Term Incentive Plan (**LTIP**) and the related loans.

		Number of Shares and Balance of Recourse Loans on 30 June 2022				
Plan	Tranche	No. of Shares	Price per Share A$	Loan A$ '000	Loan US$ '000	Loan Maturity
LFSP	1	400,879	0.80	441	304	30/6/2024
LFSP	2	487,183	1.04	696	479	30/6/2025
LFSP	3	5,665,279	0.90	6,172	4,251	27/7/2025
LFSP	5	283,909	1.25	406	279	30/6/2028
LFSP	6	704,148	1.49	1,360	936	19/2/2027
LFSP	7	610,643	1.99	1,318	908	30/6/2029
LFSP	8	90,222	2.00	180	124	15/5/2029
LFSP	9	100,576	2.05	212	146	19/3/2030
LTIP	1	161,933	1.35	230	159	26/7/2026
	Total	**8,504,772**		**11,015**	**7,586**	

		Number of Shares and Balance of Recourse Loans on 30 June 2021				
Plan	Tranche	No. of Shares	Price per Share A$	Loan A$ '000	Loan US$ '000	Loan Maturity
LFSP	1	400,879	0.80	426	320	30/06/2024
LFSP	2	487,183	1.04	668	503	30/06/2025
LFSP	3	5,665,279	0.90	6,173	4,648	27/07/2025
LFSP	5	288,106	1.25	401	302	30/06/2028
LFSP	6	704,148	1.49	1,300	979	19/02/2027
LFSP	7	617,574	1.99	1,306	984	30/06/2029
LFSP	8	90,222	2.00	180	136	15/05/2029
LFSP	9	100,576	2.05	209	158	19/03/2030
LTIP	1	168,510	1.35	233	175	26/07/2026
	Total	**8,522,477**		**10,896**	**8,205**	

Repayment of loans

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

- The date on which the recipient's shares are compulsorily divested, if required under the Loan Share Plan rules;
- The date the recipient disposes or attempts to dispose of its shares; and
- The date which is either 6 or 10 years after the date the shares were issued to the recipient of the loan.

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

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

	30 June 2022 US$ '000	30 June 2021 US$ '000
Expense arising from equity-settled share-based payment transactions	81	6
Total expense arising from share-based payment transactions	**81**	**6**

The fair value of the shares granted under the loan funded share plan are measured using the Monte Carlo method. Expected volatility is estimated by considering historic average share price volatility. A probability of 100% has been applied to the valuation of all unvested shares as at 30 June 2022 (30 June 2021: 100%), reflecting the liquidity event which was triggered by the Company's listing on the ASX on 10 August 2020.

During the financial year ended 30 June 2021, 168,510 shares were issued under the Long-Term Incentive Plan (**LTIP**). As at 30 June 2022, this tranche had reduced to 161,933 shares following the cessation of employment of a recipient. This award was split into two sub-tranches with one half being an EPS target measurable on the 30 June 2023 results with all shares vesting at a growth exceeding 250% from 30 June 2020, the second half is a total shareholder return hurdle with an increase of 325% leading to all shares in this tranche vesting at 30 June 2023.

The fair value of this tranche of shares issued under the LTIP was calculated at $0.122 per share for the TSR shares and $0.515 for the EPS shares using the Monte Carlo method, with a share price of $1.35, a volatility of 40%, a risk free rate of 0.29 %, a dividend yield of 0% and a expected life of 6 years.

All other tranches of shares vested upon the Company's initial public offering in August 2020.

Other loan funded shares

On 30 June 2012, the Group provided an unsecured loan to a senior executive amounting to A$870,000 to enable the senior executive to acquire 2,400,000 fully paid ordinary shares in the Company. A reassessment of this arrangement has concluded that the arrangement is a limited recourse loan and meets the definition of a share-based payment. Accordingly this arrangement is now classified under AASB 2: Share Based Payment, with the fair value of the shares granted under the loan funded share plan measured using the Monte Carlo method. At 30 June 2022, 1,500,000 shares remain outstanding.

