



# DUG Technology Ltd

## Appendix 4D

### Reporting period

Current period: Half-year ended 31 December 2022

Previous corresponding period: Half-year ended 31 December 2021

### Results for Announcement to the Market

	31 December 2022	31 December 2021	Change Up/(Down)	
	US\$000's	US\$000's	US\$000's	%
Revenue from ordinary activities	25,179	17,016	8,163	48%
EBITDA <sup>1</sup>	7,581	56	7,525	13,438%
Profit/ (loss) after tax from ordinary activities	2,620	(5,834)	8,454	↑
Loss after tax attributable to members	2,614	(5,852)	8,466	↑

<sup>1</sup> This item is categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 - Disclosing non-IFRS financial information.

### Dividends and Dividend Reinvestment Plans

No dividend has been proposed or declared in respect of half-years ended 31 December 2022 and 31 December 2021 and there were no dividend reinvestment plans in operation during the current period.

### Control Gained/Lost Over Entities

No control over any entities was gained or lost during the half-year ended 31 December 2022.

### Net Tangible Assets per Share

	31 December 2022 US\$	31 December 2021 US\$
Net tangible assets per share	0.14	0.14

### Audit Review

This report is based on the interim consolidated financial statements for the half-year ended 31 December 2022 which have been reviewed by Grant Thornton Australia.

### Other

Additional information supporting the Appendix 4D disclosure requirements and a comparison of performance against previous periods, can be found in the accompanying Directors' Report and the interim consolidated financial statements for the half-year ended 31 December 2022.



# CONSOLIDATED INTERIM FINANCIAL REPORT

for the half-year ended 31 December 2022

expressed in US dollars unless otherwise stated

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## Company Information

DIRECTORS	Francesco Sciarrone Matthew Lamont Louise Bower Mark Puzey	Non-Executive Chairman Managing Director Non-Executive Director 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	Grant Thornton Audit Pty Ltd Level 43 Central Park 152-158 St Georges Terrace Perth WA 6000 AUSTRALIA	
SHARE REGISTRY	Computershare Investor Services Level 11, 172 St Georges Terrace Perth WA 6000 AUSTRALIA	
ASX LISTING	ASX CODE: DUG	

## Directors' Report

The Directors hereby present their report of the Group comprising of DUG Technology Ltd (**DUG, or the Company**), and its subsidiaries (together referred to as **the Group**) for the half-year ended 31 December 2022. The use of the words Company and Group are interchangeable for the purposes of this report.

### DIRECTORS

The Directors of the Company in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

- Francesco Sciarrone Chairman and Non-Executive Director (appointed Chairman 1 September 2022)
- Wayne Martin Chairman and Non-Executive Director (retired 1 September 2022)
- Matthew Lamont Managing Director
- Louise Bower Non-Executive Director
- Mark Puzey Non-Executive Director

### 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.

### REVIEW OF OPERATIONS

This review sets out the operating results of the Company for the half-year periods ended 31 December 2022 (**H1 FY23**), 30 June 2022 (**H2 FY22**) and 31 December 2021 (**H1 FY22**).

	H1 FY23 US\$000's	H2 FY22 US\$000's	H1 FY22 US\$000's	Change H1 FY23 & H2 FY22 %	Change H1 FY23 & H1 FY22 %
Revenue	25,179	16,648	17,016	51%	48%
EBITDA <sup>1</sup>	7,581	2,669	56	184%	13,438%
EBITDA <sup>1</sup> margin (%)	30.1%	16.0%	-%	14.1%	30.1%
Profit / (loss) before tax	3,779	(2,077)	(4,522)	↑	↑
Profit / (loss) after tax	2,620	(3,586)	(5,834)	↑	↑
Earnings / (loss) per share (cents)	2.22	(2.80)	(5.33)	↑	↑

<sup>1</sup> These items are categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information.

Increased revenue for the period relative to the prior comparative periods led to a significant increase in EBITDA, improved EBITDA margin and a return to positive net profit after tax.

