



MAKING WAVES

DUG'S MULTI-PARAMETER
FULL WAVEFORM INVERSION.
A REVOLUTION IN IMAGING.

**ANNUAL
REPORT
FY23**

DUG Technology Ltd
ABN 99 169 944 334

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All financial numbers are expressed in US Dollars unless otherwise stated

Cover page design

DUG's MP-FWI Imaging technology produced this result using field data input from a complex salt environment, offshore Gulf of Mexico.

The MP-FWI image is far superior to the result from the time-consuming, conventional processing and imaging workflow. Data courtesy of Shell.

MAKING WAVES

REVENUE

US\$50.9 million

(FY22: US\$33.8 million)

EBITDA

US\$15.1 million

(FY22: US\$2.8 million)

PROFIT AFTER TAX

US\$4.9 million

(FY22: loss of US\$9.3 million)

OPERATING CASH INFLOWS

US\$13.4 million

(FY22: outflow of US\$0.4 million)

NET CASH POSITION

US\$5.2 million

(FY22: net debt of US\$1.8 million)

SERVICES ORDER BOOK AS AT 30 JUNE 2023

US\$27.9 million

(FY22: US\$22.2 million)

What We Do



Software

- Analytic software development
- Algorithms and optimisation
- Big data processing and visualisation
- DUG Insight in 59 countries



Services

- Data science & management
- Geoscience & seismic data processing
- Multi-parameter FWI Imaging



High Performance Computing (HPC)

- Powerful, bare-metal compute & storage
- Complete, integrated HPC environment
- Patented DUG Cool immersion technology
- Design, own, operate some of the largest and greenest supercomputers on Earth
- Big data processing supported by experts

Key Markets



Oil & Gas

A leading service provider for 20 years. Currently the primary driver of revenue and earnings.

DUG's technology helps clients make more timely, well-informed, operational decisions. DUG's products and services have contributed to numerous significant discoveries.



National Security & Space

Actively progressing opportunities by leveraging capabilities developed by servicing the oil & gas industry.

In particular, competencies in numerical data, software and HPC solutions.



Enterprise

Increasing demand for HPC from industries with proliferating data.

DUG has established agreements with numerous organisations (education, research, applied science) to support their data processing and storage needs.

Global Locations



Letter from the Managing Director



As Managing Director of DUG, I am pleased to present the 2023 Annual Report.

We've had a great year, breaking several records along the way. In particular our Services business line has performed exceptionally, with revenue growth of 70% on last year.

Financially, we've delivered our highest ever EBITDA, profit and operating cash flow result in the history of the business. This is particularly pleasing as it follows a difficult last couple of years through COVID-related impacts to oil prices and exploration spend. We saw the improvement coming in March 2022 as order intake increased materially, and pleasingly the orders have continued to flow positioning the business beautifully for FY2024 and beyond.

During FY2023, DUG secured almost US\$50 million in new Services projects including significant new work from the Middle East. Included in these orders was the largest multi-client data sale we've had for several years of US\$2.5 million. In our software business line, we signed a new customer on a five-year licence agreement worth US\$3.2 million over the contract term. Finally, we have continued to grow our presence in the HPC market beyond oil and gas with Monash University, The University of Western Australia and Murdoch University all signing up to our HPC services.

Our breakthrough Multi-parameter FWI Imaging technology has been applied to many large production datasets with consistently good results. We are able to replace conventional seismic data processing workflows, in the vast majority of cases producing superior results in much-reduced timeframes, using a fraction of the labour cost. We continue to actively promote this technology having now completed a diverse range of projects for some of the largest operators in the world.



We continue to see exciting growth in our business, allowing us to explore and invest in opportunities that can expand our revenue base. On this front, we were very proud to announce a A\$5 million grant from the WA Government to build our Geraldton HPC Campus. At capacity, the facility will be home to one of the largest HPC installations in the world.

Geraldton is an ideal location for the HPC Campus with ready access to renewable power from wind and solar and a large physical space for expansion. The latency from Geraldton to Perth is as low as 3 milliseconds, meaning the user experience will be indistinguishable from working with the existing West Perth data centre. Fibre links from Geraldton to Singapore also open new market opportunities.

We are grateful to the WA State Government for their support. The project will be transformational not only for the Company but also for WA – creating new jobs and placing the State, as well as Australia, on the global supercomputing map. We will also partner with the Yamatji Nation People to provide a range of regional employment opportunities to the Geraldton community.

Finally, I would like to thank all the shareholders for their continued support. As we move forward, I am confident that with the incredible work of Team DUG, we will continue to deliver outstanding results. Onwards and upwards!



Matthew Lamont Ph.D.
MANAGING DIRECTOR

Operational and Financial Review

US\$000's	FY2023	FY2022 Restated	% change
Revenue	50,948	33,752	51%
EBITDA ¹	15,070	2,813	436%
EBITDA ¹ margin	29.6%	8.3%	21.3%
Profit /(loss) before tax	7,456	(6,511)	215%
Profit / (loss) after tax	4,941	(9,332)	153%
Basic Profit / (loss) per share (cents)	4.24	(8.07)	153%

EXECUTIVE SUMMARY

A significant increase in Services project awards delivering revenue and earnings increases.

The restructure of the group's cost base in FY2022, together with the successful commercialisation of its MP-FWI technology supported the material earnings growth.

REVENUE ACROSS BUSINESS LINES

	FY 2023 US\$000's	FY 2022 Restated US\$000's	% change
Services	40,298	23,666	70%
Software	6,646	6,157	8%
HPCaaS	4,004	3,929	2%
Total Revenue	50,948	33,752	51%

Revenue from Services of US\$40.298 million was a record high for the Group. The increase in Services revenue follows sustained strong order intake since March 2022. This order intake followed improvements in the oil price, enhanced focus on energy security from geopolitical climate and a breakthrough into the middle east market for the Group. Revenue from the group's Houston office increased significantly, growing by 160% from the prior year to US\$25.230 million.

Software revenue continued to grow in FY2023, up 8% on FY2022 following strong renewals and expansion of customer base. DUG now provides software to clients in 59 countries.

HPCaaS revenues grew by 2% from FY2022. Whilst revenues earned outside of the oil and gas sector increased, overall the growth was subdued for the year.

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

OTHER INCOME AND EXPENSES

	FY 2023 US\$000's	FY 2022 Restated US\$000's	% change
Total revenue	50,948	33,752	51%
Other income	2,520	3,851	(35%)
Employee benefits	(27,855)	(25,379)	(10%)
Other expenses	(10,543)	(9,411)	(12%)
EBITDA¹	15,070	2,813	436%
EBITDA ¹ margin	29.6%	8.3%	21.3%
Depreciation and amortisation	(6,425)	(7,693)	(16%)
EBIT¹	8,645	(4,880)	277%
Finance expense	(1,189)	(1,631)	27%
Profit / (loss) before tax	7,456	(6,511)	215%
Tax expense	(2,515)	(2,821)	11%
Profit / (loss) after tax	4,941	(9,332)	153%

Other income comprises R&D concessions, the amounts recognised for which were consistent to FY2022. In FY2022, the Group also recorded 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 benefits and other expenses increased by 10% and 12% respectively, significantly below the revenue growth of 51%. This operating leverage enabled EBITDA¹ to increase by 436% to US\$15.070 million, resulting in an EBITDA¹ margin of 30% for FY2023.

Depreciation and amortisation charges for the year fell following lower leased assets depreciation from the downsize of the London office and some compute assets becoming fully depreciated during the year.

Finance costs decreased due to reduced debt levels during the year. Included in finance costs is interest on lease liabilities of US\$0.844 million.

The Group's tax expense is predominantly incurred in Australia with R&D tax concessions received offsetting cash tax liabilities; the expense for the year was consistent with FY2022.

Profit after tax of US\$4.941 million represents a record high for the group.

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

FINANCIAL POSITION

During the year, the Group improved its net asset position to US\$20.914 million at 30 June 2023 following a profit after tax of US\$4.941 million.

Net current assets at 30 June 2023 of US\$3.342 million were an improvement on the prior year of net current liabilities of US\$0.268 million. This improvement in position is an outcome of strong cash flows from operating activities.

Gross debt (excluding lease liabilities) reduced to \$2.756 million at 30 June 2023 from \$4.494 million in the prior year, with net cash of \$5.231 million (FY2022: net debt of \$1.838 million).

The CBA term debt facility was \$2.500 million at 30 June 2023 and matures on 1 July 2024. Quarterly amortisation of the loan is \$0.5 million, the loan is expected to be repaid during FY2024.

CASH FLOWS

Cash flows generated from operating activities totalled \$13.399 million for the year (FY2022: outflow of \$0.425 million) following significantly improved earnings in the year. Cash from operating activities was \$1.671 million lower than EBITDA¹, mainly due to non-cash government grant income of \$2.504 million.

Cash flows invested into plant and equipment and intangible assets increased to \$3.008 million from \$1.499 million in FY2022. Purchases were focused on storage assets to support the group's services business.

Cash outflows from financing activities totalled \$4.859 million and included \$2.554 million of repayment of debt facilities, \$1.913 million of repayments of leases, \$1.189 million of interest costs offset by \$0.797 million of new asset financing facilities.

Cash on hand at 30 June 2023 was \$7.987 million, increased from \$2.656 million as a result of these cash flow movements.

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

Risk Management

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

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

Milestones in DUG's maturing risk management during FY23 include employing a new Risk and Compliance Officer, renewing ISO 9001 (Quality Management Systems) and ISO 27001 (Information Security Management Systems) certifications, continuous improvement through regular staff training, and penetration testing.

As we navigate the ever-evolving business landscape, our commitment to effective risk management, transparency, and compliance remains steadfast. We extend our gratitude to our shareholders for their unwavering support and trust. We are mitigating potential pitfalls and positioning ourselves to seize opportunities that drive our growth and sustainability.

We are confident in our ability to navigate challenges and capitalise on opportunities now and in the future. Our innovative solutions, strategic partnerships, and committed workforce provide a strong foundation for sustainable growth.

Key risks faced by DUG include the following:

Cyber Security and Data Privacy

Cyber security is one of DUG's highest priorities; safeguarding client data and maintaining system integrity is of utmost importance. Cyber threats and data breaches are constant risks in today's digital landscape. Acknowledging the rising prevalence of cyber threats, DUG proactively invests in robust cyber security measures, conducts regular reviews and penetration testing, and provides ongoing training to our employees to enhance awareness and resilience against potential cyber threats and to protect our sensitive data and operations.

