

ASX Release

19 October 2022



Q1 FY23 QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

DUG Technology Ltd (ASX: DUG) (“**DUG**” or the “**Company**”) is pleased to provide this update on activities and the Appendix 4C for the quarter ended 30 September 2022.

Highlights

- Total revenue in Q1 FY23 was US\$11.2 million, an increase of 33% on Q4 FY22 and 30% on Q1 FY22
- EBITDA for Q1 FY23 of US\$3.0 million, an increase of US\$1.5 million on Q4 FY22 and US\$3.2 million on Q1 FY22
- The Company won US\$10.8 million in new Services projects during the quarter, a 110% increase on Q1 FY22
- Operating cash inflows for Q1 FY23 were US\$0.3 million. Net investing cash outflows for Q1 FY23 of US\$0.5 million
- Financing cash outflows for Q1 FY23 of \$1.0 million
- Total cash held at 30 September 2022 was US\$1.5 million with net debt (excluding AASB 16 leases) at 30 September 2022 of US\$2.8 million.

Operational update

Q1 FY23 services revenue increased 55.4% on Q4 FY22, the strongest quarter in services revenue since Q2 FY21, supporting EBITDA of US\$3.0 million for the quarter which is the best result since Q2 FY20.

DUG continued to win new service projects with US\$10.8 million in new awards during the quarter, up 110% on Q1 FY22. This follows wins totalling US\$20.8 million over 2H FY22.

Commenting on DUG’s operational performance, Managing Director Dr Matthew Lamont said: “The result for the September quarter was fantastic and it was pleasing to see the strength in our order book translate into revenue and earnings.

Contract wins continue to flow at similar levels to the second half of the last financial year, supported by DUG’s new Multi-parameter FWI Imaging technology and the strength of overall market conditions.

Results we are seeing from further trials of this technology are strong and we have recently broadened the capability of the technology to Quantitative Interpretation. We showcased this technology at the International Meeting for Applied Geoscience and Energy (IMAGE) conference at the end of August 2022 with great feedback from the industry.”

Revenue and Earnings

Total revenue earned from external customers was US\$11.2 million for Q1 FY23. The table below summarises the break-down of revenue across the Company's three product lines:

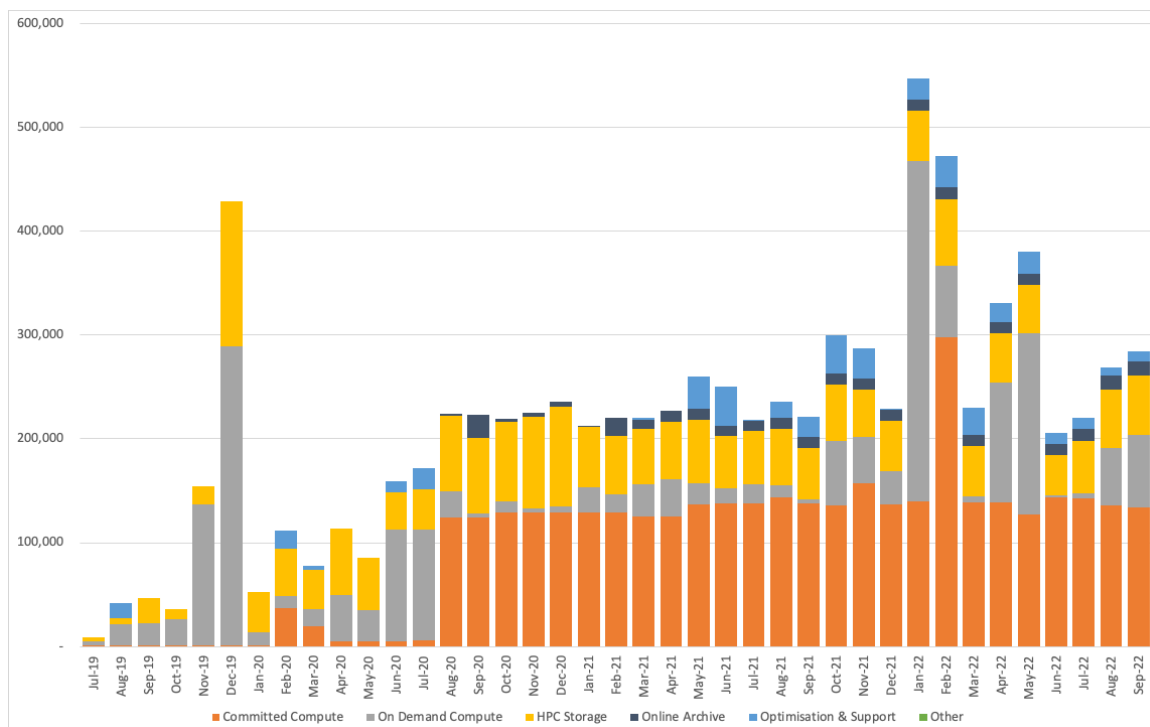
Product line	Q1 FY23 (US\$ million)	Q4 FY22 (US\$ million)	Variance FY23 Q1 to FY22 Q4 (%)
Services	8.7	5.6	55.4%
Software	1.5	1.8	(16.7%)
HPCaaS	1.0	1.0	-
Total	11.2	8.4	33.3%

The Services product line was a standout performer for the quarter, capitalising on work won during Q3 and Q4 of FY2022 following initial delays in starting certain projects now resolved.