30. CASH FLOW INFORMATION

Reconciliation of net profit after tax to net cash flows from operations	30 June 2022 US$ '000	30 June 2021 US$ '000
Loss from continuing operations after income tax	(9,420)	(15,860)
Adjustments for:		
Depreciation and amortisation	7,693	7,416
Net finance expense	1,631	3,751
Tax expense	2,821	2,963
Withholding tax reclassed from tax expense	-	299
Unrealised foreign exchange loss	(137)	177
Loss on disposal of property, plant and equipment	1	15
Share based payments – Equity settled	81	6
Government grants	-	83
Lease modification	(1,051)	-
Government grant – R&D tax concessions	(2,800)	(2,842)
	(1,181)	(3,992)
Changes in:		
Trade and other receivables	924	1,452
Prepayments	11	325
Contract assets and liabilities	546	16
Other current assets	(629)	(32)
Other non-current assets	680	1
Trade and other payables	369	831
Provisions	(1,063)	(626)
Cash used in operating activities	(343)	(2,025)
Income tax paid	(256)	(807)
Income tax refunded	174	-
Net cash flows used in operating activities	**(425)**	**(2,832)**

31. CONTINGENT LIABILITIES AND COMMITMENTS

At 30 June 2022, the Group had capital commitments of $1,751,000 being the undiscounted cashflows from the 'agreement to lease' for the new London office premises, disclosed in Note 19.

In May 2021, the group received a supplier invoice that it disputed. DUG has since renewed a commercial agreement with this supplier and has received no correspondence in respect of this matter for thirteen months and considers the matter closed, consequently no provision has been made.

Other than described above, the Group had no other capital commitments and there were no other material contingent liabilities or contingent assets as at the reporting date.

32. SUBSEQUENT EVENTS

On 9 August 2022 the Company executed the full lease documentation for a five year lease for its new London office premises. This resulted, subsequent to the reporting date, in the recognition of a right of use asset and a corresponding lease liability of $1,602,000. No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the result of those operations, or the Group's state of affairs in future financial years.

33. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity

The consolidated financial statements of DUG Technology Ltd as at and for the year ended 30 June 2022 comprise of DUG Technology Ltd (**the Company**) and its subsidiaries (together referred to as **the Group**) and were authorised for issue in accordance with a resolution of the directors on 30 August 2022. The Group is comprised of for-profit entities. DUG Technology Ltd is a limited company incorporated and domiciled in Australia and whose shares are publicly traded. The principal activities of the Group are the provision of high-performance computing as a service (HPCaaS), scientific data analysis and the provision of software. Additional information on the Group's principal activities is provided in Note 1.

b) Basis of preparation

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

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

c) Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2022, the Group incurred a net loss of US$9,420,000 (2021: US$15,860,000) and experienced net cash outflows from operating activities of US$425,000 (2021:US$2,832,000) which included the impact of the Group's restructuring program conducted during the year. At 30 June 2022, the Group had net current liabilities of US$2,226,000 (2021: US$10,809,000), which includes non-refundable contract liabilities of US$2,699,000 (2021: US$2,704,000) and held cash and cash equivalents of US$2,656,000 (2021: US$10,016,000). In addition, at 30 June 2022, the Group also has an unused overdraft facility of $US687,000.

In June 2022, the Group made a principal repayment of US$7,000,000 to CBA to extend the remaining Term Debt facility to 1 July 2024. This repayment reduced Group cash reserves to US$2,656,000 at 30 June 2022. These cash reserves are forecast to support operating activities with forecast positive operating cash flows for FY2023 and beyond after generating US$2,066,000 of cash flows from operating activities during the second half of FY2022. The Group is likely to require additional financing facilities to fund capital expenditure to support growth and are in discussions with multiple parties to provide this funding.

The Directors have prepared the financial statements on the going concern basis as they are satisfied that the Group will be able to generate sufficient cash flow from operations to meet the Group's operating and financing obligations and that funding will be sourced to support growth capital expenditure. This determination is based upon recent cash flow performance of the Group, forward looking forecasts that are supported by a strong order book, and the Group having demonstrated its ability to successfully raise capital from multiple sources.

In the event that the Group is unable to achieve the above, material uncertainty would exist that may cast significant doubt on the ability of the Group to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

d) Functional and Presentation Currency

All entities within the Group have a United States dollars (US$) functional currency.
The consolidated financial statements are presented in US$, which is the parent entity's and subsidiaries' functional and presentation currency.

e) Foreign currency

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

f) Basis of Measurement

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Consolidated Financial Statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

g) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where necessary, comparative information has been re-presented to be consistent with the current period disclosure. The 2021 comparative information for withholding tax of $299,000 was re-presented from income tax expense to other expenses to reflect the adjustment in classification.

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

h) New, revised or amending Accounting Standards and interpretations not yet adopted

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021, unless otherwise stated. All new and amended accounting standards and interpretations effective from 1 July 2022 were adopted by the Group with no material impact.

In May 2020, the IASB issued amendments to IAS 37 (AASB 137) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to any contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. No material impacts are expected from the application of this amendment.

Certain other new accounting standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period and have not been early adopted by the group. These standards are not expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

34. 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.