Supply Chain Disruption

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

Business Continuity and Disaster Recovery

Unforeseen events, such as natural disasters or system failures, may disrupt our operations and impact service delivery. DUG have implemented robust business continuity and disaster recovery plans to minimise downtime and enable seamless continuity of our services in such situations.

Talent Acquisition and Retention

DUG's success relies heavily on the skills and expertise of employees. The technology sector is known for its competitive talent market, and recruiting and retaining top-tier talent can be challenging. To address this risk, DUG invests in employee development programs, offers competitive compensation packages, and fosters a supportive and inclusive work environment.

Regulatory Compliance

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

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

New Technologies

Research and development is a key focus for DUG with between US\$5 million and US\$10 million spent per annum researching new technologies, developing them for market, and continuing to optimise existing solutions. In an ever-evolving industry, market volatility and intensifying competition pose significant challenges. Rapid advancements in technology and changing customer preferences can impact demand for our products and services. To mitigate these risks, DUG monitors market trends, and fosters a culture of innovation to enable our solutions to remain at the forefront of the industry.

Intellectual Property

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

Oil Prices, Macro-economic and Geopolitical Factors

Oil prices have a direct impact on a large portion of DUG's customers' operations. Higher oil prices tends to lead to greater exploration and evaluation activities, and thus greater demand for DUG's services business. In addition to this, global economic fluctuations and geopolitical tensions can influence business conditions and market stability. Our risk management approach includes scenario planning to assess the potential impact of various economic and geopolitical developments on our business and devise appropriate response strategies.

Environmental Sustainability and Energy Efficiency

In an era of heightened environmental awareness, DUG recognises the importance of integrating sustainability into global operations. By proactively addressing environmental impact, DUG aims to mitigate regulatory risks, reduce costs, and enhance brand reputation. Work has commenced to be able to accurately track environmental impact to understand better environmental sustainability.

As a world-leader in energy efficient HPC, DUG is excited to be able to contribute to the reduction in the environmental impact of customers and embrace the opportunities to help organisations, Governments, and businesses to adopt a more environmentally conscious approach to HPC.



Sustainability

DUG continues to work towards a climate-positive future.

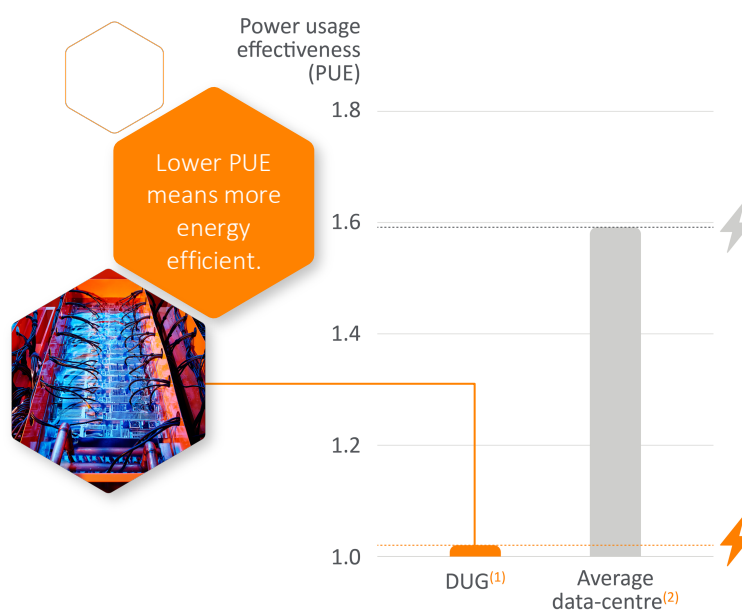
In alignment with DUG’s sustainability objectives the company has engaged an external consultant to assist in measuring its carbon impact. As a global leader for sustainable data centre technology, DUG remains committed to innovative solutions that set industry standards for energy efficiency.



THE GREENEST ENERGY IS THE ENERGY YOU DON'T USE

The world’s data centres are significant users of energy; when combined they consume more than the national energy requirements of some large countries and emit roughly as much carbon dioxide as the global aviation industry.

DUG operates some of the greenest data centres in the world. The company’s patented, award-winning, immersion-cooling technology DUG Cool reduces power consumption by more than 50% compared to a traditional air-cooled data centre, and is utilised in all of its data centres. This technology also uses 85% less synthetic refrigerants. With DUG Cool, hardware lasts longer as the electrical components are not exposed to air, which helps extend their lifespan and prevent frequent replacements, ultimately reducing the need for purchasing new hardware and thus minimising wastage. DUG also procures renewable energy to power its data centre in Houston. The company continues to explore methods to enhance its environmental impact while maintaining a focus on delivering quality and value to its clients.



(1) Based on 12-month rolling average measurement values

(2) https://www.missioncriticalmagazine.com/ext/resources/whitepapers/2020/2020AnnualSurvey_EndUser_v4s.pdf

Directors' Report

The Directors hereby present their report together with the consolidated financial statements of the Group comprising of DUG Technology Ltd (DUG, or the Company), and its subsidiaries for the year ended 30 June 2023 and the auditor's report thereon. The use of the words Company and Group are interchangeable for the purposes of this report.

DIRECTORS

The Directors of the Company at any time during or since the year ended 30 June 2023 are set out below. Directors were in office for the entire period unless otherwise stated.

Mr Francesco (Frank) Sciarrone BCom

INDEPENDENT NON-EXECUTIVE CHAIRMAN (APPOINTED AS DIRECTOR JULY 2015, NON-EXECUTIVE CHAIRMAN FROM 1 SEPTEMBER 2022)

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

OTHER CURRENT DIRECTORSHIPS

- Executive Chairman of Vantage Wealth Management Pty Ltd (since April 2008)
- Director of Biovision Pty Ltd and Biovision 2020 Holdings Pty Ltd (since January 2012)

FORMER DIRECTORSHIPS

- Chairman of 12 Buckets Inc (resigned October 2021)
- Chairman of Fire and Emergency Services Superannuation Board (retired 18 August 2022) and prior Chair of Audit and Risk and Investment Committees
- Director of Government Employees Superannuation Board and Chair of the Audit and Risk and Investment Committees (resigned 16 September 2022)

SPECIAL RESPONSIBILITIES

- Member of the Audit and Risk Committee
- Chair of the Remuneration and Nomination Committee (since 1 September 2022)

Dr Matthew Lamont PhD

MANAGING DIRECTOR

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

Ms Louise Bower HBCompt, CA

NON-EXECUTIVE DIRECTOR

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

OTHER CURRENT DIRECTORSHIPS

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

SPECIAL RESPONSIBILITIES

- Member of the Audit and Risk Committee
- Member of the Remuneration & Nomination Committee (since 1 September 2022)

Mr Mark Puzey FCA, FAICD, CGEIT INDEPENDENT NON-EXECUTIVE DIRECTOR

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

OTHER CURRENT DIRECTORSHIPS

- Deputy Chair and Audit & Risk Management Chair of Horizon Power (since December 2021)
- Non-Executive Director of Sircel Ltd (formerly E3Sixty Ltd) (since May 2020)

FORMER DIRECTORSHIPS

- Chairman and Non-Executive Director of M8 Sustainable Ltd (ASX:M8S) (resigned 2 December 2022)

SPECIAL RESPONSIBILITIES

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

Hon. Mr Wayne Martin AC QC LLB(Hons1st), LLM INDEPENDENT NON-EXECUTIVE CHAIRPERSON (Appointed February 2022, Retired 1 September 2022)

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

OTHER CURRENT DIRECTORSHIPS

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

FORMER DIRECTORSHIPS

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

SPECIAL RESPONSIBILITIES

- Chairman of the Board (retired 1 September 2022)
- Chair of the Remuneration and Nomination Committee (retired 1 September 2022)

Interests in the shares of the Company and related bodies corporate

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

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

COMPANY SECRETARY

Ms Jacqueline Barry CertGovPrac, GIA (Affiliated)

Ms Barry has over 15 years' experience in company secretarial and corporate governance roles. Before joining DUG, Ms Barry was joint Company Secretary of Magnum Mining and Exploration Ltd (ASX:MGU) and also held assistant company secretarial positions for a number of resources companies listed on ASX and AIM.

PRINCIPAL ACTIVITIES

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

REVIEW OF OPERATIONS

A review of and information about the operations of the Group during FY2023 is contained in pages 8 to 10, which form part of this Director's Report.

DIVIDENDS

No dividends were paid or declared during the year ended 30 June 2023 and up to the date of signing this report (year ended 30 June 2022: nil).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

EVENTS SUBSEQUENT TO REPORTING DATE

On 18 July 2023, DUG Technology (Australia) Pty Limited executed a Financial Assistance Agreement with the Western Australia State Government and will receive A\$5 million in grant funding for the first data hall of its Geraldton High Performance Computing Campus. The funds are expected to be received over a two-year period in accordance with agreed milestones.

On 11 August 2023, the Company placed an order for new compute assets totalling US\$6,750,000 for its Houston data centre to support its growth in Services revenue. This investment will be funded through asset finance arrangements.

On 15 August 2023, the Company received A\$7.1 million following the sale of loan funded share plan (“LFSP”) shares by a former employee of the Company. A total of 7,165,279 shares were sold on market and under the terms of the LFSP and a separate share loan agreement with the former employee, the funds received have been applied to repay these loans in full.

The Company’s accounting treatment for such loans is to define them as share-based payments and consequently they hold no value on the Company’s balance sheet.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group’s operations, the result of those operations, or the Group’s state of affairs in future financial years.

ENVIRONMENTAL REGULATION

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

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

Premiums paid are not disclosed because disclosure is prohibited by the insurance contract.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

ROUNDING OF AMOUNTS

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

DIRECTORS' MEETINGS

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

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Eligible to Attend ¹	Attended ²	Eligible to Attend ¹	Attended ²	Eligible to Attend ¹	Attended ²
Frank Sciarrone	7	7	3	3	3	3
Matthew Lamont	7	7	-	-	-	-
Louise Bower	7	7	3	3	1	1
Mark Puzey	7	7	3	3	3	3
Wayne Martin ³	1	1	-	-	2	1

1. No. of meetings held while the director was a member of the board / committee.

2. No. of meetings attended.

3. Mr Martin retired as a director on 1 September 2022.

Committee membership

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

ARC	RNC
Mark Puzey - Chair	Frank Sciarrone - Chair
Frank Sciarrone	Mark Puzey
Louise Bower	Louise Bower (appointed 1 September 2022)
	Wayne Martin (retired 1 September 2022)

AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 27 and forms part of the Directors' Report for the Financial Statements for the year ended 30 June 2023.

