

# DUG Technology Ltd

## Appendix 4D

Under ASX Listing Rule 4.2A

### Reporting Period

Current period: 31 December 2020

Previous corresponding period: 31 December 2019

### Results for Announcement to the Market

	31 Dec 2020	31 Dec 2019	Change Up/(Down)	
	US\$'m	US\$'m	US\$'m	%
Revenue from ordinary activities	24.2	26.8	(2.6)	(9.9%)
Loss after tax (excluding "one-off" finance expense, non-recurring and listed company costs <sup>1</sup> )	(0.9)	(2.3)	1.4	59.0%
Loss after tax (including "one-off" finance expense, non-recurring and listed company costs <sup>1</sup> )	(4.4)	(2.5)	(1.9)	(76.7%)
Loss after tax attributable to members (including "one-off" finance expense, non-recurring and listed company costs <sup>1</sup> )	(4.6)	(2.6)	(2.0)	(79.9%)
EBITDA	2.5	5.1	(2.6)	(51.7%)
Underlying EBITDA <sup>2</sup>	4.2	5.1	(0.9)	(18.3%)

<sup>1</sup> One-off finance expense of US\$1.8m relating to transaction fees, interest and fair valuation of the convertible note instrument and IPO related costs. Non-recurring and listed company costs of US\$1.7m include redundancy payments for c. 10% of the workforce mainly in the Services division, bad debt write-off and additional listed company costs which were not a component of the prior period comparative.

<sup>2</sup> Underlying EBITDA is EBITDA excluding non-recurring costs and listed company costs of US\$1.7m.

### Report

This report is based on the consolidated financial statements for the half-year ended 31 December 2020 which have been reviewed by Moore Australia Audit (WA).

### Dividends and Dividend Reinvestment Plans

No dividend has been proposed or declared in respect of half-year ended 31 December 2020 and 31 December 2019 and there were no dividend reinvestment plans in operation during the current period and the previous period.

### Control Gained/Lost over Entities having Material Effect

No control over any material entities was gained or lost during the half-year ended 31 December 2020.

### Details of Associates and Joint Venture Entities

DUG Technology Ltd has a 49% interest in Rouge Rock Pty Ltd. In the half-year ended 31 December 2020 DUG invoiced Rouge Rock US\$1.3m for seismic data processing work performed (half-year ended 31 December 2019: Nil).

### Net Tangible Assets per Share

	31 Dec 2020	31 Dec 2019
	US\$	US\$
Net tangible assets per share	0.33	0.15

### Other

Additional information supporting the Appendix 4D disclosure requirements and a comparison of performance against the half-year ended 30 June 2020, can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2020.



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# CONSOLIDATED INTERIM FINANCIAL REPORT

for the half-year ended 31 December 2020  
expressed in US dollars unless  
otherwise stated

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## Company Information

DIRECTORS	Wayne Martin (Non-Executive Chairman) Matthew Lamont (Managing Director) Louise Bower (Executive Director) Francesco Sciarrone (Non-Executive Director) Michael Malone (Non-Executive Director) Mark Puzey (Non-Executive Director)
COMPANY SECRETARY	Jacqueline Barry
COUNTRY OF INCORPORATION	Australia
COMPANY REGISTRATION NUMBER	99 169 944 334
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	Moore Australia Audit (WA) Level 15, Exchange Tower 2 The Esplanade 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 together with the consolidated interim financial statements of the Group comprising of DUG Technology Ltd (the Company) and its subsidiaries for the half-year ended 31 December 2020 and the auditor's review report thereon. The use of the words Company and Group are interchangeable for the purposes of this report and the interim financial report.

### 1. DIRECTORS

The directors of the Company at any time during or since the end of the half-year, and up to date of this report, are set out below. Directors were in office for the entire period unless otherwise stated.

Wayne Martin	Chairman and Non-Executive Director
Matthew Lamont	Managing Director
Louise Bower	Executive Director
Francesco Sciarrone	Non-Executive Director
Michael Malone	Non-Executive Director
Mark Puzey	Non-Executive Director
Philip Schwan	Executive Director (resigned 25 September 2020)
Charles Ramsden	Non-Executive Director (resigned 25 September 2020)

#### Company Secretary

Simon Davey (resigned 5 February 2021)  
Jacqueline Barry (appointed 5 February 2021)

### 2. PRINCIPAL ACTIVITIES

DUG Technology Ltd (DUG) is a technology company providing high-performance computing as a service (HPCaaS), with scientific data analysis and software solutions for the global technology and resource sectors. DUG owns and operates some of the largest and "greenest" high-performance computing (HPC) installations in the world.