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:

- Note 2 – Revenue
- Note 3 – Other income (R&D tax concession)
- Note 8 – Income taxes
- Note 11 – Trade and other receivables
- Note 13 – Property, plant and equipment
- Note 19 – Lease liabilities
- Note 20 – Provisions
- Note 22 – Impairment of non-current assets
- Note 26 – Consolidated entities

Directors' Declaration

In accordance with a resolution of the Directors of DUG Technology Ltd (the Company), we state that:

In the opinion of the Directors:

(a) the financial statements and notes of DUG Technology Ltd, as set out on pages 27 to 77, for the financial year ended 30 June 2022 are in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
ii. complying with Accounting Standards and Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 33; and

(c) subject to the achievement of matters described in Note 33(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Managing Director and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

Dated at Perth on 30 August 2022.

Signed in accordance with a resolution of the Directors.

____

Mark Puzey
DIRECTOR

Independent Auditor's Report

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the members of DUG Technology Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of DUG Technology Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 33(c) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

Building a better
working world

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Revenue recognition

Why significant	How our audit addressed the key audit matter

The Group's business involves entering into contractual relationships with customers to provide a range of services resulting in the following revenue streams:
► High-performance computing as a service (HPCaaS)
► Software as a service
► Data processing and imaging services
The recognition of revenue involves a significant degree of judgement being exercised by the Group, with estimates being made in:
► identifying the performance obligations under its contracts with customers
► determining the transaction price, considering the terms in the contracts
► determining the method of allocating the transaction price in the contract to the performance obligations
► measuring the Group's progress towards the complete satisfaction of the performance obligations under the customer contract
► identifying and providing for onerous contracts.
The Group's accounting policies and disclosures in relation to revenue are detailed in Note 2 of the financial report.
	Our audit procedures included the following:
	► Assessed whether the Group's accounting policies were in accordance with the requirements of Australian Accounting Standards
	► Evaluated the judgements made by the Group in applying the accounting policy by obtaining an understanding of the revenue streams and considering the terms and conditions of a sample of contracts
	► For a sample of contracts for each revenue stream, we:
	  ► developed an understanding of the key terms of the arrangement including parties, performance obligations, termination clause, fees and payment terms to ensure alignment with the Group's accounting policies
	  ► considered the Group's identification of performance obligations and allocation of transaction prices to the performance obligations
	  ► recalculated the amount of revenue recognised by the Group, taking into account the terms of the contracts, the progress towards completion at 30 June 2022, and discussions with the key executives with oversight of the various contract portfolios
	  ► assessed the contract status through the examination of external evidence, such as approved variations, customer correspondence and contract progress confirmation with customers
	  ► obtained evidence of the subsequent collection of receivables recognised on the balance sheet as at 30 June 2022

EY
Building a better working world

Why significant	How our audit addressed the key audit matter
	► Assessed the provision for onerous contracts and whether it appropriately reflected the expected contractual positions ► Assessed the adequacy of related disclosures in the financial report.

Valuation of Property, Plant and Equipment (including Right of Use Assets)

Why significant	How our audit addressed the key audit matter
As detailed in Note 22 of the financial report, the Group operates in three operating segments being High-Performance Computing as a service, Software and Services. These were also determined to be the Group's three cash generating units ("CGUs"). At the end of each reporting period, the Group exercises judgment in determining whether there is any indicator of impairment of these CGUs. If any such indicators exist, the Group estimates the recoverable amount of the applicable assets. The Group assessed whether any indicators of impairment were present at 30 June 2022 and concluded that an indicator or indicators of impairment were present in the High-Performance Computing as a service and Services CGUs as a result of the Group's loss before tax during the current year. Accordingly, the Group performed an impairment assessment of its property, plant and equipment (including right of use assets), across these two cash generating units. Based on the outcome of this impairment assessment, the Group did not recognise any impairment charge. This was determined to be a key audit matter due to the significant carrying value of the property, plant and equipment (including right of use assets) as well as the judgment involved in the assessment of the CGU recoverable amounts. The assessment required the Group to make assumptions in the underlying cash flow forecasts. The assumptions include expectations for future revenue, margin and market and economic assumptions such discount rates and inflation rates which have been disclosed in Note 22 of the financial report.	Our audit procedures included the following: ► Assessed the Group's determination of CGUs and the allocation of assets and liabilities to those CGUs. ► Assessed the Group's discounted cash flow model which calculates the value in use recoverable amount of the Group's assets, in order to determine if any asset impairment was required. ► Evaluated the Group's assumptions and estimates used in forecasting the cash flows used in the impairment assessment, including those relating to future revenue, margin, discount rates and inflation rates. We involved our valuation specialists to evaluate the discount rate, growth rate and inflation rate assumptions used. ► Performed sensitivity analysis on cash flow forecasts. ► Assessed the adequacy of the Group's disclosures in respect of asset carrying values and impairment assessment assumptions.