## FINANCIAL PERFORMANCE

### Revenue

	H1 FY23 US\$000's	H2 FY22 US\$000's	H1 FY22 US\$000's	Change H1 FY23 & H2 FY22 %	Change H1 FY23 & H1 FY22 %
Services	19,846	11,231	12,435	77%	60%
Software	3,160	3,169	2,900	-%	9%
HPCaaS	2,173	2,248	1,681	(3%)	29%
	<b>25,179</b>	<b>16,648</b>	<b>17,016</b>	<b>51%</b>	<b>48%</b>

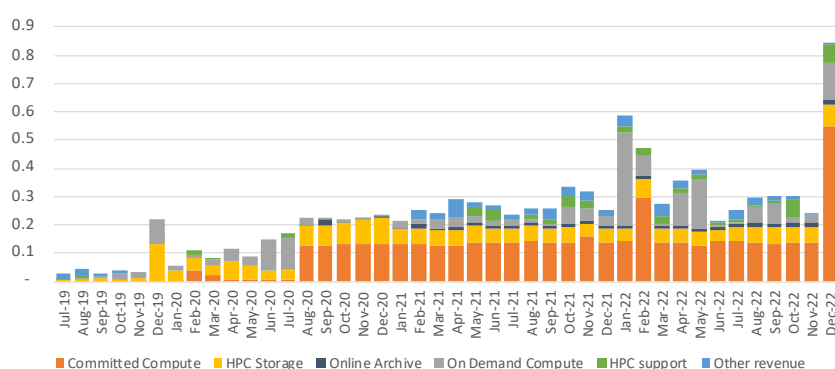
Total revenue grew 51% on H2 FY22 and 48% on H1 FY22, primarily from a resurgence of the oil and gas exploration market since the turn of the 2022 calendar year.

The services business has performed particularly well during the period. The Company has been winning a steady stream of new services projects since March 2022, averaging US\$4.3 million of new client wins per month between March 2022 and December 2022.

Software revenue grew by 9% on the comparative period. Revenue from this line is seasonal with renewals occurring at different times throughout the year.

HPCaaS Invoicing (US\$millions)

HPCaaS revenues are growing with a 29% uplift from the corresponding period. A softening of 3% from H2 FY22 was due to a spike in 'on-demand' usage from a HPCaaS client in January 2022. DUG had its highest ever invoicing month of HPCaaS in December 2022 which included invoicing in advance of US\$0.4 million expected to be delivered in H2 FY23.



### Other income and expenses

	H1 FY23 US\$000's	H2 FY22 US\$000's	H1 FY22 US\$000's	Change H1 FY23 & H2 FY22 %	Change H1 FY23 & H1 FY22 %
Total revenue	25,179	16,648	17,016	51%	48%
Other income	1,159	1,506	2,345	(23%)	(51%)
Employee benefits	(13,621)	(11,277)	(14,102)	(21%)	3%
Other expenses	(5,136)	(4,208)	(5,203)	(22%)	1%
<b>EBITDA<sup>1</sup></b>	<b>7,581</b>	<b>2,669</b>	<b>56</b>	<b>184%</b>	<b>13438%</b>
Depreciation and amortisation	(3,214)	(3,969)	(3,724)	19%	14%
<b>EBIT<sup>1</sup></b>	<b>4,367</b>	<b>(1,300)</b>	<b>(3,668)</b>	↑	↑
Finance expense	(588)	(777)	(854)	24%	31%
<b>Profit before tax</b>	<b>3,779</b>	<b>(2,077)</b>	<b>(4,522)</b>	↑	↑
Tax expense	(1,159)	(1,509)	(1,312)	23%	12%
<b>Profit after tax</b>	<b>2,620</b>	<b>(3,586)</b>	<b>(5,834)</b>	↑	↑

<sup>1</sup> These items are categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information.



Other income in H1 FY23 comprises R&D concessions, the amount reduced from H2 FY22 following significant R&D activities during that period to ready new FWI Imaging technology for market. Other income for H1 FY22 included a gain of US\$1.051 million on the early termination of its leased property in London as part of its restructuring and cost saving initiative.