NON-AUDIT SERVICES

No non-audit services were provided by the entity's auditor Grant Thornton Audit Pty Ltd during the year ended 30 June 2023.

REMUNERATION REPORT

The Remuneration Report is set out on pages 20 to 26 and forms part of this Directors' Report.

Dated at Perth on 28 August 2023.

Signed in accordance with a resolution of the Directors.



Mark Puzey
DIRECTOR

Remuneration Report (Audited)

PERSONS ADDRESSED AND SCOPE OF THE REMUNERATION REPORT

This remuneration report (the Report) forms part of the Directors' Report for the year ended 30 June 2023 and has been audited in accordance with section 300A of the Corporations Act 2001. The Report has been prepared in accordance with the Corporations Act, applicable regulations and the Company's policies regarding key management personnel (KMP) remuneration governance.

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

Name	Position	Term as KMP
Non-Executive Directors:		
Frank Sciarrone	NED, Chairman, Chair of RNC, ARC member	Full financial year
Louise Bower	NED, ARC member, RNC member	Full financial year
Mark Puzey	NED, Chair of ARC, RNC member	Full financial year
Wayne Martin	NED, Chairman, Chair of RNC	Retired on 1 September 2022
Executive Directors and other Senior Executives:		
Matthew Lamont	Managing Director	Full financial year
Sam Cruickshank	Chief Financial Officer	Full financial year

OUR EXECUTIVE REMUNERATION POLICIES AND STRUCTURES

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

HOW REMUNERATION IS GOVERNED

The Managing Director provides recommendations to the RNC on the remuneration outcomes for the executive team. The RNC commissioned an executive remuneration benchmarking analysis from The Reward Practice, results of which were provided directly to the RNC without consultation with KMP's. The Board was satisfied that the benchmarking analysis was free from influence and fit for purpose following the process, which included due diligence in the selection of the benchmarking firm used. The Reward Practice were paid A\$13,000 for this review which was used in conjunction with salary changes made effective from 1 March 2023 to members of the executive team. Executive remuneration levels are reviewed annually by the RNC with reference to the remuneration guiding principles and market movements.

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

PERFORMANCE INDICATORS

	30 June 2023 (US\$ '000)	30 June 2022 Restated (US\$ '000)	30 June 2021 Restated (US\$ '000)	30 June 2020 (US\$ '000)	30 June 2019 (US\$ '000)
Revenue	50,948	33,752	38,450	45,337	52,135
Earnings before interest, tax, depreciation and amortisation (EBITDA)	15,070	2,813	(1,730)	9,564	9,832
Net profit / (loss) after tax	4,941	(9,332)	(15,860)	(11,662)	(2,633)
Basic earnings / (loss) per share (cents)	4.24	(8.07)	(16.58)	(18.51)	(4.19)
Dividends per share (cents)	-	-	-	-	-
Share price at start of year (A\$)	0.47	1.34	N/A	N/A	N/A
Share price at end of year (A\$)	1.17	0.47	1.34	N/A	N/A

EMPLOYMENT TERMS FOR KMPs

The remuneration and other terms of employment for executive KMPs are covered in formal employment contracts of an ongoing nature. Details of remuneration and employment arrangements for KMPs at 30 June 2023 are as follows:

Matthew Lamont - Managing Director

Term	Description
Remuneration and other benefits	Under the terms of his employment contract, Dr Lamont is entitled to receive annual fixed remuneration of A\$490,800 gross (exclusive of superannuation). Dr Lamont is also entitled to a vehicle up to a lease value of A\$3,200 per month after tax (convertible to salary at employee's discretion). From 1 July 2023, Short-Term Incentives are payable up to 50% of Total Fixed Remuneration and Long-Term Incentives are payable up to 50% of Total Fixed Remuneration.
Termination and notice periods	Employment may be terminated by either party giving six months' notice. No additional payments are made on termination.
Restraints	For six months following termination of employment, Dr Lamont cannot solicit or work for any client of DUG, nor solicit any employee of DUG.

Sam Cruickshank - Chief Financial Officer

Term	Description
Remuneration and other benefits	Under the terms of his employment contract, Mr Cruickshank is entitled to receive annual fixed remuneration of A\$330,000 gross (exclusive of superannuation). From 1 July 2023, Short-Term Incentives are payable up to 40% of Total Fixed Remuneration and Long-Term Incentives are payable up to 40% of Total Fixed Remuneration.
Termination and notice periods	Employment may be terminated by either party giving three months' notice. Should the employment be terminated by the Company within five years of his commencement, Mr Cruickshank will be entitled to an additional three months of gross salary as a termination benefit.
Restraints	During the term of his employment, Mr Cruickshank cannot have an interest in any business that competes with DUG.

Short-Term Incentive Plan

The Company operates a Short-Term Incentive Plan to:

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

The Board has absolute discretion to determine the eligible participants for the Short-Term Incentive Plan. Participants who resign or are terminated during a plan year are not eligible for any payments. All payments under the Short-Term Incentive Plan will be paid in cash.

The Board determined the award of payments under the Short-Term Incentive Plan for the year ended 30 June 2023 based on the below performance hurdles:

STI Performance Hurdles – Managing Director

Performance Hurdle	Weighting
EBITDA above Budget	15%
NPAT above Budget	15%
Growth in services order book	10%
Growth in Share Price	5%
ISO accreditation	5%
Individual Performance	50%
Total	100%

For the year ended 30 June 2023, the Managing Director was entitled to an STI of up to 33.33% of TFR. The Board approved an STI payment of A\$235,419 (40% of TFR) for the Managing Director in recognition of significant achievement in driving the commercialisation of Multi-Parameter Full Waveform Inversion and significantly rebuilding the services business, with particular emphasis on technology advancement and market share expansion.

STI Performance Hurdles – Chief Financial Officer

Performance Hurdle	Weighting
EBITDA above Budget	15%
NPAT above Budget	15%
Growth in services order book	10%
Growth in Share Price	5%
ISO accreditation	5%
Individual Performance	50%
Total	100%

For the year ended 30 June 2023, the Chief Financial Officer was entitled to an STI of up to 33.33% of TFR. The STI awarded was A\$106,588 (30% of TFR). The Chief Financial Officer was also paid a target bonus of A\$50,000 during the year, awarded in FY2022.

Long-Term Incentive Plan

The Board also operates a Long-Term Incentive Plan to continue to reward DUG's employees by issuing equity incentives. The Long-Term Incentive Plan is designed to align the interests of eligible participants with shareholders through the sharing of personal interest in the future growth and development of DUG and to provide a means of attracting and retaining skilled and experienced eligible participants.

Zero-priced options

On 11 October 2022, 2,378,588 zero priced options were granted to certain employees of the Group including 248,641 to the Chief Financial Officer. All options require the holder to remain continuously employed or engaged with the Group at all times to 30 June 2025.

Of these options, 1,411,343 were issued to senior executives which are subject to a share price hurdle. All options vest if the 1 month VWAP to 30 June 2025 is A\$2.50 or higher. Half of the options vest if the 1 Month VWAP to 30 June 2025 is equal to A\$1.00 with pro-rata vesting of options between those hurdles.

The remaining 967,245 options issued were to certain non-executive staff members for retention purposes. These options are not subject to a share price hurdle.

On 21 December 2022, 692,154 zero priced options were granted to certain employees and consultants of the Group including 381,352 to the Managing Director. All options require the holder to remain continuously employed or engaged with the Group at all times to 30 June 2025.

All of these options are subject to a share price hurdle. All options vest if the 1 month VWAP to 30 June 2025 is A\$2.50 or higher. Half of the options vest if the 1 Month VWAP to 30 June 2025 is equal to A\$1.00 with pro-rata vesting of options between those hurdles.

Grant date	Performance Conditions	Performance period	Test date	Number of options	Expiry date
11 Oct 2022	Share Price	11 Oct 22 – 30 Jun 25	30 Jun 25	1,411,343	30 Jun 2037
11 Oct 2022	Tenure	11 Oct 22 – 30 Jun 25	30 Jun 25	967,245	30 Jun 2037
21 Dec 2022	Share Price	21 Dec 22 – 30 Jun 25	30 Jun 25	692,154	30 Jun 2037
Total				3,070,742	

NED POLICY AND RATES

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

The tables below summarise Board and Committee fees payable to NEDs (inclusive of superannuation) for the year ended 30 June 2023:

Base Fees	A\$	
Chairperson	\$120,000 (inc Committee Fees)	
Non-Executive Director	\$75,000	

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

NED fees are determined within an aggregate NED fee pool limit which is periodically approved by shareholders. The maximum aggregate amount that may be paid to NEDs for their services is A\$600,000 per annum. The Board will not seek an increase to the aggregate NED fee pool limit at the 2023 AGM.

STATUTORY AND SHARE-BASED REPORTING

Reporting currency

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

Compensation for all KMPs is paid in Australian dollars and, for reporting purposes, converted to US dollars based on the applicable exchange rate at the date of payment.

Executive KMP remuneration for the years ended 30 June 2023 and 30 June 2022

	Year	Short-Term Benefits			Post-employment Benefits	Long-term Benefits		Total Remuneration	Total Remuneration	Performance Related
		Salary & Fees	Cash Bonus	Other ¹	Super-annuation	Employee Entitlements	Share-based Payments			
		US\$	US\$	US\$	US\$	US\$	US\$			
Matthew Lamont	2023	330,426	158,084	94,212	16,044	22,857	10,261	631,884	939,550	27%
	2022	357,505	-	61,027	18,362	5,955	2,890	445,739	611,862	1%
Sam Cruickshank ²	2023	208,687	104,000	11,888	16,947	-	7,465	348,987	520,701	32%
	2022	68,072	-	1,939	5,675	-	-	75,686	105,131	-
Philip Schwan ³	2023	-	-	-	-	-	-	-	-	-
	2022	66,069	-	-	-	-	2,008	68,077	93,459	3%
Total	2023	539,113	262,084	106,100	32,991	22,857	17,726	980,871	1,460,251	29%
	2022	491,646	-	62,966	24,037	5,955	4,898	589,502	810,452	1%

1. Includes motor vehicle benefits and changes in accrued annual leave.

2. Mr Cruickshank commenced as a KMP on appointment as Interim Chief Financial Officer on 9 March 2022. Current period cash bonus includes an A\$50,000 target bonus paid in respect to short-term targets set on appointment, the balance relates to a Board approved short-term incentive bonus, approved in June 2023 and payable in September 2023.