### 3. CORPORATE CHANGES

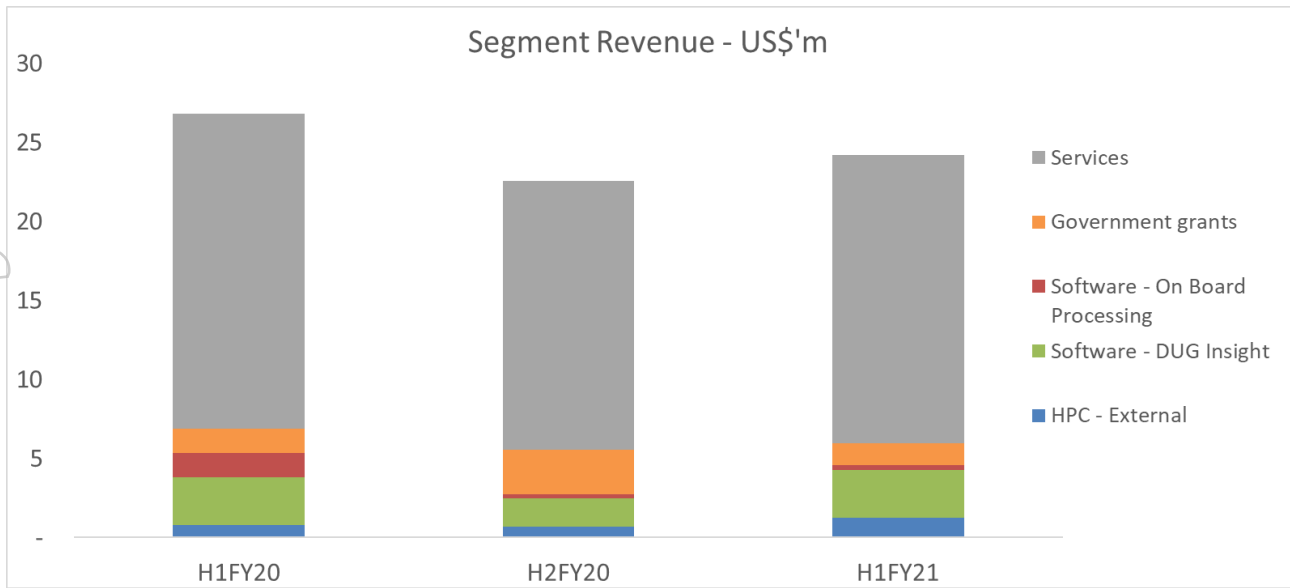
On 10 August 2020, the Company was admitted to the Official List of ASX Limited and on 12 August 2020, the Company's ordinary fully paid shares were quoted on the ASX. The Company's ASX code is 'DUG'.

### 4. REVIEW AND RESULTS OF OPERATIONS

Summary revenue and earnings for the six-month period ended 31 December 2020, 30 June 2020 and 31 December 2019.

Revenue and Earnings	H1FY21	'Unaudited' H2FY20	H1FY20	Change HY1FY21 & H2FY20	Change HY1FY21 & H1FY20
	US\$'m	US\$'m	US\$'m	%	%
Total revenue	24.2	22.6	26.8	7.2%	(9.9%)
Net loss after interest and tax	(4.4)	(5.8)	(2.5)	22.9%	(76.7%)
Add: depreciation and amortisation	3.7	4.4	4.8	(15.0%)	(22.3%)
Add: finance costs	2.6	5.5	1.3	(52.7%)	96.9%
Add: income tax expense	0.6	(0.1)	1.5	936.4%	(62.3%)
<b>EBITDA</b>	<b>2.5</b>	<b>4.1</b>	<b>5.1</b>	<b>(39.8%)</b>	<b>(51.7%)</b>
Add: non-recurring and listed company costs	1.7	-	-	-	-
<b>Underlying EBITDA</b>	<b>4.2</b>	<b>4.1</b>	<b>5.1</b>	<b>1.9%</b>	<b>(18.3%)</b>
Net loss after tax excluding "one-off" finance expense, non-recurring and listed company costs	(0.9)	(1.2)	(2.3)	20.4%	59.0%

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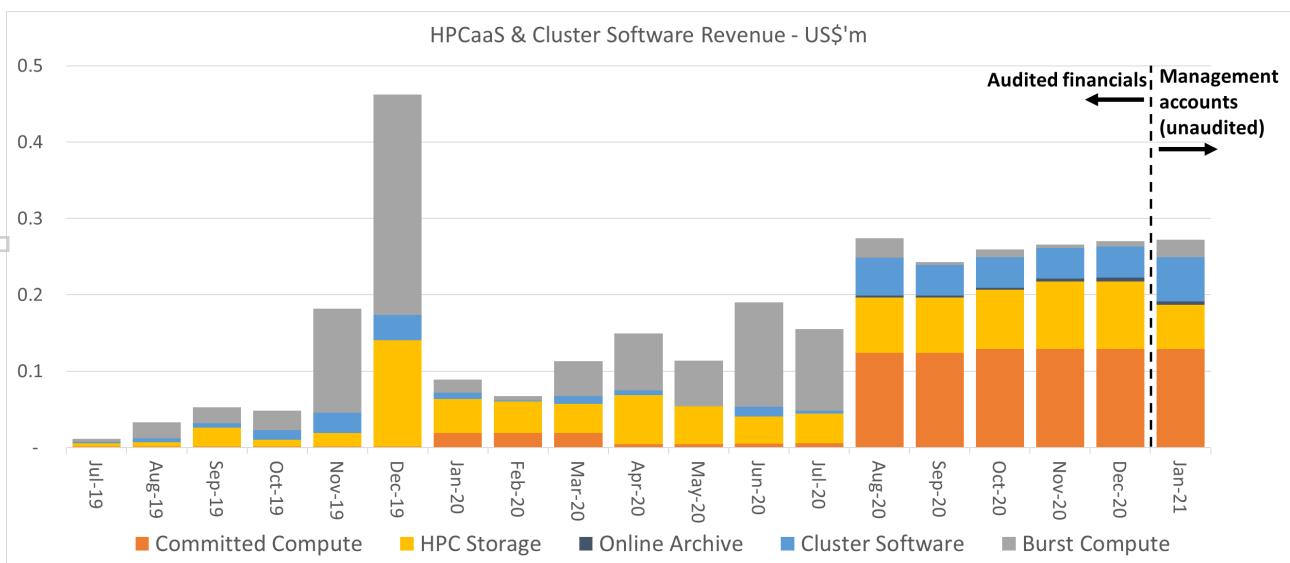


Revenue from ordinary activities of US\$24.2m represents an increase of US\$1.6m when compared with the six-month period ended 30 June 2020 and a decrease of US\$2.6m compared with the prior period (2019: US\$26.8m).