Employee benefit expenses increased by 21% on H2 FY22 mainly from localised performance incentives for the period together with a modest increase in employee numbers to support the revenue growth. Employee expenses represented 54% of revenue compared to 68% and 83% in H2 FY22 and H1 FY22 respectively.

Other expenses increased by 22% on H2 FY22 from increased direct costs of sales including withholding taxes paid.

Depreciation and amortisation charges for the current period reduced due to accelerated depreciation on leasehold improvements and other assets situated in the London office recorded in H2 FY22.

Finance costs decreased due to lower borrowings during the year. Included in finance costs is interest on lease liabilities of US\$0.404 million.

The Group's tax expense is predominantly incurred in Australia with R&D tax incentives received offsetting cash tax liabilities.

## FINANCIAL POSITION

During the year, the Group improved its net asset position to US\$16.564 million at 31 December 2022, mainly from the recording of US\$2.620 million in net profit after tax recorded.

Net current assets at 31 December 2022 of US\$0.338 million were an improvement on 30 June 2022 net current liabilities of US\$2.226 million. This includes non-refundable revenue collected in advance (contract liabilities) of US\$4.042 million (30 June 2022: US\$2.699 million). This improvement in position is an outcome of earnings for the period.

Trade and other receivables increased by US\$5.136 million to US\$10.074 million at 31 December 2022 due to significant revenue growth. Contract assets increased by US\$2.245 million to US\$2.537 million with revenue recorded in advance of invoicing on certain clients due to commercial terms. Trade and other payables and contract liabilities increased by US\$2.625 million and US\$1.343 million respectively due to revenue growth during the period. This led to an overall growth in net working capital of US\$3.413 million for the period.

Gross debt (excluding lease liabilities) was US\$4.502 million at 31 December 2022, in line with US\$4.494 million at 30 June 2022 following repayments made on the CBA term debt facilities, replaced with asset financing arrangements to fund growth capex. Net debt (excluding lease liabilities) at 31 December 2022 was US\$1.971 million, a small increase on 30 June 2022 of US\$1.838 million. Net debt at 31 December 2022 reflects 0.19x CY2022 EBITDA.

## CASH FLOWS

Net operating cash inflows were US\$3.049 million, relative to EBITDA of US\$7.581 million. An investment in working capital (US\$3.413 million) was made in growing the Services revenues, including large milestone contracts in USA. This negatively impacted operating net cash inflows during the period with a large proportion of these timing differences due to unwind during H2 FY23.

Net cash flows invested into plant and equipment and intangible assets increased from the corresponding period to US\$1.088 million from US\$0.871 million to fund growth asset purchases to support DUG's non-oil and gas HPCaaS clients.

Net cash flows used in financing activities were US\$2.016 million which included term debt repayments of US\$0.500 million, lease repayments of US\$0.957 million, interest of US\$0.608 million and an inflow from new asset financing of US\$0.319 million supporting capital expenditure for the period.

Cash on hand at 31 December 2022 was US\$2.531 million, in line with 30 June 2022 cash of US\$2.656 million.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

## 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 Condensed Consolidated Half-year report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Perth on 27 February 2023.

Signed in accordance with a resolution of the Directors.



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Mark Puzey  
DIRECTOR



# Auditor's Independence Declaration



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Cloisters Square  
Perth WA 6850  
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## Auditor's Independence Declaration

### To the Directors of DUG Technology Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of DUG Technology Ltd for the half-year ended 31 December 2022, I declare that, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in black ink, appearing to read "L A Stella".