3. Mr Schwan ceased as a KMP on resignation on 28 October 2021.

NED remuneration for the years ended 30 June 2023 and 30 June 2022

	Year	Short-Term Benefits Board and Committee Fees US\$	Post-employment Benefits Superannuation US\$	Long-term Benefits Share-based payments US\$ ¹	Total Remuneration US\$	Total Remuneration A\$
Frank Sciarrone	2023	68,944	7,239	-	76,183	113,333
	2022	52,976	5,298	-	58,274	80,000
Louise Bower	2023	48,741	5,118	1,791	55,650	82,660
	2022	52,976	5,298	1,943	60,217	82,667
Mark Puzey	2023	57,880	6,077	-	63,957	95,000
	2022	62,909	6,292	-	69,201	95,000
Wayne Martin ²	2023	12,505	1,313	-	13,818	20,000
	2022	86,157	8,616	-	94,773	130,000
Michael Malone ³	2023	-	-	-	-	-
	2022	5,546	555	-	6,101	8,242
Total	2023	188,070	19,747	1,791	209,608	310,993
	2022	260,564	26,059	1,943	288,566	395,909

1. Share-based payments for Non-Executive Directors relate to a tranche of the loan funded share plan issued to Ms Bower on 3 July 2020 that the Board resolved to continue over the vesting period to 30 June 2023 upon Ms Bower's transition as a Non-Executive Director.

2. Mr Martin retired on 1 September 2022.

3. Mr Malone resigned on 6 August 2021.

Shares awarded, vested and lapsed during the year

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

	Year	Opening Balance	Shares Awarded				Lapsed & not Vested	Closing Balance	Vested & Exercisable
			Shares Awarded	Award Date	Vesting Date	Issue Price			
Matthew Lamont	2023	576,457	-	N/A	N/A	N/A	-	576,457	539,190
	2022	576,457	-	N/A	N/A	N/A	-	576,457	539,190
Louise Bower	2023	1,124,821	-	N/A	N/A	N/A	-	1,124,821	1,099,765
	2022	1,124,821	-	N/A	N/A	N/A	-	1,124,821	1,099,765
Philip Schwan	2023	5,732,760	-	N/A	N/A	N/A	-	5,732,760	5,706,866
	2022	5,732,760	-	N/A	N/A	N/A	-	5,732,760	5,706,866
Total	2023	7,434,038	-				-	7,434,038	7,345,821
	2022	7,434,038	-				-	7,434,038	7,345,821

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

During the financial year ended 30 June 2021, shares were awarded under the Long-Term Incentive Plan (LTIP). This award was split into two sub-tranches with one half being an EPS target measurable on the 30 June 2023 results with all shares vesting at a growth exceeding 250% from 30 June 2020, the second half is a total shareholder return hurdle with an increase of 325% leading to all shares in this tranche vesting at 30 June 2023. The fair value of shares awarded under the LTIP was calculated at \$0.122 per share for the TSR shares and \$0.515 for the EPS shares using the Monte Carlo method, with a share price of \$1.35, a volatility of 40%, a risk free rate of 0.29 %, a dividend yield of 0% and an expected life of 6 years. These awards were tested based on EPS and TSR outcomes with 25% awards vesting at the discretion of the independent Board members.

Options

The table below shows a reconciliation of options held by each KMP from the beginning to the end of FY2023.

Name and Grant Date	Balance at start of the year	Granted as compensation	Vested		Exercised	Forfeited		Balance at the end of the year	
			Number	%		Number	%	Vested and exercisable	Unvested
Matthew Lamont - Granted 21 Dec 2022	-	381,352	-	-	-	-	-	-	381,352
Sam Cruickshank - Granted 11 Oct 2022	-	248,641	-	-	-	-	-	-	248,641

Shareholdings of KMPs

	Balance 1 July 2022	Granted as Remuneration under Loan Share Plan	Other Acquisitions	Divested	No Longer a KMP	Balance 30 June 2023
NEDs						
Frank Sciarrone	600,000	-	-	-	-	600,000
Louise Bower	1,389,672	-	-	-	-	1,389,672
Mark Puzey	121,667	-	-	-	-	121,667
Wayne Martin ¹	287,037	-	-	-	(287,037)	-
Executives						
Matthew Lamont	24,040,654	-	-	-	-	24,040,654
Sam Cruickshank	-	-	-	-	-	-
Total	26,439,030	-	-	-	(287,037)	26,151,993

1. Ceased as a KMP on retirement on 1 September 2022.

Other transactions and balances with KMP and their related parties

Details and terms and conditions of other transaction with KMP and their related parties: Subsequent to the resignation of Ms Bower as an executive on 28 February 2021, the Group retained Comsen Solutions Pty Ltd, a company of which Ms Bower is a director, to provide consulting services on normal commercial terms and conditions. No amounts were paid to Comsen during the year ended 30 June 2023 (FY2022: US\$78,492).

End of remuneration report



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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 audit of DUG Technology Ltd for the year ended 30 June 2023, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L A Stella
Partner – Audit & Assurance
Perth, 28 August 2023

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Financial statements

All financial numbers are expressed in US Dollars unless otherwise stated

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	30 June 2023 US\$ '000	30 June 2022 Restated (note 35) US\$ '000
Income			
Revenue from contracts with customers	2	50,948	33,752
Other income	3	2,520	3,851
		53,468	37,603
Expenses			
Depreciation and amortisation		(6,425)	(7,693)
Employee benefits	4	(27,855)	(25,379)
Other expenses	5	(10,543)	(9,411)
Operating Profit / (loss)		8,645	(4,880)
Finance expense	7	(1,189)	(1,631)
Net finance expense		(1,189)	(1,631)
Profit / (loss) before tax		7,456	(6,511)
Tax expense	8	(2,515)	(2,821)
Profit / (loss) for the year		4,941	(9,332)
Attributable to:			
Equity holders of the parent		5,005	(9,200)
Non-controlling interest		(64)	(132)
Total Comprehensive Income / (loss)		4,941	(9,332)
Profit / (loss) per share			
Basic profit / (loss) per share (cents per share)	9	4.24	(8.07)
Diluted profit / (loss) per share (cents per share)	9	4.14	(8.07)

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	30 June 2023 US\$ '000	30 June 2022 Restated (Note 35) US\$ '000	1 July 2021 Restated (Note 35) US\$ '000
ASSETS				
Current assets				
Cash and cash equivalents	10	7,987	2,656	10,016
Trade and other receivables	11	6,558	4,938	5,856
Prepayments		692	583	593
Contract assets	12	2,622	292	843
Income tax receivable		283	404	342
Other assets	16	274	667	38
Total current assets		18,416	9,540	17,688
Non-current assets				
Property, plant and equipment	13	17,786	19,060	23,074
Right of use asset	14	10,104	9,888	14,028
Intangible assets	15	551	545	455
Other assets	16	212	33	713
Total non-current assets		28,653	29,526	38,270
Total assets		47,069	39,066	55,958
LIABILITIES				
Current liabilities				
Trade and other payables	17	6,498	2,925	2,438
Loans and borrowings	18	2,756	2,000	17,765
Contract liabilities	12	1,572	507	600
Lease liabilities	19	1,811	1,572	2,171
Provisions	20	2,437	2,804	3,653
Total current liabilities		15,074	9,808	26,627
Non-current liabilities				
Loans and borrowings	18	-	2,494	-
Lease liabilities	19	10,949	10,804	15,759
Provisions	20	132	116	186
Total non-current liabilities		11,081	13,414	15,945
Total liabilities		26,155	23,222	42,572
NET ASSETS		20,914	15,844	13,386
EQUITY				
Share capital	21	50,381	50,381	38,672
Reserves	21	(2,023)	(2,152)	(570)
Accumulated losses		(27,444)	(32,385)	(24,716)
TOTAL EQUITY		20,914	15,844	13,386
Equity attributable to equity holders of parent		20,998	15,864	13,274
Non-controlling interest		(84)	(20)	112
TOTAL EQUITY		20,914	15,844	13,386

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Share Capital US\$ '000	Translation Reserve US\$ '000	Share-based Payment reserve (Note 21(b)) US\$ '000	Retained Earnings/ (Accumulated Losses) US\$ '000	Total US\$ '000	Non-controlling Interests US\$ '000	Total Equity US\$ '000
Balance at 30 June 2022 reported	50,381	(2,177)	25	(34,281)	13,948	(62)	13,886
Restatement (note 35)	-	-	-	1,916	1,916	42	1,958
Balance at 1 July 2022 restated	50,381	(2,177)	25	(32,365)	15,864	(20)	15,844
Profit for the year	-	-	-	5,005	5,005	(64)	4,941
Total comprehensive income for the year	-	-	-	5,005	5,005	(64)	4,941
TRANSACTIONS WITH EQUITY HOLDERS							
Share based payments	-	-	129	-	129	-	129
Total transactions with equity holders	-	-	129	-	129	-	129
Balance at 30 June 2023	50,381	(2,177)	154	(27,360)	20,998	(84)	20,914
Balance at 30 June 2021 reported	38,672	(2,177)	1,607	(26,676)	11,426	90	11,516
Restatement (note 35)	-	-	-	1,848	1,848	22	1,870
Balance at 1 July 2021 restated	38,672	(2,177)	1,607	(24,828)	13,274	112	13,386
(Loss) for the year (restated)	-	-	-	(9,200)	(9,200)	(132)	(9,332)
Total comprehensive (loss) for the year	-	-	-	(9,200)	(9,200)	(132)	(9,332)
TRANSACTIONS WITH EQUITY HOLDERS							
Share based payments	-	-	81	-	81	-	81
Receipts from loan funded share plan	12	-	-	-	12	-	12
Shares issued during the period (net of costs)	11,697	-	-	-	11,697	-	11,697
Transfer of SBP reserves to retained earnings	-	-	(1,663)	1,663	-	-	-
Total transactions with equity holders	11,709	-	(1,582)	1,663	11,790	-	11,790
Balance at 30 June 2022 restated	50,381	(2,177)	25	(32,365)	15,864	(20)	15,844

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

Consolidated Statement of Cashflows

For the year ended 30 June 2023

	Note	30 June 2023 US\$ '000	30 June 2022 US\$ '000
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		46,584	34,669
Cash paid to suppliers		(8,476)	(7,914)
Cash paid to employees		(24,779)	(27,098)
Income tax paid		(145)	(256)
Income tax refunded		215	174
Net cash flows from / (used in) operating activities	30	13,399	(425)
CASHFLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(2,970)	(1,319)
Acquisition of intangible assets		(110)	(196)
Proceeds from disposal of property, plant and equipment		72	16
Net cash used in investing activities		(3,008)	(1,499)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	12,377
Proceeds from loans & borrowings		797	-
Shareholder loan repayment		-	12
Transaction costs relating to capital raising/borrowings		-	(680)
Costs relating to borrowings		-	(181)
Repayment of borrowings		(2,554)	(13,296)
Payment of principal portion of lease liabilities		(1,913)	(2,168)
Interest paid – Lease liabilities		(844)	(865)
Interest paid – Debt		(345)	(443)
Net cash flows used in financing activities		(4,859)	(5,244)
Net increase / (decrease) in cash and cash equivalents		5,532	(7,168)
Cash and cash equivalents at the beginning of the year		2,656	10,016
Effect of changes in foreign currency		(201)	(192)
Cash and cash equivalents at the end of the year	10	7,987	2,656

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

1. SEGMENT INFORMATION

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

1. The HPCaaS segment, allows clients to connect to the Group's HPC and storage in a complete HPC environment. The Group's supercomputers, located in three global locations, provide substantial compute and storage capabilities. DUG also provides software and algorithm support and development to enable a client to successfully operate on DUG's HPC.
2. The Services segment, provides clients with two types of services:
 - Data loading, quality control and management, and
 - Seismic data processing and imaging.
3. The Software segment, has one main product, DUG Insight – A modern, intuitive and interactive software package for:
 - Scientific data visualisation and interpretation, and
 - Processing of data sets of all sizes, including extremely large, on workstations through to very large HPC installations. Tools include >250 advanced numerical algorithms including multiple AI tools.