The decline is primarily in the Services division as COVID-19 and oil price volatility have delayed awarded projects in Services. The current average award time is four months compared to average of two months in the prior year.

Revenue in HPC division increased by 63% when compared with the six-month period ended 31 December 2019. The major driver for this growth was the expansion of the client base. These contracts include recurring, committed compute usage, storage and cluster software. One example is Equinor, where DUG displaced the existing major third-party Cloud provider with DUG McCloud. Equinor is now using DUG Insight software and HPCaaS to power their internal geoscience.

DUG has US\$1.1m of contracted HPCaaS and Cluster Software revenue from February to June 2021.



The Group's EBITDA for the six-month period ended 31 December 2020 is US\$2.5m, which represents a decrease of US\$1.6m compared with the six-month period ended 30 June 2020 and a decrease of US\$2.6m compared with the six-month period ended 31 December 2019. During this period, the group incurred non-

recurring costs of US\$1.7m in relation to redundancy of c. 10% of the workforce mainly in the Services division, bad debts write-off and listed company costs which were not a component of the prior year comparative.

DUG's Software and HPCaaS divisions posted improved EBITDA margins for the six-month period ended 31 December 2020. Software achieved 50.0% (2019: 46.6), HPCaaS achieved 34.3% (2019: 10.8%) and Services declined to a loss of 14.4% (2019: profit 10.7%). For further segment information please refer to note 12.

Underlying EBITDA adjusted for non-recurring costs and additional costs of being listed for the six-month period ended 31 December 2020 is US\$4.2m.

The Group's net loss after tax (NPAT) for the six-month period ended 31 December 2020 is \$4.4m (June 2020: \$5.8m, December 2019: \$2.5m).

On an adjusted basis, excluding one-off finance expense, non-recurring and public company costs, the net loss after tax was US\$0.9m compared to an adjusted net loss of US\$1.2m in the six-month period ended 30 June 2020, representing a decrease of 20% and US\$2.3m in the corresponding period last year, representing a decrease of 59%.

Capex spend for the six-month period ended 31 December 2020 was US\$5.5m. This capex spend was invested in compute, storage and networking to increase capacity in Houston facility.

## 5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than matters mentioned in this report, no other significant changes in the state of affairs of the Group occurred during the half-year under review.

## 6. EVENTS SUBSEQUENT TO REPORTING DATE

A USA customer has recently undertaken a voluntary restructure due to financial difficulties. DUG has reached a settlement agreement with this customer resulting in an amount of US\$0.4m being written off in the half-year accounts ended 31 December 2020.

No other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

## 7. AUDITOR'S INDEPENDENCE DECLARATION

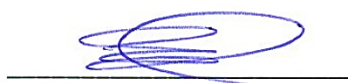
The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Dated at Perth on 19 February 2021

Signed in accordance with a resolution of the directors:



Mark Puzey  
DIRECTOR



Louise Bower  
DIRECTOR

# Auditor's Independence Declaration



## Moore Australia Audit (WA)

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## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF DUG TECHNOLOGY LTD

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2020 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read 'Shaun Williams'.

SHAUN WILLIAMS  
PARTNER

A handwritten signature in blue ink, appearing to read 'Moore Australia'.

MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 19<sup>th</sup> day of February 2021.

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

	Note	31 Dec 2020 US\$	31 Dec 2019 US\$
<b>Sales revenue</b>	4	<b>24,184,638</b>	<b>26,840,300</b>
<b>Income/(Expenses)</b>			
Depreciation	9	(3,717,596)	(4,719,871)
Amortisation		(24,204)	(95,833)
Employee benefits	7	(15,899,277)	(15,956,990)
Other income	6	224,278	-
Other expense	6	(6,053,518)	(5,792,158)
<b>Operating (loss)/profit</b>		<b>(1,285,679)</b>	<b>275,448</b>
Finance income	5	14,395	1,519
Finance expense	5	(2,617,266)	(1,325,766)
<b>Net finance expense</b>		<b>(2,602,871)</b>	<b>(1,324,247)</b>
<b>Loss before tax</b>		<b>(3,888,550)</b>	<b>(1,048,799)</b>
Tax expense	8	(552,230)	(1,464,445)
<b>Loss for the year</b>		<b>(4,440,780)</b>	<b>(2,513,244)</b>
<b>Attributable to:</b>			
Equity holders of the parent		(4,603,161)	(2,558,191)
Non-controlling interest		162,381	44,947
<b>Total Comprehensive Loss</b>		<b>(4,440,780)</b>	<b>(2,513,244)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents per share)		(4.75)	(3.96)
Adjusted basic and diluted loss per share (cents per share)*		(1.01)	(3.65)

\*Adjusted basic and diluted loss per shares excludes "one-off" finance expense, non-recurring and listed company costs.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 10 to 17.

# Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 2020 US\$	30 June 2020 US\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		14,724,605	12,032,545
Trade and other receivables		9,859,613	7,812,598
Prepayments		654,099	1,056,720
Contract assets		492,007	521,747
Other current assets		1,491,732	1,272,693
Income tax receivable		237,181	-
<b>Total current assets</b>		<b>27,459,237</b>	<b>22,696,303</b>
<b>Non-current assets</b>			
Deferred tax assets		6,658,055	5,786,974
Property, plant and equipment	9	37,229,351	35,033,515
Intangible assets		318,324	312,224
Other assets		675,835	918,690
<b>Total non-current assets</b>		<b>44,881,565</b>	<b>42,051,403</b>
<b>Total assets</b>		<b>72,340,802</b>	<b>64,747,706</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		2,425,985	3,035,263
Loans and borrowings	10	323,112	15,669,909
Contract liabilities		93,447	444,985
Lease liability		2,187,099	2,265,126
Provisions		2,363,132	1,948,363
<b>Total current liabilities</b>		<b>7,392,775</b>	<b>23,363,646</b>
<b>Non-current liabilities</b>			
Loans and borrowings	10	18,574,463	24,385,081
Lease liability		13,174,824	12,986,703
Provisions		180,931	239,824
<b>Total non-current liabilities</b>		<b>31,930,218</b>	<b>37,611,608</b>
<b>Total liabilities</b>		<b>39,322,993</b>	<b>60,975,254</b>
<b>NET ASSETS</b>		<b>33,017,809</b>	<b>3,772,452</b>
<b>EQUITY</b>			
Share capital	11	39,191,711	5,518,900
Reserves	11	(949,672)	(962,998)
Retained earnings		(5,224,230)	(783,450)
<b>TOTAL EQUITY</b>		<b>33,017,809</b>	<b>3,772,452</b>
Equity split as follows:			
Equity attributable to equity holders of the parent		32,845,608	3,762,632
Non-controlling interest		172,201	9,820
<b>TOTAL EQUITY</b>		<b>33,017,809</b>	<b>3,772,452</b>

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 10 to 17.

## Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	Note	Share Capital US\$	Translation Reserve US\$	Share-based Payment Reserve US\$	Retained Earnings US\$	Total US\$	Non-controlling Interests US\$	Total Equity US\$
<b>Balance at 1 July 2020</b>		<b>5,518,900</b>	<b>(2,177,269)</b>	<b>1,214,271</b>	<b>(793,270)</b>	<b>3,762,632</b>	<b>9,820</b>	<b>3,772,452</b>
(Loss)/Profit for the period		-	-	-	(4,603,161)	(4,603,161)	162,381	(4,440,780)
<b>Total comprehensive (loss)/income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,603,161)</b>	<b>(4,603,161)</b>	<b>162,381</b>	<b>(4,440,780)</b>
<b>TRANSACTIONS WITH EQUITY HOLDERS</b>								
Share based payments recognised		-	-	13,326	-	13,326	-	13,326
Share issued during the period	11	33,672,811	-	-	-	33,672,811	-	33,672,811
<b>Total transactions with equity holders</b>		<b>33,672,811</b>	<b>-</b>	<b>13,326</b>	<b>-</b>	<b>33,686,137</b>	<b>-</b>	<b>33,686,137</b>
<b>Balance at 31 December 2020</b>		<b>39,191,711</b>	<b>(2,177,269)</b>	<b>1,227,597</b>	<b>(5,396,431)</b>	<b>32,845,608</b>	<b>172,201</b>	<b>33,017,809</b>

	Note	Share Capital US\$	Translation Reserve US\$	Share-based Payment Reserve US\$	Retained Earnings US\$	Total US\$	Non-controlling Interests US\$	Total Equity US\$
<b>Balance at 1 July 2019</b>		<b>5,477,686</b>	<b>(2,177,382)</b>	<b>893,452</b>	<b>8,059,567</b>	<b>12,253,323</b>	<b>(16,739)</b>	<b>12,236,584</b>
(Loss)/Profit for the period		-	-	-	(2,558,191)	(2,558,191)	44,947	(2,513,244)
Opening balance adjusted (for IFRS16)		-	112	-	(677,681)	(677,569)	-	(677,569)
Opening balance adjusted (for shares)		-	-	(11,147)	-	(11,147)	-	(11,147)
Recognise movements in Deferred Tax Assets		-	-	-	152,320	152,320	-	152,320
<b>Total comprehensive (loss)/profit for the period</b>		<b>-</b>	<b>112</b>	<b>(11,147)</b>	<b>(3,083,552)</b>	<b>(3,094,587)</b>	<b>44,947</b>	<b>(3,049,640)</b>
<b>TRANSACTIONS WITH EQUITY HOLDERS</b>								
Share based payments recognised		-	-	518,061	-	518,061	-	518,061
<b>Total transactions with equity holders</b>		<b>-</b>	<b>-</b>	<b>518,061</b>	<b>-</b>	<b>518,061</b>	<b>-</b>	<b>518,061</b>
<b>Balance at 31 December 2019</b>		<b>5,477,686</b>	<b>(2,177,270)</b>	<b>1,400,366</b>	<b>4,976,015</b>	<b>9,676,797</b>	<b>28,208</b>	<b>9,705,005</b>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 10 to 17.