L A Stella  
Partner – Audit & Assurance

Perth, 27 February 2023

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# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2022

	Note	31 Dec 2022 US\$000's	31 Dec 2021 US\$000's
<b>Income</b>			
Revenue from contracts with customers	6	25,179	17,016
Other income	7	1,159	2,345
		<b>26,338</b>	<b>19,361</b>
<b>Expenses</b>			
Depreciation and amortisation		(3,214)	(3,724)
Employee benefits	8	(13,621)	(14,102)
Other expenses	9	(5,136)	(5,203)
<b>Operating profit / (loss)</b>		<b>4,367</b>	<b>(3,668)</b>
Finance income		1	-
Finance expense	10	(589)	(854)
<b>Net finance expense</b>		<b>(588)</b>	<b>(854)</b>
<b>Profit / (loss) before tax</b>		<b>3,779</b>	<b>(4,522)</b>
Tax expense		(1,159)	(1,312)
<b>Profit / (loss) for the period</b>		<b>2,620</b>	<b>(5,834)</b>
<b>Attributable to:</b>			
Equity holders of the parent		2,614	(5,852)
Non-controlling interest		6	18
<b>Total Comprehensive profit / (loss)</b>		<b>2,620</b>	<b>(5,834)</b>
<b>Earnings / (loss) per share</b>			
Basic profit / (loss) per share (US\$ cents per share)		2.21	(5.33)
Diluted profit / (loss) per share (US\$ cents per share)		2.16	(5.33)

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

# Condensed Consolidated Statement of Financial Position

As at 31 December 2022

	Note	31 Dec 2022 US\$000's	30 June 2022 US\$000's
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,531	2,656
Trade and other receivables		10,074	4,938
Prepayments		705	583
Contract assets		2,537	292
Income tax receivable		508	404
Other current assets		272	667
<b>Total current assets</b>		<b>16,627</b>	<b>9,540</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	18,078	19,060
Right of use assets	12	10,451	9,888
Intangible assets		560	545
Other assets		172	33
<b>Total non-current assets</b>		<b>29,261</b>	<b>29,526</b>
<b>Total assets</b>		<b>45,888</b>	<b>39,066</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		5,316	2,691
Loans and borrowings	13	2,790	2,000
Contract liabilities		4,042	2,699
Lease liabilities	14	1,778	1,572
Provisions		2,364	2,804
<b>Total current liabilities</b>		<b>16,290</b>	<b>11,766</b>
<b>Non-current liabilities</b>			
Loans and borrowings	13	1,712	2,494
Lease liabilities	14	11,209	10,804
Provisions		113	116
<b>Total non-current liabilities</b>		<b>13,034</b>	<b>13,414</b>
<b>Total liabilities</b>		<b>29,324</b>	<b>25,180</b>
<b>NET ASSETS</b>		<b>16,564</b>	<b>13,886</b>
<b>EQUITY</b>			
Share capital	15	50,381	50,381
Reserves		(2,094)	(2,152)
Accumulated loss		(31,723)	(34,343)
<b>TOTAL EQUITY</b>		<b>16,564</b>	<b>13,886</b>
Equity attributable to equity holders of parent		16,620	13,948
Non-controlling interest		(56)	(62)
<b>TOTAL EQUITY</b>		<b>16,564</b>	<b>13,886</b>

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

## Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2022

	Note	Share Capital US\$000's	Translation Reserve US\$000's	Share-based Payment reserve US\$000's	Accumulated Losses US\$000's	Total US\$000's	Non-controlling Interests US\$000's	Total Equity US\$000's
Balance at 1 July 2022		50,381	(2,177)	25	(34,281)	13,948	(62)	13,886
Profit for the period		-	-	-	2,614	2,614	6	2,620
Total comprehensive income for the period		-	-	-	2,614	2,614	6	2,620
TRANSACTIONS WITH EQUITY HOLDERS								
Share based payments		-	-	58	-	58	-	58
Total transactions with equity holders		-	-	58	-	58	-	58
Balance at 31 December 2022		50,381	(2,177)	83	(31,667)	16,620	(56)	16,564
Balance at 1 July 2021		38,672	(2,177)	1,607	(26,676)	11,426	90	11,516
Loss for the period		-	-	-	(5,852)	(5,852)	18	(5,834)
Total comprehensive loss for the period		-	-	-	(5,852)	(5,852)	18	(5,834)
TRANSACTIONS WITH EQUITY HOLDERS								
Share based payments		-	-	73	-	73	-	73
Receipts from loan funded share plan		8	-	-	-	8	-	8
Share issued during the period (net of costs)		11,697	-	-	-	11,697	-	11,697
Total transactions with equity holders		11,705	-	73	-	11,778	-	11,778
Balance at 31 December 2021		50,377	(2,177)	1,680	(32,528)	17,352	108	17,460