Building a better
working world

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Building a better working world

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 25 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of DUG Technology Ltd for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
30 August 2022

Ernst & Young

Ernst & Young

V L Hoang
Partner
Perth
30 August 2022

Corporate Governance Statement

DUG Technology Ltd has established a strong governance framework and continues to be committed to a high level of integrity and ethical standards in all its business practices. Effective and transparent corporate governance is of critical importance to DUG and its Board of Directors. The Board fully supports the intent of the Australian Securities Exchange (ASX) Corporate Governance Council's 4th edition of Corporate Governance Principles and Recommendations.

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

ASX additional information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 17 August 2022.

DISTRIBUTION OF EQUITY SECURITIES

a) Ordinary share capital

118,123,386 fully paid shares are held by 2,354 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

Range of Fully Paid Shares	Number of Investors	Number of Securities	Percentage
1 - 1,000	488	322,457	0.27
1,001 - 5,000	889	2,409,052	2.04
5,001 - 10,000	363	2,802,136	2.37
10,001 - 100,000	541	16,289,650	13.79
100,001 Over	73	96,300,091	81.53
Total	**2,354**	**118,123,386**	**100.00**
Unmarketable parcels	367	203,077	

b) Substantial shareholders

Ordinary Shareholders	Fully paid	
	Number	Percentage
MR MATTHEW GORDON LAMONT	24,040,654	20.35
PERENNIAL VALUE MANAGEMENT LIMITED	14,798,284	12.53
REGAL FUNDS MANAGEMENT PTY LTD	11,143,753	9.43
TIGA TRADING PTY LTD / THORNEY TECHNOLOGIES LTD	7,896,812	6.69
MR PHILIP IMPERIAL SCHWAN	7,232,760	6.12

c) Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully paid	
	Number	Percentage
NATIONAL NOMINEES LIMITED	18,240,743	15.44
MR MATTHEW GORDON LAMONT	12,300,000	10.41
MS SHEILA TERESA LAMONT	10,900,000	9.23
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	10,464,729	8.86
UBS NOMINEES PTY LTD	7,545,989	6.39
MR PHILIP IMPERIAL SCHWAN	7,232,760	6.12
MR CALAN LESLIE MCINTYRE <SCR MCINTYRE A/C>	4,500,000	3.81
GRANDALBERO PTY LTD <THE THOMPSON FAMILY A/C>	3,501,371	2.96
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,243,364	1.90
KAYNADAN PTY LTD <THE BOWER FAMILY A/C>	1,124,821	0.95
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	859,063	0.73
ALPINE NOMINEES PTY LTD <THE ASHLEY FAMILY A/C>	826,020	0.70
LYTTON NOMINEES PTY LTD <LYTTON SUPER FUND A/C>	655,629	0.56
LAMONT GEOPHYSICAL SERVICES PTY LTD <SHEILA LAMONT FAMILY A/C>	576,457	0.49
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	572,347	0.48
MR DONALD RODERICK HUNTER	565,890	0.48
CITICORP NOMINEES PTY LIMITED	537,454	0.45
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	518,575	0.44
MRS SONYA JANE CRUTE	500,000	0.42
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	495,681	0.42
Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	**84,160,893**	**71.25**

d) Unquoted equity securities shareholdings greater than 20%

NONE.

e) On market share purchases for executive LTI plan

NONE.

Company Information

DIRECTORS	Wayne Martin — Non-Executive Chairman Matthew Lamont — Managing Director Louise Bower — Non-Executive Director Mark Puzey — Non-Executive Director Francesco Sciarrone — Non-Executive Director
COMPANY SECRETARY	Jacqueline Barry
COUNTRY OF INCORPORATION	Australia
COMPANY REGISTRATION NUMBER	169 944 334
LEGAL FORM	Limited Company
REGISTERED OFFICE	76 Kings Park Road West Perth WA 6005 AUSTRALIA
PRINCIPAL PLACE OF BUSINESS	76 Kings Park Road West Perth WA 6005 AUSTRALIA
AUDITORS	EY Australia EY Building 11 Mounts Bay Road Perth WA 6000 AUSTRALIA
SHARE REGISTRY	Computershare Investor Services Level 11, 172 St Georges Terrace Perth WA 6000 AUSTRALIA
ASX CODE	ASX CODE: DUG

DUG Technology Ltd
ABN 99 169 944 334

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