DUG HPC Cloud is a collaborative cloud platform that enables clients to mix and match the three product offerings with their own codes and expertise, to suit their needs and desired outcomes.

The Group monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. The Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments. No operating segments have been aggregated to form the above reportable segments.

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

Operating segments

30 June 2023	HPCaaS US\$ '000	Services US\$ '000	Software US\$ '000	Total Segments US\$ '000	Elimination US\$ '000	Consolidated US\$ '000
Income						
Revenue from contracts with external customers	4,004	40,298	6,646	50,948	-	50,948
Inter-segment	10,299	-	1,896	12,195	(12,195)	-
Other income	232	146	2,142	2,520	-	2,520
Total income	14,535	40,444	10,684	65,663	(12,195)	53,468
Segment EBITDA	4,406	6,266	4,398	15,070	-	15,070
Segment assets	25,145	11,412	2,242	38,799	-	38,799
Segment liabilities	11,956	9,355	2,344	23,655	-	23,655

30 June 2022 Restated	HPCaaS US\$ '000	Services US\$ '000	Software US\$ '000	Total Segments US\$ '000	Elimination US\$ '000	Consolidated US\$ '000
Income						
Revenue from contracts with external customers	3,929	23,666	6,157	33,752	-	33,752
Inter-segment	11,575	-	1,233	12,808	(12,808)	-
Other Income	795	1,137	1,919	3,851	-	3,851
Total income	16,299	24,803	9,309	50,411	(12,808)	37,603
Segment EBITDA	4,276	(4,796)	3,333	2,813	-	2,813
Segment assets	27,264	6,555	2,187	36,006	-	36,006
Segment liabilities	12,724	4,492	1,512	18,728	-	18,728

	30 June 2023 US\$ '000	30 June 2022 Restated US\$ '000
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Reconciliation of assets

Segment assets	38,799	36,006
Cash and cash equivalents	7,987	2,656
Income tax receivable	283	404
Total assets	47,069	39,066

Reconciliation of liabilities

Segment liabilities	23,655	18,728
Loans and borrowings	2,500	4,494
Total liabilities	26,155	23,222

	30 June 2023	30 June 2022
	US\$ '000	Restated US\$ '000

Reconciliation of profit / (loss)

Segment EBITDA	15,070	2,813
Depreciation and amortisation	(6,425)	(7,693)
Finance expense	(1,189)	(1,631)
Profit / (Loss) before tax	7,456	(6,511)

Geographic segments

	30 June 2023	30 June 2022
	US\$ '000	US\$ '000

Geographic location of non-current operating assets

Australia	3,686	3,566
United Kingdom	1,163	293
United States of America	23,259	25,171
Malaysia	545	496
Total assets	28,653	29,526

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

Accounting policy

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

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

	30 June 2023	30 June 2022
	US\$ '000	Restated US\$ '000

Services	40,298	23,666
Software	6,646	6,157
HPCaaS	4,004	3,929
Revenue from contracts with customers	50,948	33,752

Over time ¹	45,226	28,236
At a point in time ²	5,722	5,516
Revenue from contracts with customers (refer Note 35)	50,948	33,752

1 Relating to the sale of services and HPCaaS, including software licences bundled into HPCaaS contracts.

2 Relating to the sale of software licences excluding those licences bundled into HPCaaS contracts.

Geographic information

	30 June 2023 US\$ '000	30 June 2022 Restated US\$ '000
Australia	9,912	9,369
United Kingdom	10,682	9,696
United States of America	25,230	9,692
Malaysia	5,124	4,995
Revenue from contracts with customers	50,948	33,752

Revenue from one customer amounted to \$11,641,841 (2022: \$892,177) arising from sales in the services segment.

Accounting policy

Revenue from contracts with customers is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer gains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. If a contract has multiple performance obligations, the transaction price is allocated to each performance obligation identified in the contract on a relative stand-alone selling price basis. The principles applied for each of the main types of contracts with customers are described in more detail below.

a) HPCaaS revenue

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

b) Services revenue

The Group provides services to customers by way of contracts in accordance with customer specifications, which are normally considered one performance obligation. This performance obligation is considered to be satisfied over time because the Group performs the service at the customer specification, the resultant data is owned by the customer and the Group has no alternative right to otherwise use or benefit from the resultant data. The Group recognises contract revenue over time as the services are performed by reference to the Group's progress towards completion of the contract and its entitlement to the compensation under the contract. The measure of progress is determined based on the proportion of services delivered to or consumed by the customer to date compared to the estimated total services to be delivered under the contract (output method). In addition, certain revenue contracts entered by the Group require judgement in the identification and separation of performance obligations and the allocation of revenue to each of the performance obligations. Whilst there is a degree of estimation and judgement applied by management in determining revenue recognised, such estimates and judgements applied are not overly critical to the timing of revenue recognised in the financial statements.

Depending on nature of the contract, progress is measured based on working duration and compute processing. When it is probable that total contract costs will exceed total contract revenue, the contract is considered onerous and the present obligation under the contract is recognised immediately as a provision. Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

Variable consideration is typically constrained and only recognised as revenue to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This typically occurs when contracts contain requirements for customers to pay additional fees upon specific future events such as discovery, change of ownership or third-party data access after the data services have already been delivered to the customer. The variable consideration is only recognised when these future events have taken place.

c) Software revenue

Revenue from the sale of software is predominantly in the form of annual licence fees. Where the Group sells software licences for users to install on their own infrastructure, revenue is recorded at a point in time being the commencement of the licence period. Revenue for software licences provided to customers alongside HPCaaS services is recognised on a daily basis over the term of the agreement, as the Group considers that such agreements provide customers with a right to access the Group's software products and as such the performance obligation is fulfilled over the contract term.

d) Associated contract balances

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

3. OTHER INCOME

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Government grant - R&D tax concession	2,504	2,800
Gain on lease remeasurement	1	1,051
Government grant - other	15	-
Other income	2,520	3,851

Accounting policy

Government grants

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

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

Gain on lease remeasurement

When the Group amends an estimate to the likely life of a leased asset, the value of the leased asset and lease liability are remeasured with a corresponding non-cash gain or loss arising.

4. EMPLOYEE BENEFITS

	30 June 2023	30 June 2022
	US\$ '000	US\$ '000
Salaries and fees	22,364	20,038
Superannuation	1,610	1,779
Payroll tax	1,392	1,321
Other benefits	2,360	2,160
Share based payments	129	81
	27,855	25,379

Accounting policy

a) Short-term employee benefits

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

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

b) Other long-term employee benefits

Provision is made for employees' statutory long service leave and annual leave entitlements not expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments

incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

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

c) Defined contribution plans/Pension obligations

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial periods. Such contributions are recognised as an expense in the period in which the related service is performed.

d) Share based payments

The Company issue long-term incentives to certain employees. The grant date fair value of the incentives issued is recognised as an employee share based payment in the profit and loss with a corresponding increase in equity, over the vesting period. The fair value of the incentives granted is measured using a Monte Carlo pricing model, taking into account the terms and conditions upon which the incentives were granted. Under the Company's Loan Funded Share Plan, employees have been granted limited recourse loans to acquire the shares. The loans have not been recognised as the Company only has recourse to the value of the shares. Refer to Note 29 for details of long term incentives.

5. OTHER EXPENSES

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Sales and marketing	984	754
Office facilities	888	1,191
Consultants	413	657
(Profit) / loss on disposal of property, plant and equipment	(39)	1
Realised and unrealised foreign exchange loss/(gain) – net	85	(137)
IT facilities and related costs	3,432	3,588
Professional fees	564	999
Withholding tax	1,376	560
Other	2,840	1,798
Other expenses	10,543	9,411

6. AUDITOR'S REMUNERATION

	30 June 2023 US\$	30 June 2022 US\$
Amounts received or due and receivable by auditors of the Group are set out below:		
Amounts received or due and receivable by Grant Thornton for audit services		
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of controlled entities	180,000	-
Amounts received or due and receivable by Ernst & Young for audit services		
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of controlled entities	-	275,600
Amounts received or due and receivable by Ernst & Young for non-audit services		
Financial accounting advisory work	-	17,500
Amounts received or due and receivable by other firms		
Fees for auditing the local statutory financial report of the overseas controlled entities	-	56,563
Total remuneration paid to auditors	180,000	349,663

7. FINANCE EXPENSE

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Interest expense - debt	315	543
Debt arrangement fees	17	206
Interest expenses - leases	844	865
Other finance charges	13	17
Finance expense	1,189	1,631

8. INCOME TAXES

	30 June 2023 US\$ '000	30 June 2022 Restated US\$ '000
a) Amounts recognised in consolidated profit or loss and other comprehensive income		
The components of tax expense comprise:		
Current tax expense	2,515	2,821
Total current tax expense	2,515	2,821