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

# Condensed Consolidated Statement of Cashflows

For the half-year ended 31 December 2022

	Note	31 Dec 2022 US\$000's	31 Dec 2021 US\$000's
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		18,648	17,058
Cash paid to suppliers		(3,706)	(4,283)
Cash paid to employees		(11,777)	(15,139)
Income Tax paid		(116)	(127)
<b>Net cash flows from / (used) in operating activities</b>		<b>3,049</b>	<b>(2,491)</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(1,102)	(769)
Acquisition of intangible assets		(58)	(103)
Proceeds from disposal of property, plant and equipment		72	1
<b>Net cash used in investing activities</b>		<b>(1,088)</b>	<b>(871)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	12,377
Proceeds from loans and borrowings		319	-
Receipts from loan funded share plan		-	8
Transaction costs relating to capital raising		-	(680)
Repayment of borrowings		(770)	(5,250)
Transaction costs relating to borrowings		-	(98)
Payment of principal portion of lease liabilities		(957)	(1,105)
Interest paid – Lease liabilities		(396)	(478)
Interest paid – Borrowings		(212)	(237)
<b>Net cash flows (used in) / from financing activities</b>		<b>(2,016)</b>	<b>4,537</b>
Net (decrease)/increase in cash and cash equivalents		<b>(55)</b>	<b>1,175</b>
Cash and cash equivalents at the beginning of the period		2,656	10,016
Effect of changes in foreign currency		(70)	(31)
<b>Cash and cash equivalents at the end of the period</b>		<b>2,531</b>	<b>11,160</b>

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

# Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2022

## 1. REPORTING ENTITY

The interim condensed consolidated financial statements of DUG Technology Ltd as at and for the half-year ended 31 December 2022 comprise of DUG Technology Ltd (**the Company**) and its subsidiaries (together referred to as **the Group**) and were authorised for issue on 27 February 2023 in accordance with a resolution of the directors. 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. Further information on the Group's principal activities is provided in Note 5.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statement for the half-year ended 31 December 2022 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The half-year financial report does not include all of the information required for a full financial report, and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2022, and any public announcements made by the Group during the half-year ended 31 December 2022 in accordance with continuous disclosure obligations under the *Corporations Act 2001* and ASX Listing Rules.

### Going concern

The interim condensed 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. The Company's result for the period included a net profit after tax totalling US\$2.620 million and operating cash inflows totalling US\$3.049 million. The Company's going concern assumption has been underpinned by achieving forecasted operating cash inflows in subsequent periods, supported by secured work previously and subsequently awarded to the reporting date including a recent multi-client data sale contributing US\$2.504 million to profit before tax and operating cash inflows for H2 FY23.

## 3. FUNCTIONAL AND PRESENTATION CURRENCY

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

## 4. NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, except for the adoption of new standards effective as of 1 July 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

## 5. 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 and finance 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.

31 December 2022	HPCaaS US\$000's	Services US\$000's	Software US\$000's	Eliminations US\$000's	Consolidated US\$000's
<b>Income</b>					
Revenue from contracts with external customers	2,173	19,846	3,160	-	25,179
Inter-segment	3,844	-	936	(4,780)	-
Other Income	117	-	1,042	-	1,159
	<b>6,134</b>	<b>19,846</b>	<b>5,138</b>	<b>(4,780)</b>	<b>26,338</b>
<b>Segment EBITDA <sup>1</sup></b>	<b>665</b>	<b>5,293</b>	<b>1,623</b>	<b>-</b>	<b>7,581</b>
<b>Segment assets</b>	<b>26,456</b>	<b>3,738</b>	<b>12,648</b>	<b>-</b>	<b>42,842</b>
<b>Segment liabilities</b>	<b>12,670</b>	<b>5,750</b>	<b>6,402</b>	<b>-</b>	<b>24,822</b>