# Consolidated Statement of Cashflows

For the half-year ended 31 December 2020

	Note	31 Dec 2020 US\$	31 Dec 2019 US\$
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Loss after tax		(4,440,780)	(2,513,244)
Adjustments for:			
Depreciation		3,717,596	4,719,872
Amortisation		24,204	95,832
Net finance expense		2,602,871	1,322,247
Tax expense		552,230	1,464,445
Unrealised foreign exchange		-	93,101
Loss/(Gain) on disposal of property, plant and equipment		(36)	1,583
Equity-settled share-based payment transactions		13,326	518,061
Research & development grant		(1,360,489)	(1,551,996)
		<b>1,108,922</b>	<b>4,149,901</b>
Changes in:			
Trade and other receivables		(1,972,618)	(2,704,761)
Prepayments		500,016	155,323
Contract assets/liabilities		(321,798)	1,350,818
Other current assets		(154,076)	(230,464)
Trade and other payables		89,852	(1,097,271)
Provisions		355,877	74,319
<b>Cash generated from operating activities</b>		<b>(393,825)</b>	<b>1,697,865</b>
Tax paid		(344,291)	(506,148)
Proceeds from government grants		28,428	-
<b>Net cash flows from/(used in) operating activities</b>		<b>(709,688)</b>	<b>1,191,717</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(5,543,667)	(267,525)
Acquisition of intangible assets		(30,304)	(37,125)
Interest received		14,395	1,519
Proceeds from disposal of property, plant and equipment		208,036	1,583
Related party loan repayment		354,335	-
<b>Net cash used in investing activities</b>		<b>(4,997,205)</b>	<b>(301,548)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		18,509,400	-
Proceeds from borrowings		-	2,383,544
Interest paid - convertible notes		(541,752)	-
Repayment of borrowings		(6,156,592)	(1,194,599)
Lease payments on capitalised leases		(1,210,621)	(678,778)
Interest paid - bank		(383,201)	(923,021)
Interest paid - capitalised leases		(395,446)	(400,748)
Costs relating to capital raising		(1,422,834)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>8,398,953</b>	<b>(813,599)</b>
Net increase in cash and cash equivalents		2,692,060	76,569
Cash and cash equivalents at the beginning of the period		12,032,545	1,987,849
<b>Cash and cash equivalents at the end of the period</b>		<b>14,724,605</b>	<b>2,064,419</b>

The Consolidated Statement of Cashflows is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 10 to 17.

# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

## 1. BASIS OF PREPARATION

DUG Technology Ltd (the Company) is a for-profit company which is incorporated and domiciled in Australia. The half-year financial report comprises the Company and its subsidiaries (together referred to as the Group).

The consolidated financial statements are presented in United States dollars, which is the parent entity's functional and presentation currency, unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated in the notes.

The accounting policies applied in the preparation of the half-year financial report are consistent with those applied in the Company's financial report for the year ended 30 June 2020, unless otherwise stated. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

## 2. STATEMENT OF COMPLIANCE

The half-year financial report of the Group is a general purpose financial report which has been prepared in accordance with the *Corporation Act 2001* and the Australian Accounting Standards AASB 134 *Interim Financial Reporting*.

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *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 2020 financial report, and any public announcements made by the Group during the half-year ended 31 December 2020 in accordance with continuous disclosure obligations under the *Corporations Act 2001* and ASX Listing Rules.

## 3. NEW AND REVISED ACCOUNTING STANDARDS

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

There are no new and revised Standards and Interpretations issued during the current period.

## 4. SALES REVENUE

	31 Dec 2020 US\$	31 Dec 2019 US\$
HPCaaS	1,273,462	783,076
Services	18,228,595	19,919,281
Software	3,293,663	4,585,947
Government grants	1,388,918	1,551,996
<b>Sales revenue</b>	<b>24,184,638</b>	<b>26,840,300</b>

## 5. FINANCE INCOME/(EXPENSE)

	31 Dec 2020 US\$	31 Dec 2019 US\$
Interest income	14,395	1,519
<b>Finance income</b>	<b>14,395</b>	<b>1,519</b>
Interest expense	(383,201)	(595,375)
Debt arrangement fees	(47,480)	(74,408)
Lease interest expense	(395,446)	(454,383)
<b>Finance expense</b>	<b>(826,127)</b>	<b>(1,124,166)</b>
“One-off” finance expense		
Convertible note - interest expense and foreign exchange	(630,012)	-
Convertible note - fair value loss (non-cash)	(708,801)	-
IPO and capital raising fees	(452,326)	(201,600)
<b>“One-off” finance expense</b>	<b>(1,791,139)</b>	<b>(201,600)</b>
<b>Total finance expense</b>	<b>(2,617,266)</b>	<b>(1,325,766)</b>
<b>Finance expense - net</b>	<b>(2,602,871)</b>	<b>(1,324,247)</b>

## 6. OTHER INCOME/(EXPENSE)

	31 Dec 2020 US\$	31 Dec 2019 US\$
Realised foreign exchange	224,278	-
<b>Other income</b>	<b>224,278</b>	<b>-</b>
Sales and marketing	(263,820)	(1,171,821)
Office facilities	(579,758)	(631,656)
Consultants	(738,092)	(665,360)
Gain/(Loss) on disposal of property, plant and equipment	36	(1,583)
Unrealised foreign exchange	(636,115)	(93,101)
IT facilities and related costs	(1,873,637)	(1,254,691)
Professional fee	(572,718)	(528,870)
Listed company costs	(289,865)	-
Bad debts	(426,628)	-
Other	(672,921)	(1,445,076)
<b>Other expense</b>	<b>(6,053,518)</b>	<b>(5,792,158)</b>

## 7. EMPLOYEE BENEFITS

	31 Dec 2020 US\$	31 Dec 2019 US\$
Salaries and fees	12,276,573	12,740,135
Redundancy costs	985,422	-
Superannuation	1,014,779	932,375
Payroll tax	807,998	769,445
Other benefits	801,179	996,974
Share based payments	13,326	518,061
	<b>15,899,277</b>	<b>15,956,990</b>

## 8. INCOME TAXES

	31 Dec 2020 US\$	31 Dec 2019 US\$
The components of tax expense comprise:		
Total current tax expense	2,766,721	1,665,617
Total deferred tax benefit	(2,214,491)	(201,172)
<b>Tax expense</b>	<b>552,230</b>	<b>1,464,445</b>