	30 June 2023	30 June 2022
	US\$ '000	Restated US\$ '000

b) Numerical reconciliation of tax expense

Profit / (loss) before tax	7,456	(6,511)
Tax using the Company's domestic tax rate of 30%	2,237	(1,953)
Add/(Less) the tax effect of:		
Effect of tax rates in foreign jurisdictions	25	1,367
Change in tax rates	(2,272)	-
Research and development income	(751)	(840)
Research and development expense	1,641	2,109
Other non-assessable income	(365)	(94)
Other non-deductible expenses	3	43
Other differences	170	257
Deferred tax assets not recognised	1,827	1,932
Tax Expense	2,515	2,821

c) Movement in temporary differences

At 30 June 2023 the Group has unrecognised net deferred tax assets amounting to US\$18,813,000 (30 June 2022: US\$16,986,000). Whilst such deferred tax assets are no longer recognised, they remain available to the Group to be used against future taxable income. The movement in temporary differences is outlined below:

	Balance 1 July 2022 US\$ '000	Recognised in Profit or Loss US\$ '000	Balance 30 June 2023 US\$ '000
Deferred tax liabilities			
Property, plant and equipment	(3,349)	241	(3,108)
Cash and cash equivalents	(5)	27	22
Deferred tax assets			
Trade and other receivables	2	2	4
Trade and other payables	1,806	(1,204)	602
Leases	591	(14)	577
Provisions	624	(72)	552
Intangible assets	133	(36)	97
Other current assets	498	(196)	302
R&D credits carried forward	704	(560)	144
Tax losses carried forward	15,982	3,639	19,621
Net deferred tax asset not recognised	(16,986)	(1,827)	(18,813)
	-	-	-

	Balance 1 July 2021 US\$ '000	Recognised in Profit or Loss US\$ '000	Balance 30 June 2022 US\$ '000
Deferred tax liabilities			
Property, plant and equipment	(3,799)	450	(3,349)
Cash and cash equivalents	(52)	47	(5)
Deferred tax assets			
Trade and other receivables	637	(635)	2
Trade and other payables	957	849	1,806
Leases	599	(8)	591
Provisions	921	(297)	624
Intangible assets	-	133	133
Other current assets	706	(208)	498
R&D credits carried forward	104	600	704
Tax losses carried forward	14,981	1,001	15,982
Deferred tax assets derecognised	(15,054)	(1,932)	(16,986)
	-	-	-

d) Franking credit balance

The franking account balance of the Company as at the end of the financial year at 30% is A\$801,000 (2022: A\$896,000).

Accounting policy

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

a) Current tax

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

b) Deferred tax

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

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

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

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

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

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

9. EARNINGS / (LOSS) PER SHARE

Basic earnings per share

	30 June 2023 US\$ '000	30 June 2022 Restated US\$ '000
Basic earnings / (loss) per share (cents per share)	4.24	(8.07)
Profit / (loss) used	5,005	(9,200)

	30 June 2023 No.	30 June 2022 No.
Weighted average number of ordinary shares used	118,123,386	113,971,258

Diluted earnings per share

	30 June 2023 US\$ '000	30 June 2022 Restated US\$ '000
Basic earnings / (loss) per share (cents per share)	4.14	(8.07)
Profit / (loss) used	5,005	(9,200)

	30 June 2023 No.	30 June 2022 No.
Weighted average number of ordinary shares used	120,746,876	113,971,258

Accounting policy

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

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

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

10. CASH AND CASH EQUIVALENTS

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Cash at bank and on hand	7,987	2,656
Total cash and cash equivalents	7,987	2,656

A secured bank overdraft facility of A\$1,000,000 (2022: A\$1,000,000) is in place, with an applicable floating charge rate based on an overdraft index rate plus a margin. The bank overdraft was not utilised at 30 June 2023 or 30 June 2022.

Accounting policy

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

11. TRADE AND OTHER RECEIVABLES

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Current asset		
Trade receivables	6,552	4,959
Provision for expected credit losses	(24)	(21)
Trade receivables – net	6,528	4,938
Other receivables	30	-
Trade and other receivables	6,558	4,938

Accounting policy

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

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

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

Expected credit loss lifetime credit

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

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
As at 1 July	(21)	(601)
Increase in provision for expected credit losses	(5)	(4)
Prior year provision utilised for debts written off	-	435
Unwind of prior year's provision	2	149
As at 30 June	(24)	(21)

The main source of credit risk to the Group is considered to relate to the class of assets described as "trade and other receivables" (also referred to in Note 23). At 30 June 2023 a total of 45% of year end trade receivables were concentrated to the top five customers (30 June 2022: 35%).

The table below details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction.

Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group. The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality.

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9: Financial Instruments, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2023 is determined as follows. The expected credit losses below also incorporate forward-looking information.

30 June 2023	Current US\$ '000	31-60 days US\$ '000	61-90 days US\$ '000	>90 days US\$ '000	Total US\$ '000
Gross carrying amount	5,136	384	756	276	6,552
Specific loss allowing provision	-	-	-	-	-
Expected credit loss provision	(14)	(1)	(5)	(4)	(24)
Net carrying amount	5,122	383	751	272	6,528
Expected loss rate	0.3%	0.2%	0.7%	1.4%	0.4%

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

Financial assets measured at amortised cost

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Trade and other receivables		
Current	6,558	4,938
Total financial assets classified as loans and other receivables	6,558	4,938

12. CONTRACT ASSETS / LIABILITIES

	30 June 2023 US\$ '000	30 June 2022 Restated US\$ '000
Contract Assets – Current		
Services	2,631	293
Provision for expected credit losses	(9)	(1)
Total	2,622	292
Contract Liabilities – Current		
Services	501	264
Software	319	78
HPCaaS	752	165
Total	1,572	507

Accounting policy

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

Impairment of contract assets

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

13. PROPERTY, PLANT AND EQUIPMENT

	Data Centre Infrastructure and HPC US\$ '000	Leasehold Improvements US\$ '000	Office Equipment and Motor Vehicles US\$ '000	Under Construction US\$ '000	Total US\$ '000
Cost					
Balance at 1 July 2021	59,083	4,656	1,658	428	65,825
Additions	952	12	-	355	1,319
Reclassifications	356	-	-	(356)	-
Disposals	(276)	-	-	(8)	(284)
Balance at 30 June 2022	60,115	4,668	1,658	419	66,860
Balance at 1 July 2022	60,115	4,668	1,658	419	66,860
Additions	2,244	4	-	722	2,970
Reclassifications	87	32	-	(119)	-
Disposals	(630)	(1,772)	(10)	-	(2,412)
Balance at 30 June 2023	61,816	2,932	1,648	1,022	67,418
Accumulated depreciation					
Balance at 1 July 2021	38,429	2,699	1,623	-	42,751
Depreciation	4,042	1,230	29	-	5,301
Disposals	(252)	-	-	-	(252)
Balance at 30 June 2022	42,219	3,929	1,652	-	47,800
Balance at 1 July 2022	42,219	3,929	1,652	-	47,800
Depreciation	3,908	314	6	-	4,228
Disposals	(613)	(1,773)	(10)	-	(2,396)
Balance at 30 June 2023	45,514	2,470	1,648	-	49,632
Carrying amounts					
As 30 June 2022	17,896	739	6	419	19,060
At 30 June 2023	16,302	462	-	1,022	17,786

Accounting policy

Recognition and measurement

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

Subsequent expenditure

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

Depreciation

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

- Compute and storage 5 years
- Data centre infrastructure 20 years
- Leasehold improvements No longer than term of lease
- Office equipment and motor vehicles 3 to 4 years

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

Security

General security agreements, and their equivalents, exist worldwide throughout the Group's property, plant and equipment assets (Refer Note 16).

Impairment assessment

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

14. RIGHT OF USE ASSETS

	Offices US\$ '000	Data Centre US\$ '000	Global Fibre Links US\$ '000	Total US\$ '000
Cost				
Balance at 1 July 2021	11,734	8,319	1,441	21,494
Additions	30	-	13	43
Remeasurement of lease	(3,899)	-	-	(3,899)
Balance at 30 June 2022	7,865	8,319	1,454	17,638
Balance at 1 July 2022	7,865	8,319	1,454	17,638
Additions	2,293	-	5	2,298
Disposals	(2,239)	-	(177)	(2,416)
Balance at 30 June 2023	7,919	8,319	1,282	17,520
Accumulated depreciation				
Balance at 1 July 2021	6,250	891	324	7,465
Depreciation	1,562	396	328	2,286
Remeasurement of lease	(2,001)	-	-	(2,001)
Balance at 30 June 2022	5,811	1,287	652	7,750
Balance at 1 July 2022	5,811	1,287	652	7,750
Depreciation	1,346	436	306	2,088
Disposals	(2,239)	-	(177)	(2,416)
Remeasurement of lease	(6)	-	-	(6)
Balance at 30 June 2023	4,912	1,723	781	7,416
Carrying amounts				
At 30 June 2022	2,054	7,032	802	9,888
At 30 June 2023	3,007	6,596	501	10,104

Accounting policy

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

15. INTANGIBLE ASSETS

	Website US\$ '000	Software US\$ '000	Patents and Trademarks US\$ '000	Total US\$ '000
Cost				
Balance at 1 July 2021	20	1,251	547	1,818
Acquisitions	-	74	122	196
Balance at 30 June 2022	20	1,325	669	2,014
Balance at 1 July 2022	20	1,325	669	2,014
Acquisitions	-	-	115	115
Balance at 30 June 2023	20	1,325	784	2,129
Accumulated amortisation				
Balance at 1 July 2021	12	1,126	225	1,363
Amortisation	6	48	52	106
Balance at 30 June 2022	18	1,174	277	1,469
Balance at 1 July 2022	18	1,174	277	1,469
Amortisation	2	40	67	109
Balance at 30 June 2023	20	1,214	344	1,578
Carrying amounts				
At 30 June 2022	2	151	392	545
At 30 June 2023	-	111	440	551

Accounting policy

Intangible assets acquired separately are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Patents

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

Other Intangible assets

Other intangible assets acquired separately are measured at cost. Following initial recognition, other intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of other intangible assets are assessed to be either finite or infinite. Other intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for other intangible assets with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on other intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit and loss as incurred.

Amortisation

Amortisation is calculated to reduce the value of intangible assets less their estimated residual values over the estimated useful life of the asset.

The estimated useful lives for current and comparative periods are as follows:

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

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

16. OTHER ASSETS

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Current		
Bonds and security deposits	202	596
Other current assets	72	71
	274	667

Non-current

Bonds and security deposits	212	33
	212	33

Current bonds and security deposits relate to certain Group premises where the lease expires within 12 months, all other bonds and security deposits are classified as non-current.

Accounting policy

Bonds and security deposits relate to cash paid to meet the collateral requirements for occupancy leased assets and equipment leases. Bonds and security deposits are non-interest bearing.