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

31 December 2021	HPCaaS US\$000's	Services US\$000's	Software US\$000's	Eliminations US\$000's	Consolidated US\$000's
<b>Income</b>					
Revenue from contracts with external customers	1,681	12,435	2,900	-	17,016
Inter-segment	7,567	-	317	(7,884)	-
Other Income	611	1,137	597	-	2,345
	<b>9,859</b>	<b>13,572</b>	<b>3,814</b>	<b>(7,884)</b>	<b>19,361</b>
<b>Segment EBITDA <sup>1</sup></b>	<b>3,165</b>	<b>(4,258)</b>	<b>1,149</b>	<b>-</b>	<b>56</b>
<b>Segment assets</b>	<b>29,401</b>	<b>9,721</b>	<b>2,201</b>	<b>-</b>	<b>41,323</b>
<b>Segment liabilities</b>	<b>11,461</b>	<b>7,385</b>	<b>3,928</b>	<b>-</b>	<b>22,774</b>

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



	31 Dec 2022 US\$ '000	31 Dec 2021 US\$ '000
<b>Reconciliation of assets</b>		
Segment assets	42,842	41,323
Cash and cash equivalents	2,531	11,160
Sundry receivables	6	-
Income tax receivable	509	451
<b>Total assets</b>	<b>45,888</b>	<b>52,934</b>

**Reconciliation of liabilities**

Segment liabilities	24,822	22,774
Loans and borrowings	4,502	12,699
<b>Total liabilities</b>	<b>29,324</b>	<b>35,473</b>

	31 Dec 2022 US\$000's	31 Dec 2021 US\$000's
<b>Reconciliation of profit / (loss) before tax</b>		
Segment EBITDA	7,581	56
Depreciation and amortisation	(3,214)	(3,724)
Net finance expense	(588)	(854)
<b>Profit / (loss) before tax</b>	<b>3,779</b>	<b>(4,522)</b>

**6. REVENUE FROM CONTRACTS WITH CUSTOMERS**

	31 Dec 2022 US\$000's	31 Dec 2021 US\$000's
Services	19,846	12,435
Software	3,160	2,900
HPCaaS	2,173	1,681
<b>Revenue from contracts with customers</b>	<b>25,179</b>	<b>17,016</b>

**Timing of revenue recognition**

Over time <sup>1</sup>	24,882	16,685
At a point in time <sup>2</sup>	297	331
<b>Revenue from contracts with customers</b>	<b>25,179</b>	<b>17,016</b>

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	4,318	5,132
United Kingdom	5,039	4,885
United States of America	12,787	4,841
Malaysia	3,035	2,158
<b>Revenue from contracts with customers</b>	<b>25,179</b>	<b>17,016</b>

## 7. OTHER INCOME

	31 Dec 2022 US\$000's	31 Dec 2021 US\$000's
Government grant – non-cash R&D tax concession	1,159	1,294
Gain on remeasurement of lease <sup>1</sup>	-	1,051
	<b>1,159</b>	<b>2,345</b>

1 The gain relates to the remeasurement of the London office lease.

## 8. EMPLOYEE BENEFITS

	31 Dec 2022 US\$000's	31 Dec 2021 US\$000's
Salaries, incentives and fees	10,957	10,660
Superannuation	800	978
Payroll tax	616	733
Other benefits	1,190	1,658
Share based payments	58	73
	<b>13,621</b>	<b>14,102</b>

## 9. OTHER EXPENSES

	31 Dec 2022 US\$ '000	31 Dec 2021 US\$ '000
Sales and marketing	588	448
Travel	376	63
Office facilities	441	609
Consultants	217	484
(Loss)/profit on disposal of property, plant and equipment	(45)	23
Realised and unrealised foreign exchange (gain)/loss – net	5	(63)
IT facilities and related costs	1,660	1,894
Professional fees	303	563
Withholding tax	739	260
Other	852	922
	<b>5,136</b>	<b>5,203</b>