## 9. PROPERTY, PLANT AND EQUIPMENT

	HPC US\$	Leasehold Improve- ments US\$	Right of Use Assets US\$	Office Equipment and Motor Vehicles US\$	Under Construction US\$	Total US\$
<b>Cost</b>						
Balance at 1 July 2019	51,576,234	4,923,342	-	1,691,402	1,904,560	60,095,538
Additions	3,425,389	118,767	17,756,585	85,248	236,486	21,622,475
Transfer	-	-	-	-	(756,864)	(756,864)
Reclassification	(1,646)	-	-	-	412	(1,234)
Disposals	(455,170)	-	-	-	-	(455,170)
<b>Balance at 30 June 2020</b>	<b>54,544,807</b>	<b>5,042,109</b>	<b>17,756,585</b>	<b>1,776,650</b>	<b>1,384,594</b>	<b>80,504,745</b>
Balance at 1 July 2020	54,544,807	5,042,109	17,756,585	1,776,650	1,384,594	80,504,745
Additions	6,431,299	820	577,769	1,463	-	7,011,351
Transfer	-	-	-	-	(889,916)	(889,916)
Reclassifications	10,671	-	-	-	(10,671)	-
Disposals	(259,656)	-	(173,803)	(120,061)	(208,003)	(761,523)
<b>Balance at 31 Dec 2020</b>	<b>60,727,121</b>	<b>5,042,929</b>	<b>18,160,551</b>	<b>1,658,052</b>	<b>276,004</b>	<b>85,864,657</b>
<b>Accumulated Depreciation</b>						
Balance at 1 July 2019	30,076,626	1,769,153	-	1,360,880	-	33,206,659
Depreciation	6,387,126	584,934	1,873,452	252,167	-	9,097,679
Leased Assets	-	-	3,616,258	-	-	3,616,258
Reclassification	(1,212)	-	-	-	-	(1,212)
Disposals	(448,154)	-	-	-	-	(448,154)
<b>Balance at 30 June 2020</b>	<b>36,014,386</b>	<b>2,354,087</b>	<b>5,489,710</b>	<b>1,613,047</b>	<b>-</b>	<b>45,471,230</b>
Balance at 1 July 2020	36,014,386	2,354,087	5,489,710	1,613,047	-	45,471,230
Depreciation	2,293,003	294,764	1,037,202	92,627	-	3,717,596
Disposals	(259,656)	-	(173,803)	(120,061)	-	(553,520)
<b>Balance at 31 Dec 2020</b>	<b>38,047,733</b>	<b>2,648,851</b>	<b>6,353,109</b>	<b>1,585,613</b>	<b>-</b>	<b>48,635,306</b>
<b>Carrying amounts</b>						
At 30 June 2020	18,530,421	2,688,022	12,266,875	163,603	1,384,594	35,033,515
<b>At 31 December 2020</b>	<b>22,679,388</b>	<b>2,394,078</b>	<b>11,807,442</b>	<b>72,439</b>	<b>276,004</b>	<b>37,229,351</b>

## 10. LOANS AND BORROWINGS

31 December 2020	Bank Facilities US\$	Convertible Notes US\$	Promissory Notes US\$	Bank Guarantee US\$	Total US\$
<b>Carrying value</b>	<b>17,717,103</b>	<b>-</b>	<b>445,712</b>	<b>734,760</b>	<b>18,897,575</b>
Current	-	-	323,112	-	323,112
Non-current	17,717,103	-	122,600	734,760	18,574,463
	<b>17,717,103</b>	<b>-</b>	<b>445,712</b>	<b>734,760</b>	<b>18,897,575</b>

30 June 2020	Bank Facilities US\$	Convertible Notes US\$	Promissory Note US\$	Bank Guarantee US\$	Total US\$
<b>Carrying value</b>	<b>23,669,622</b>	<b>15,480,228</b>	<b>346,823</b>	<b>558,317</b>	<b>40,054,990</b>
Current	-	15,480,228	189,681	-	15,669,909
Non-current	23,669,622	-	157,142	558,317	24,385,081
	<b>23,669,622</b>	<b>15,480,228</b>	<b>346,823</b>	<b>558,317</b>	<b>40,054,990</b>

1. The following facilities are currently in place:

a. Revolving facility of US\$7,000,000 (30 June 2020: US\$7,000,000):

This facility is comprised of two sub facilities covering growth capex and working capital purposes. Interest is calculated as LIBOR plus a margin.

The Financier conducts an annual review of the facilities. The Financier has absolute discretion, to determine the roll over for a further 12 months.

b. Term debt facilities of US\$17,805,000<sup>1</sup> (30 June 2020: US\$17,805,000):

These facilities are key refinancing facilities comprised of three term debt components. Interest is calculated as LIBOR plus a margin.

<sup>1</sup>CBA approved a short term extension of the term debt facilities to 7 January 2022. DUG continues to work with CBA to formalise the facility extension to a longer term.

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

- i. A first ranking general security to Commonwealth Bank of Australia (CBA) over all present and future rights, property and undertakings.
- ii. General security deed and working capital guarantee recourse deed with Export Finance Insurance Corporation (EFIC) in Australia to partially guarantee facilities provided by CBA.
- iii. There is a fixed charge on all freehold, leasehold, book debts and other assets of the Group, in respect of a bank loan drawdown. The bank also has a floating charge over all the assets of the Group.

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

- a. A gross leverage ratio based on financial indebtedness less cash reserves divided by Group EBITDA; and
- b. A debt service coverage ratio of after debt cashflows as a proportion of debt servicing.