17. TRADE AND OTHER PAYABLES

	30 June 2023 US\$ '000	30 June 2022 Restated US\$ '000
Current		
Trade payables	1,755	653
Accruals	4,222	1,533
Payroll-related payables	470	432
GST / VAT payable	25	277
Other	26	30
	6,498	2,925

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

Accounting policy

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

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

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

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

18. LOANS AND BORROWINGS

	Bank Facilities US\$ '000	Asset Financing Facilities US\$ '000	Total US\$ '000
30 June 2023			
Current	2,500	256	2,756
Non-current	-	-	-
	2,500	256	2,756
30 June 2022			
Current	2,000	-	2,000
Non-current	2,494	-	2,494
	4,494	-	4,494

Bank facilities

As at 30 June 2023, the Group has the following bank facilities in place:

- A term debt facility of US\$2,500,000 (30 June 2022: US\$4,500,000) fully drawn.
- An overdraft facility of A\$1,000,000 (30 June 2022: A\$1,000,000) which was not drawn at 30 June 2023 or 30 June 2022.
- A contingent instrument facility of US\$1,000,000 (30 June 2022: US\$1,000,000). At 30 June 2023, bank guarantees issued on behalf of the Group entities totalled US\$434,000 (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.

Interest is calculated on the term loan at Secured Overnight Financing Rate plus a line fee of 4.25%. The weighted average effective interest rate on the term debt facility at 30 June 2023 was 8.19% per annum (30 June 2022: 5.75%).

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.

The Group complied with all financial covenants during the year.

The amount drawn-down and available for each bank facility at 30 June 2023 is as follows:

	Facility Commitment US\$ '000	Amount Drawn US\$ '000	Undrawn Commitment US\$ '000
Contingent instrument facility	1,000	434	566
Overdraft facility	662	-	662
Term debt facility	2,500	2,500	-
Asset finance	256	256	-
Total	4,418	3,190	1,228

Asset financing facilities

At 30 June 2023, the Company had drawn asset financing facilities totalling \$256,000 secured against storage assets purchased in Australia.

Accounting policy

a) Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Profit or Loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are capitalised and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

b) Finance costs

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

19. LEASE LIABILITIES

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Current	1,811	1,572
Non-current	10,949	10,804
	12,760	12,376

Right-of-use assets

The Group's lease portfolio includes buildings, which their remaining lease term ranges from less than 1 year to 17 years.

Options to extend

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

	Within Five Years US\$ '000	More than Five Years US\$ '000
Extension options expected not to be exercised	2,838	1,511

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

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Depreciation charge related to right of use assets	2,088	2,286
Interest expense on lease liabilities	844	865

Total cash outflow for leases

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Total cash outflow for leases including interest	2,757	3,034
Total cash outflow for short-term leases and low-value assets	51	35

Accounting policy: Leases (the Company as a lessee)

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

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

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

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

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

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

20. PROVISIONS

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Current		
Provision for annual leave	1,784	1,780
Provision for long service leave	653	775
Salary deferment	-	104
Make good provision	-	145
	2,437	2,804
Non-current		
Provision for long service leave	132	116
	132	116
Reconciliation of movement in provisions		
Provision for annual leave		
Balance at beginning of year	1,780	2,365
Net movement during the financial year	4	(585)
Balance at end of year	1,784	1,780
Provision for long service leave		
Balance at beginning of year	891	1,061
Net movement during the financial year	(106)	(170)
Balance at end of year	785	891

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Provision for onerous contracts		
Balance at beginning of year	-	413
Reversed	-	(413)
Balance at end of year	-	-

Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the of the obligation. When the Group expects all or some of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current interest rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Provision for onerous contracts

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

21. CAPITAL AND RESERVES

a) Share capital

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

	30 June 2023		30 June 2022	
	No.	US\$ '000	No.	US\$ '000
Fully paid-up shares				
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
Costs of capital raisings issued	-	-	-	(680)
Balance at end of year	109,618,614	50,381	109,618,614	50,381
Issued under loan funded share plans				
Balance at beginning of year	8,504,772	-	8,522,477	-
Loan funded shares sold	-	-	(17,705)	-
Balance at end of year	8,504,772	-	8,504,772	-
Total shares issued	118,123,386	50,381	118,123,386	50,381

- 18,649,843 fully paid ordinary shares were issued at A\$0.90 (US\$0.66) per share following an announcement on 7 September 2021 regarding a two tranche placement to new and existing sophisticated investors and institutional investors, and a share purchase plan as follows:
 - 14,899,999 shares issued on 13 September 2021 under tranche 1 of the placement
 - 1,766,667 shares issued on 20 October 2021 under tranche 2 of the placement
 - 1,983,176 shares issued on 19 October 2021 under the share purchase plan

Accounting policy

Ordinary share capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

b) Reserves

	30 June 2023	30 June 2022
	US\$ '000	US\$ '000
Share-based payments reserve	154	25
Translation reserve	(2,177)	(2,177)
	(2,023)	(2,152)

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

22. IMPAIRMENT OF NON-CURRENT ASSETS

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to each of its cash generating units (CGU) and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions such as expected future cash flows from CGUs, discount rates used to calculate the present value of those cash flows, future revenue, margins and estimated long-term growth rate.

As at 30 June 2023, the Group's main cash generating units (CGUs) are:

- HPCaaS;
- Software; and
- Services

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

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

At 30 June 2023, no impairment triggers were identified.

23. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

a) Financial risk management

The Group's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, trade and other payables, loans and borrowings and lease liabilities. The total carrying amount, which is a reasonable approximation of fair value, for each category of the financial instruments are as follows:

	30 June 2023 US\$ '000	30 June 2022 Restated US\$ '000
Financial assets at amortised cost:		
Cash and cash equivalents	7,987	2,656
Trade and other receivables	6,529	4,938
Sundry Debtors	30	-
Bonds and security deposits – current	202	596
Bonds and security deposits – non current	212	33
	14,960	8,223
Financial liabilities at amortised cost:		
Trade payables and accruals	(5,977)	(2,186)
Lease liabilities	(12,760)	(12,376)
Loans and borrowings	(2,756)	(4,494)
	(21,493)	(19,056)

b) Financial risk management policies

The Directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management is reviewed by the Board of Directors on a regular basis, including monitoring credit risk and future cash flow requirements. The main purpose of non-derivative financial instruments is to raise finance for company operations. The Group does not have any derivative instruments as at 30 June 2023 (30 June 2022: nil).

c) Specific financial risk exposures and management

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

CREDIT RISK

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

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

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

The Group trades with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis, with the result that the Group's bad debt exposure is not significant.

At 30 June 2023 a total of 45% of year end trade receivables were concentrated to the top five customers (30 June 2022: 35%). The Group is confident these receivables are collectable and are active in the management of these overdue amounts.

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

	Carrying Amount	Past Due and Impaired	Current	31-60 days	61-90 days	>90 days
30 June 2023	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Trade receivables	6,552	-	5,136	384	756	276
ECL provision	(24)	-	(14)	(1)	(5)	(4)
Contract assets	2,622	-	2,622	-	-	-
Bonds / security deposits	414	-	414	-	-	-
	9,564	-	8,158	383	751	272

30 June 2022	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Trade receivables	4,959	-	3,842	396	212	509
ECL provision	(21)	-	(14)	(2)	(1)	(4)
Contract assets	292	-	292	-	-	-
Bonds / security deposits	629	-	629	-	-	-
	5,859	-	4,749	394	211	505

LIQUIDITY RISK

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

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

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The timings of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates.

	Carrying Amount	Contractual Cash Outflows	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
30 June 2023	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Bank loans and asset financing	2,756	2,827	1,086	1,575	166	-	-
Lease liabilities	12,760	18,787	1,292	1,250	2,548	3,160	10,537
Trade payables and accruals	5,977	5,977	5,977	-	-	-	-
	21,493	27,591	8,355	2,825	2,714	3,160	10,537

30 June 2022 (Restated)	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Bank loans	4,494	4,616	1,044	1,034	2,538	-	-
Lease liabilities	12,376	18,688	1,193	1,093	1,848	3,921	10,633
Trade payables and accruals	2,186	2,186	2,186	-	-	-	-
	19,056	25,490	4,423	2,127	4,386	3,921	10,633

Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts (refer to Note 0 for further details).

MARKET RISK

Interest rate risk

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

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

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Impact on profit		
2.0% increase in interest rates	(72)	(223)
2.0% decrease in interest rates	72	223

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

CAPITAL MANAGEMENT

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

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

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

Accounting policy

a) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted

prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

b) Classification and subsequent measurement

i. Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit and loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit-taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses are taken to profit or loss rather than other comprehensive income. A financial liability cannot be reclassified.

ii. Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit and loss on the basis of the two primary criteria, being:
 - the contractual cash flow characteristics of the financial asset; and
 - the business model for managing the financial asset

A financial asset is subsequently measured at amortised cost when it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows;
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal; and
- interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income when it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal; and
- interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit or loss.

The Group initially designates financial instruments as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings was documented appropriately, so the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit and loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

iii. Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: Business Combinations applies, the Group did not make an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss. Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group’s accounting policy.

iv. Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred. All of the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Entity no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity which the Group elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

v. Compound financial instruments

Compound financial instruments (such as convertible notes) issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the arrangement.

vi. Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument. The Group uses the simplified approach to impairment, as applicable under AASB 9: Financial Instruments.

Simplified approach

The simplified approach does not require tracking of changes in credit risk in every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- contract assets, and
- trade receivables.

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

vii. Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income. The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset. Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. An amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

24. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	30 June 2023	30 June 2022
	US\$	US\$
Short-term benefits	1,095,367	815,176
Post-employment benefits	52,738	50,096
Other long-term benefits	24,648	5,955
Share-based payments	17,726	6,841
Total compensation paid to key management personnel	1,190,479	878,068
Comprising:		
Senior executives	980,871	589,502
Non-executive directors	209,608	288,566
	1,190,479	878,068

There are no other key management compensation transactions for the year ended 30 June 2023 or 30 June 2022.

25. RELATED PARTY TRANSACTIONS

The Group's main related parties are as follows:

a) Entities exercising control over the Group

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

b) Key management personnel

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

Other transactions with directors and key management personnel

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

	30 June 2023	30 June 2022
	US\$	US\$
Payments made to Comsen Solutions Pty Ltd, a company of which Ms Bower controls and is a Director.	-	78,492

Amounts outstanding at reporting date

Amount payable to Directors and key management personnel	-	8,767
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For other details of disclosures relating to key management personnel, refer to Note 24.