Software sales are seasonal based on renewals from larger clients occurring during June and December each year, therefore as expected software revenue softened from Q4 FY2022, however grew by 10% compared to Q1 FY2022.

HPCaaS was flat for the quarter with activity levels dropping from some customers during the European summer holiday period. Revenues generated outside of the oil and gas market continue to grow quarter on quarter, broadening DUG's revenue mix.

The below graph illustrates the trend in HPCaaS invoicing (US\$):



EBITDA for the quarter was US\$3.0 million supported by strengthened revenue.

Cash flow

Cash inflows from operating activities was US\$0.3 million for Q1 FY23 (Q4 FY22: outflow of US\$0.8 million) – this includes interest payments of US\$0.3 million (Q4 FY22: US\$0.3 million).

Cash flow from operating activities was impacted by an increase of \$2.8 million in contract assets with certain large services projects progressing in advance of agreed invoicing patterns, this is expected to unwind over Q2 and Q3 of FY2023.

Capital expenditure of US\$0.5 million during Q1 FY23 included the purchase of additional storage hardware to support Australia’s customers outside the oil and gas industry.

Loan repayments of US\$0.5 million were made to CBA during the quarter, reducing the term loan to US\$4.0 million.

At 30 September 2022, total cash held by the Company was US\$1.52 million, a net decrease of US\$1.14 million compared to 30 June 2022.

Payments to related parties of the entity and their associates

The amount included in section 6.1 of the Appendix 4C comprises fees and salaries paid to directors of US\$143,557.

This ASX Announcement has been approved for release by the Board of DUG Technology Ltd.

ENDS

For more information:

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About DUG

DUG is an ASX listed technology company, headquartered in Australia, 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 is a global company with offices in Perth, London, Houston and Kuala Lumpur, supporting a diverse industrial client-base that includes radio-astronomy, biomedicine and meteorology, as well as the resource, government and education sectors. 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.

To learn more, please visit www.dug.com.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DUG Technology Ltd

ABN

99 169 944 334

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,333	8,333
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(673)	(673)
(c) advertising and marketing	(552)	(552)
(d) leased assets	-	-
(e) staff costs	(5,810)	(5,810)
(f) administration and corporate costs	(524)	(524)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(336)	(336)
1.6 Income taxes received/(paid)	(60)	(60)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
Non recurring redundancy costs	(38)	(38)
1.9 Net cash from / (used in) operating activities	340	340
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(503)	(503)
(d) investments	-	-
(e) intellectual property	(41)	(41)

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	54	54
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(490)	(490)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(500)	(500)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Repayment of leases	(472)	(472)
3.10 Other	-	-
3.11 Net cash from / (used in) financing activities	(972)	(972)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,656	2,656
4.2 Net cash from / (used in) operating activities (item 1.9 above)	340	340

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(490)	(490)
4.4	Net cash from / (used in) financing activities (item 3.11 above)	(972)	(972)
4.5	Effect of movement in exchange rates on cash held	(17)	(17)
4.6	Cash and cash equivalents at end of period	1,517	1,517

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	1,517	2,656
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,517	2,656

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(144)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Amounts included in 6.1 are remuneration payments made to Non-Executive Directors.

7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities – Term Debt	4,000
7.2	Loan facilities – Credit standby arrangements	1,000
7.3a	Other (Premium Funding Loan)	315
7.3b	Other (Bank Overdraft)	648
7.4	Total financing facilities	5,963
7.5	Unused financing facilities available at quarter end	937
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
<p>Commonwealth Bank of Australia:</p> <ol style="list-style-type: none"> 1. USD Term Debt: US\$4,000,000 <ol style="list-style-type: none"> a. Interest rate: SOFR rate plus 4.25% line fee. b. Maturity date: 1 July 2024 c. Secured or Unsecured: Secured 2. Contingent Instrument Facility: US\$1,000,000, drawn down to \$US710,986 <ol style="list-style-type: none"> a. Interest rate: Line fee of 1.00% plus utilisation fee of 2.95% on amounts drawn. b. Maturity date: Subject to annual review c. Secured or Unsecured: Secured 3. Overdraft Facility: A\$1,000,000 (US\$648,200 as at 30 September 2022 spot rate) <ol style="list-style-type: none"> a. Interest rate: Line fee of 1.50% plus Overdraft Index Rate as quoted on CBA's website b. Maturity date: Subject to annual review c. Secured or Unsecured: Secured 		

8. Estimated cash available for future operating activities	\$US'000	
8.1	Net cash from / (used in) operating activities (item 1.9)	340
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,517
8.3	Unused finance facilities available at quarter end (item 7.5)	937
8.4	Total available funding (item 8.2 + item 8.3)	2,454
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 19 October 2022

The Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.