The weighted average effective interest rate on the bank loans is 2.18% per annum (30 June 2020: 4.72%). Decline in weighted average effective interest rate is mainly due to decrease in LIBOR.

The amount drawn-down and available for each facility at 31 December 2020 is as follows:

	Facility available US\$	Amount drawn US\$	Balance available US\$
Revolving loan	7,000,000	734,760	6,265,240
Term debt	17,805,000	17,796,236	8,764
Overdraft <sup>2</sup>	766,400	-	766,400
<b>Total</b>	<b>25,571,400</b>	<b>18,530,996</b>	<b>7,040,404</b>

<sup>2</sup>The overdraft available is A\$1,000,000.



- Promissory notes are payable to G Tower Sdn Bhd and IQumulate Premium Funding. The loan from G Tower relates to funding of data centre fit-out in DownUnder GeoSolutions (Asia) Sdn Bhd. The loan from IQumulate is for insurance premium funding. The carrying value of promissory notes is shown net of deferred finance charges of US\$445,712 (30 June 2020: US\$346,823).
- Convertible notes were converted into shares on 29 July 2020 at a price equal to 80% of the Offer Price, being A\$1.08.

## 11. 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.

	31 December 2020		30 June 2020	
	No.	US\$	No.	US\$
<b>Fully paid up shares</b>				
Balance at beginning of period	54,427,919	5,518,900	54,394,769	5,477,686
Issued on conversion of convertible notes	16,888,889	16,272,360	-	-
Issued and fully paid shares	-	-	33,150	41,214
Issued on IPO	19,259,259	17,400,451	-	-
<b>Closing balance</b>	<b>90,576,067</b>	<b>39,191,711</b>	<b>54,427,919</b>	<b>5,518,900</b>

	31 December 2020		30 June 2020	
	No.	US\$	No.	US\$
<b>Issued under loan funded share plan</b>				
Balance at beginning of the period	8,353,967	-	8,960,059	-
Vesting conditions not met	-	-	(706,668)	-
Issued during the period	168,510	-	100,576	-
<b>Closing balance</b>	<b>8,522,477</b>	<b>-</b>	<b>8,353,967</b>	<b>-</b>
<b>Performance Shares</b>				
Balance at beginning of the period	375,000	-	-	-
Performance Shares issued for services	-	-	375,000	-
<b>Closing balance</b>	<b>375,000</b>	<b>-</b>	<b>375,000</b>	<b>-</b>
<b>Total shares issued</b>	<b>99,473,544</b>	<b>39,191,711</b>	<b>63,156,886</b>	<b>5,518,900</b>

- 16,888,889 fully paid ordinary shares were issued to the Convertible Note Holders on conversion of the convertible note at a price equal to 80% of the Offer Price.
- 19,259,259 fully paid ordinary shares were issued to investors.
- The Company invites key employees to acquire shares in DUG Technology Ltd under a Loan Funded Share Plan. During the period ended 31 December 2020, 168,510 shares were offered (FY20: 100,576). The shares are granted at market value with the assistance of a limited recourse loan for a term of 10 years. Any dividends payable in respect of these shares are repayable against the loan, until the loan is fully repaid.
- The fair value of the shares granted under the loan funded share plan are measured using the Black-Scholes method. Volatility is determined by calculating the annualised standard deviation of daily change in trading price over a 90-day period.

## b) Reserves

	31 Dec 2020 US\$	30 June 2020 US\$
Share based payments reserve	1,227,597	1,214,271
Translation reserve	(2,177,269)	(2,177,269)
	<b>(949,672)</b>	<b>(962,998)</b>
<b>Reconciliation of movement in reserves:</b>		
<b>Share based payments reserve</b>		
Balance at beginning of the period	1,214,271	893,452
Opening balance adjustment	-	(11,148)
Share based payment expense	13,326	331,967
<b>Balance at end of the period</b>	<b>1,227,597</b>	<b>1,214,271</b>
<b>Translation reserve</b>		
Balance at beginning of the period	(2,177,269)	(2,177,382)
Opening balance adjustment	-	113
<b>Balance at end of the period</b>	<b>(2,177,269)</b>	<b>(2,177,269)</b>

1. The share based payment reserve comprises expenses incurred from the issue of Company's shares under the employee loan funded share plan.
2. 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, including the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

## 12. 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 High-Performance Computing as a Service (HPCaaS) segment allows clients to connect to DUG's HPC and storage in a complete HPC environment. The Company's supercomputers, located in four global locations, provide substantial compute and storage capabilities.
2. The Services segment, provides clients with two types of services:
  - a. Data loading, quality control and management.
  - b. Scientific data analysis.
3. The Software segment, has two main products:
  - a. DUG Insight - A modern, intuitive and interactive software package for scientific processing and visualisation.
  - b. Software and algorithm support and development to enable a client to successfully run on DUG's HPC.

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.

No operating segments have been aggregated to form the above reportable segments.