## 10. FINANCE EXPENSE

	31 Dec 2022 US\$ '000	31 Dec 2021 US\$ '000
Interest expense – borrowings	168	289
Debt arrangement fees	17	87
Interest expenses – lease liabilities	404	478
	<b>589</b>	<b>854</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

	Data Centre Infrastructure and HPC US\$ '000	Leasehold Improvements US\$ '000	Office Equipment US\$ '000	Under Construction US\$ '000	Total US\$ '000
<b>At 30 June 2022</b>					
Cost	60,115	4,668	1,658	419	66,860
Accumulated depreciation	(42,219)	(3,929)	(1,652)	-	(47,800)
<b>Net book value</b>	<b>17,896</b>	<b>739</b>	<b>6</b>	<b>419</b>	<b>19,060</b>
<b>Half-year ended 31 December 2022</b>					
Opening net book value	17,896	739	6	419	19,060
Additions	1,100	4	-	20	1,124
Transfers	90	33	-	(123)	-
Depreciation	(1,883)	(217)	(6)	-	(2,106)
<b>Closing net book value</b>	<b>17,203</b>	<b>559</b>	<b>-</b>	<b>316</b>	<b>18,078</b>
<b>At 31 December 2022</b>					
Cost	60,942	2,932	1,648	316	65,838
Accumulated depreciation	(43,739)	(2,373)	(1,648)	-	(47,760)
<b>Net book value</b>	<b>17,203</b>	<b>559</b>	<b>-</b>	<b>316</b>	<b>18,078</b>

## 12. RIGHT OF USE ASSETS

	Offices US\$ '000	Data Centre US\$ '000	Global Fibre Links US\$ '000	Total US\$ '000
<b>At 30 June 2022</b>				
Cost	7,865	8,319	1,454	17,638
Accumulated depreciation	(5,811)	(1,287)	(652)	(7,750)
<b>Net book value</b>	<b>2,054</b>	<b>7,032</b>	<b>802</b>	<b>9,888</b>
<b>Half-year ended 31 December 2022</b>				
Opening net book value	2,054	7,032	802	9,888
Additions	1,612	-	-	1,612
Remeasurement of lease	7	-	-	7
Depreciation	(701)	(199)	(156)	(1,056)
<b>Closing net book value</b>	<b>2,972</b>	<b>6,833</b>	<b>646</b>	<b>10,451</b>
<b>At 31 December 2022</b>				
Cost	8,360	8,319	1,454	18,133
Accumulated depreciation	(5,388)	(1,486)	(808)	(7,682)
<b>Net book value</b>	<b>2,972</b>	<b>6,833</b>	<b>646</b>	<b>10,451</b>

During the half-year ended 31 December 2022, the Company commenced a lease over the London office premises, recognising an addition in right of use assets of US\$1,612,000 and a corresponding increase in lease liabilities of US\$1,612,000.

### 13. LOANS AND BORROWINGS

	Bank Facilities US\$ '000	Other US\$ '000	Total US\$ '000
<b>31 December 2022</b>			
Current	2,500	290	2,790
Non-current	1,500	212	1,712
	<b>4,000</b>	<b>502</b>	<b>4,502</b>
<b>30 June 2022</b>			
Current	2,000	-	2,000
Non-current	2,494	-	2,494
	<b>4,494</b>	<b>-</b>	<b>4,494</b>

#### Bank facilities

As at 31 December 2022, the Group has the following bank facilities in place:

- A term debt facility of US\$4,000,000 (30 June 2022: US\$4,500,000) of which US\$4,000,000 was drawn down at 31 December 2022 (30 June 2022: US\$4,500,000).
- An overdraft facility of A\$3,000,000 (30 June 2022: A\$1,000,000) which \$nil was drawn at 31 December 2022 and was not drawn at 30 June 2022. The overdraft facility reduced to A\$1,000,000 on 19 February 2023.
- A contingent instrument facility of US\$1,000,000 (30 June 2021: US\$1,000,000). At 31 December 2022, bank guarantees issued on behalf of the Group entities totalled US\$569,000 (30 June 2022: US\$689,000).

