

ASX Release

24 November 2022



DUG Technology 2022 AGM Chairman's Address

Good afternoon, everyone, my name is Frank Sciarrone. As Chairman, and on behalf of the board of DUG Technology, I would like to welcome you all to our Annual General Meeting and thank you for your ongoing interest in our company. This is our first AGM held physically since listing in August 2020 following virtual meetings during the COVID-19 pandemic, and also my first meeting as your Chairman. I'd like to take this opportunity to thank our former Chairman, Wayne Martin for his leadership and valuable contribution through the listing of the business and stewardship through the pandemic.

Today I will take you through an operational update before moving on to the formal agenda and resolutions.

Due to the long-lasting impacts of the global pandemic, we faced a number of challenges in the first half of FY22, but we ended the year with a strong order book supporting the 2023 financial year. Revenue for the 2022 financial year was US\$33.7 million with an EBITDA of US\$2.8 million.

The year started with poor market conditions driven primarily by a low oil price, which in turn affected our financial performance in the oil and gas sector. In light of that, we took decisive action to restructure the company into specific Business Units. This important restructure has increased our team's accountability, improved our results, and ultimately made us cash-generative.

Since the turn of the 2022 calendar year, DUG has enjoyed strong project wins in its oil and gas services business. Much of this work has commenced since the turn of the 2023 financial year. We have continued to secure strong order flow, averaging US\$10.5 million of services orders per quarter since the turn of the calendar year. During the month of October 2022 alone we secured an additional US\$8.9 million of new orders.

In our recent quarterly results update for the first quarter of FY2023, we had our best ever start to a financial year with revenue of US\$11.2 million and EBITDA of US\$3.0 million. Given the current strength of the US dollar, the EBITDA for the quarter was the equivalent of A\$4.5 million; an impressive result given our current market capitalisation.

This revenue growth has placed some pressure on working capital, so we have secured additional liquidity through asset financing and a short-term increase of our overdraft facility with CBA to support this investment in working capital. This position reverses during the third quarter of the financial year with expected strong operating cash flows during that quarter.

We are delighted to have made a breakthrough in our multi-parameter FWI (Full Waveform Inversion) Imaging late last year. It has subsequently been applied to many datasets with consistently good results 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 conference recently with great feedback from the industry.

We are now able to replace conventional seismic data processing techniques with our FWI technology, resulting in much-reduced timeframes, a fraction of the labour cost by utilising greater amounts of compute resources. Our expertise and experience with large high performance computing, or HPC, makes FWI possible on a large scale. This technology is revolutionising the work we do in the oil and gas industry. We are working hard to promote this technology worldwide to be at the forefront of capturing this new market and are currently running FWI on 18 projects across the globe.

Our focus on software is going well and is demonstrated through good growth in revenue during the last financial year. The recurring revenue nature of software has been tested thoroughly over the past two years and is shown to have a good track record. We have also continued to grow our high performance computing as a service offering. This is another recurring revenue product line with strong margins and potential.

We also received our ISO9001 and ISO27001 certification—a tremendous achievement for the Company. We are now working on the Defence Industry Security Program DISP certification, which will unlock further business opportunities, particularly in the National Security and Space sectors.

On behalf of the Board, I would like to acknowledge the significant contribution of our staff over the past 12 months. And to you, our shareholders, I thank you for your continued support during this difficult period. The Board and management are committed to driving growth in FY23 and beyond and we look forward to updating you on our progress as the year unfolds.

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

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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.