The Company 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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

31 December 2020	HPCaaS	Services	Software	Total segments	Eliminations	Consolidated
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Revenue</b>						
External customers	1,273,462	18,228,595	3,293,663	22,795,720	-	22,795,720
Inter-segment	8,523,357	-	-	8,523,357	(8,523,357)	-
Government grants	230,695	901,284	256,939	1,388,918	-	1,388,918
<b>Total revenue</b>	<b>10,027,514</b>	<b>19,129,879</b>	<b>3,550,602</b>	<b>32,707,995</b>	<b>(8,523,357)</b>	<b>24,184,638</b>
<b>Expenses</b>						
Depreciation & amortisation	2,980,672	597,716	163,412	3,741,800	-	3,741,800
Employee benefits	3,627,122	11,168,350	1,103,804	15,899,276	-	15,899,276
IT facilities and related costs	1,665,733	494,566	151,236	2,311,535	-	2,311,535
Other expenses	1,298,721	10,223,623	518,719	12,041,063	(8,523,357)	3,517,706
	9,572,248	22,484,255	1,937,171	33,993,674	(8,523,357)	25,470,317
<b>Segment EBIT<sup>1</sup></b>	<b>455,266</b>	<b>(3,354,376)</b>	<b>1,613,431</b>	<b>(1,285,679)</b>	<b>-</b>	<b>(1,285,679)</b>
<b>Segment EBITDA</b>	<b>3,435,938</b>	<b>(2,756,660)</b>	<b>1,776,843</b>	<b>2,456,121</b>	<b>-</b>	<b>2,456,121</b>
<b>EBITDA %</b>	<b>34.3%</b>	<b>(14.4%)</b>	<b>50.0%</b>			<b>10.2%</b>

<sup>1</sup> Profit before interest and tax.

31 December 2019	HPCaaS	Services	Software	Total segments	Eliminations	Consolidated
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Revenue</b>						
External customers	783,076	19,919,281	4,585,947	25,288,304	-	25,288,304
Inter-segment <sup>1</sup>	4,718,476	-	-	4,718,476	(4,718,476)	-
Government grants	283,154	1,101,153	167,689	1,551,996	-	1,551,996
<b>Total revenue</b>	<b>5,784,706</b>	<b>21,020,434</b>	<b>4,753,636</b>	<b>31,558,776</b>	<b>(4,718,476)</b>	<b>26,840,300</b>
<b>Expenses</b>						
Depreciation & amortisation	3,881,820	832,245	101,639	4,815,704	-	4,815,704
Employee benefits	3,025,613	11,682,692	1,248,685	15,956,990	-	15,956,990
IT facilities and related costs	790,953	348,745	114,993	1,254,691	-	1,254,691
Other expenses	1,344,759	6,738,471	1,172,713	9,255,943	(4,718,476)	4,5397,467
	9,043,145	19,602,153	2,638,030	31,283,328	(4,718,476)	26,564,852
<b>Segment EBIT</b>	<b>(3,258,439)</b>	<b>1,418,281</b>	<b>2,115,606</b>	<b>275,448</b>	<b>-</b>	<b>275,448</b>
<b>Segment EBITDA</b>	<b>623,381</b>	<b>2,250,526</b>	<b>2,217,245</b>	<b>5,091,152</b>	<b>-</b>	<b>5,091,152</b>
<b>EBITDA %</b>	<b>10.8%</b>	<b>10.7%</b>	<b>46.6%</b>			<b>18.9%</b>

<sup>1</sup> The allocation of costs to segments is continually reviewed to ensure that an appropriate methodology is applied. As a result, the allocation of research and development costs and the related revenue received from research and development grants has been adjusted in the six-month period ended 31 December 2020 and consequently has resulted in the restatement of comparative segment results for the six-month period ended 31 December 2019.

Reconciliation of profit	31 December 2020 US\$	31 December 2019 US\$
<b>Segment EBIT</b>	<b>(1,285,679)</b>	<b>275,448</b>
Finance income	14,395	1,519
Finance expenses	(826,127)	(1,124,166)
“One-off” finance expenses:		
Convertible note – interest expense and foreign exchange	(630,012)	-
Convertible note – fair value (non-cash)	(708,801)	-
IPO and capital raising fees	(452,326)	(201,600)
<b>(Loss) before tax</b>	<b>(3,888,550)</b>	<b>(1,048,799)</b>

Geographic information	31 December 2020 US\$	31 December 2019 US\$
<b>Revenue from external customers</b>		
Australia	8,850,010	6,206,528
United Kingdom	5,475,546	9,552,484
United States of America	6,079,558	5,260,865
Malaysia	3,779,524	5,820,423
<b>Total</b>	<b>24,184,638</b>	<b>26,840,300</b>

	31 December 2020 US\$	31 December 2019 US\$
<b>Non-current operating assets</b>		
Australia	4,637,120	4,665,355
United Kingdom	4,336,589	5,175,430
United States of America	26,917,415	23,554,371
Malaysia	1,656,551	2,773,595
<b>Total</b>	<b>37,547,675</b>	<b>36,168,751</b>

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

### 13. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting period.

### 14. SUBSEQUENT EVENTS

A customer based in the USA has recently undertaken a voluntary restructure due to financial difficulties. DUG has reached a settlement agreement with this customer resulting in an amount of US\$426,628 being written off in the half-year accounts ended 31 December 2020.

No other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

## Directors' Declaration

In accordance with a resolution of the directors of DUG Technology Ltd, the directors of the Company declare that:

- a. the financial statements and notes for the half-year ended 31 December 2020 are in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the Consolidated Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
  - ii. complying with the Accounting Standard AASB 134: Interim Financial Reporting; and
- b. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



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Mark Puzey  
DIRECTOR



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Louise Bower  
DIRECTOR

Dated at Perth on 19 February 2021

# 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 financial report of DUG Technology Ltd (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory information 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 half-year financial report of the Group is not 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 2020 and of its financial performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### 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 (including Australian Accounting Interpretations) 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 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 Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports 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:

- i. giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF DUG TECHNOLOGY LTD (CONTINUED)**

**Auditor's Responsibility (continued)**

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 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.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

SHAUN WILLIAMS  
PARTNER

MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 19<sup>th</sup> day of February 2021.