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 period, the Group met all required covenants in place.

Interest is calculated at SOFR plus a line fee of 4.25%. The weighted average effective interest rate on the term debt facility for the period ended 31 December 2022 was 7.16% per annum (30 June 2022: 5.75%).

#### Other

This consists of insurance premium funding of US\$192,000 (30 June 2022: US\$nil) and asset financing of US\$310,000 (30 June 2022: US\$nil).

### 14. LEASE LIABILITIES

	31 Dec 2022 US\$ '000	30 June 2022 US\$ '000
Current	1,778	1,572
Non-current	11,209	10,804
	<b>12,987</b>	<b>12,376</b>

The movement in the carrying value of lease liabilities during the period is as follows:

	US\$ '000
Opening balance as at 1 July 2022	12,376
Additions	1,612
Repayments	(957)
Net foreign exchange differences	(44)
<b>Closing balance as at 31 December 2022</b>	<b>12,987</b>

## 15. SHARE CAPITAL

Share capital comprises ordinary shares.

	31 Dec 2022		30 June 2022	
	No.	US\$ '000	No.	US\$ '000
Balance at beginning of period	109,618,614	50,381	90,951,067	38,672
Loan funded shares sold from leavers	-	-	17,705	12
Issued and fully paid shares	-	-	18,649,842	12,377
Equity raising costs	-	-	-	(680)
<b>Balance at end of period</b>	<b>109,618,614</b>	<b>50,381</b>	<b>109,618,614</b>	<b>50,381</b>
<b>Issued under loan funded share plans</b>				
Balance at beginning of year	8,504,772	-	8,522,477	-
Loan funded shares sold	-	-	(17,705)	-
<b>Balance at end of year</b>	<b>8,504,772</b>	<b>-</b>	<b>8,504,772</b>	<b>-</b>
<b>Total shares issued</b>	<b>118,123,386</b>	<b>50,381</b>	<b>118,123,386</b>	<b>50,381</b>

## 16. RELATED PARTY TRANSACTIONS

Included in revenue for 31 December 2022 is an amount of US\$310,000 charged to Rouge Rock Pty Ltd (a fully impaired investment of the Group) for seismic processing of the Vulcan Basin surveys. Software licences valued at A\$22,950 were provided to Rouge Rock Pty Ltd free of charge during the period. During the half-year ended 31 December 2021 US\$72,003 was paid to Comsen Solutions Pty Ltd, a company of which Ms Bower is a director, in respect of consulting services provided to the Group.

## 17. CONTINGENT LIABILITIES AND COMMITMENTS

### a) Commitments

At 31 December 2022, the Group had no capital commitments (30 June 2022: US\$1,751,000).

### b) Contingency

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 nineteen months and considers the matter closed, consequently no provision has been made.

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

## 18. EVENTS AFTER REPORTING DATE

On 2 February 2023, the Company released an ASX Announcement confirming a multi-client data sale contributing US\$2.504 million to profit before tax and operating cash inflows for H2 FY23.

There have been no other significant events occurring after the reporting date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

## Directors' Declaration

In accordance with a resolution of the directors of DUG Technology Ltd, we state that in the opinion of the directors:

- (a) the interim financial statements and notes of the Company and its subsidiaries (collectively the Group) for the half-year ended 31 December 2022 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
  - ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The 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 half-year ended 31 December 2022.

Dated at Perth on 27 February 2023.

Signed in accordance with a resolution of the Directors.



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Mark Puzey  
DIRECTOR

# Independent Auditor's Review Report



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## Independent Auditor's Review Report

To the Members of DUG Technology Ltd

Report on the half year financial report

### Conclusion

We have reviewed the accompanying half year financial report of DUG Technology Ltd (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of DUG Technology Ltd does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of DUG Technology Ltd's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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**Directors' responsibility for the half-year financial report**

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



L A Stella  
Partner – Audit & Assurance  
Perth, 27 February 2023