Fees paid to executive and non-executive directors are disclosed in Remuneration Report.

c) Other related parties

Included in revenue for the year is US\$310,000 from Rouge Rock Pty Ltd for seismic processing of the Vulcan Basin surveys. The Company owns 49% of the shares of Rouge Rock Pty Ltd. The Company does not exercise significant influence or control over Rouge Rock Pty Ltd. No amounts were outstanding from at 30 June 2023.

26. CONSOLIDATED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest	
		30 June 2023	30 June 2022
		%	%
Parent entity:			
DUG Technology Ltd	Australia		
Subsidiaries:			
DUG Technology (Australia) Pty Ltd	Australia	100	100
DownUnder GeoSolutions (UK) Ltd	United Kingdom	100	100
DownUnder GeoSolutions (London) Pty Ltd	United Kingdom	100	100
DownUnder GeoSolutions (America) LLC	USA	100	100
DownUnder GeoSolutions (Asia) Sdn Bhd	Malaysia	100	100
DownUnder GeoSolutions (Malaysia) Sdn Bhd	Malaysia	49	49

Accounting policy

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Group considers that it controls DownUnder GeoSolutions (Malaysia) Sdn Bhd even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of DownUnder GeoSolutions (Malaysia) Sdn Bhd with a 49% equity interest.

Transactions eliminated on consolidation

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

27. PARENT ENTITY DISCLOSURES

As at, and throughout, the year ended 30 June 2023 the parent entity of the Group was DUG Technology Ltd.

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Results of parent entity:		
Profit / (loss) for the year	344	(2,830)
Other comprehensive income/(expense)	-	-
Total comprehensive income/(expense) for the year	344	(2,830)
Financial position of parent entity:		
Current assets	17,142	17,240
Non-current assets	3,650	3,649
Total assets	20,792	20,889
Current liabilities	18	68
Total liabilities	18	68
Net assets	20,774	20,821
Total equity of parent entity comprising of:		
Share capital	50,381	50,381
Reserves	(915)	(524)
Accumulated losses	(28,692)	(29,036)
Total equity	20,774	20,821

a) Parent entity contingent liabilities

There were no guarantees or contingent liabilities of the parent entity as at 30 June 2023.

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

There were no capital commitments of the parent entity as at 30 June 2023.

28. FAIR VALUE MEASUREMENTS

The methods for estimating fair value are outlined in the relevant notes to the financial statements. The carrying amounts of financial assets and liabilities of the Group carried at amortised cost reasonably approximate their fair values.

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

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

29. SHARE BASED PAYMENTS

The Company operates a Long-Term Incentive Plan to reward DUG's employees by issuing equity incentives. The Long-Term Incentive Plan is designed to align the interests of eligible participants with shareholders through the sharing of personal interest in the future growth and development of DUG and to provide a means of attracting and retaining skilled and experienced eligible participants.

There are two incentive arrangements operated by the company under the Long-Term Incentive Plan. From FY2022, the Company utilises zero-priced options as the primary arrangement. Prior to this the Company offered a loan funded share plan to select employees.

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

	30 June 2023 US\$ '000	30 June 2022 US\$ '000
Expense arising from share-based payment transactions	129	81
Total expense arising from share-based payment transactions	129	81

Zero-priced Options

On 11 October 2022, 2,378,588 zero priced options were granted to certain employees of the Group including 248,641 to the Chief Financial Officer. All options require the holder to remain continuously employed or engaged with the Group at all times to 30 June 2025.

Of these options, 1,411,343 were issued to senior executives which are subject to a share price hurdle. All options vest if the 1 month VWAP to 30 June 2025 is A\$2.50 or higher. Half of the options vest if the 1 Month VWAP to 30 June 2025 is equal to A\$1.00 with pro-rata vesting of options between those hurdles.

The remaining 967,245 options issued were to certain non-executive staff members for retention purposes. These options are not subject to a share price hurdle.

On 21 December 2022, 692,154 zero priced options were granted to certain employees and consultants of the Group including 381,352 to the Managing Director. All options require the holder to remain continuously employed or engaged with the Group at all times to 30 June 2025.

All of these options are subject to a share price hurdle. All options vest if the 1 month VWAP to 30 June 2025 is A\$2.50 or higher. Half of the options vest if the 1 Month VWAP to 30 June 2025 is equal to A\$1.00 with pro-rata vesting of options between those hurdles.

The options were valued using a Monte Carlo Simulation model with inputs and outputs as below:

Grant date	Performance Conditions	Performance period	Vesting date	Number of options	Expiry date	Estimated volatility	Share price at grant date	Risk-free interest rate	Fair value per share
11 Oct 2022	Share Price	11 Oct 22 – 30 Jun 25	30 Jun 25	1,411,343	30 Jun 2037	60%	A\$0.420	2.87%	A\$0.137
11 Oct 2022	Tenure	11 Oct 22 – 30 Jun 25	30 Jun 25	967,245	30 Jun 2037	60%	A\$0.420	2.87%	A\$0.420
21 Dec 2022	Share Price	21 Dec 22 – 30 Jun 25	30 Jun 25	692,154	30 Jun 2037	60%	A\$0.440	3.00%	A\$0.128
Total				3,070,742					

Loan Funded Share Plans

Under the previously offered plan, the Company invited key employees to acquire shares in DUG Technology Ltd under loan funded share plans. Up until 30 June 2020, shares were offered in terms of the Company's Loan Share Plan. Upon completion of the Company's initial public offering of shares in August 2020, all shares issued under the Loan Share Plan vested and no further offers of shares will be made under this plan.

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

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

Number of Shares and Balance of Recourse Loans on 30 June 2023						
Plan	Tranche	No. of Shares	Price per Share A\$	Loan A\$ '000	Loan US\$ '000	Loan Maturity
LFSP	1	400,879	0.80	461	305	30/6/2024
LFSP	2	487,183	1.04	730	483	30/6/2025
LFSP	3	5,665,279	0.90	6,172	4,085	27/7/2025
LFSP	5	283,909	1.25	419	277	30/6/2028
LFSP	6	704,148	1.49	1,433	948	19/2/2027
LFSP	7	610,643	1.99	1,350	893	30/6/2029
LFSP	8	90,222	2.00	180	119	15/5/2029
LFSP	9	100,576	2.05	215	142	19/3/2030
LTIP	1	161,933	1.35	237	157	26/7/2026
Total		8,504,772		11,197	7,409	

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

In addition to shares issued under the Loan Share Plan, on 30 June 2012, the Group provided an unsecured loan to a senior executive amounting to A\$870,000 to enable the senior executive to acquire 2,400,000 fully paid ordinary shares in the Company. At 30 June 2023, 1,500,000 shares remain outstanding. Subsequent to 30 June 2023, this loan was repaid (refer Note 32).

Repayment of loans

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

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

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

The fair value of the shares granted under the loan funded share plan are measured using the Monte Carlo method. Expected volatility is estimated by considering historic average share price volatility.

30. CASH FLOW INFORMATION

Reconciliation of net profit after tax to net cash flows from operations	30 June 2023 US\$ '000	30 June 2022 Restated US\$ '000
Profit /(loss) from continuing operations after income tax	4,941	(9,332)
Adjustments for:		
Depreciation and amortisation	6,425	7,693
Net finance expense	1,189	1,631
Tax expense	2,515	2,821
Unrealised foreign exchange loss	85	(137)
Gain on disposal of property, plant and equipment	(39)	1
Share based payments – Equity settled	129	81
Lease modification	(2)	(1,051)
Government grant – R&D tax concessions	(2,504)	(2,800)
	12,739	(1,093)
Changes in:		
Trade and other receivables	(1,591)	924
Prepayments	(108)	11
Contract assets and liabilities	(1,265)	458
Other current assets	179	(629)
Other non-current assets	-	680
Trade and other payables	3,727	369
Provisions	(352)	(1,063)
Income tax paid	(145)	(256)
Income tax refunded	215	174
Net cash flows from / (used in) operating activities	13,399	(425)

31. CONTINGENT LIABILITIES AND COMMITMENTS

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 over two years and considers the matter closed; consequently no provision has been made.

At 30 June 2023, the group made capital commitments totalling \$1.797 million to purchase RAM upgrades for its computers in the Houston datacentre. These upgrades were made to support the services business workflows; in particular MP-FWI projects.

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

32. SUBSEQUENT EVENTS

On 18 July 2023, DUG Technology (Australia) Pty Limited executed a Financial Assistance Agreement with the Western Australia State Government and will receive A\$5 million in grant funding for the first data hall of its Geraldton High Performance Computing Campus. The funds are expected to be received over a two-year period in accordance with agreed milestones.

On 11 August 2023, the Company placed an order for new compute assets totalling US\$6,750,000 for its Houston data centre to support its growth in Services revenue. This investment will be funded through asset finance arrangements.

On 15 August 2023, the Company received A\$7.1 million following the sale of loan funded share plan (“LFSP”) shares by a former employee of the Company. A total of 7,165,279 shares were sold on market and under the terms of the LFSP and a separate share loan agreement with the former employee, the funds received have been applied to repay these loans in full.

The Company’s accounting treatment for such loans is to define them as share-based payments and consequently they hold no value on the Company’s balance sheet.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group’s operations, the result of those operations, or the Group’s state of affairs in future financial years.

33. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity

The consolidated financial statements of DUG Technology Ltd as at and for the year ended 30 June 2023 comprise of DUG Technology Ltd (the Company) and its subsidiaries (together referred to as the Group) and were authorised for issue in accordance with a resolution of the directors on 28 August 2023. The Group is comprised of for-profit entities. DUG Technology Ltd is a limited company incorporated and domiciled in Australia and whose shares are publicly traded. The principal activities of the Group are the provision of high-performance computing as a service (HPCaaS), scientific data analysis and the provision of software. Additional information on the Group’s principal activities is provided in Note 1.

b) Basis of preparation

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

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

c) Going concern

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

d) Functional and Presentation Currency

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

e) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined.

Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated. Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve.

f) Basis of Measurement

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes.

g) Rounding

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

h) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where necessary, comparative information has been re-presented to be consistent with the current period disclosure.

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

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, unless otherwise stated. All new and amended accounting standards and interpretations effective from 1 July 2023 were adopted by the Group with no material impact. There are not expected to be any material impacts from new or amended accounting standards effective in future periods.

34. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the current circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial information are described in the following notes:

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

35. ADJUSTMENTS TO COMPARATIVE PERIOD

During the year ended 30 June 2023, the Group identified an error in the accounting policy for floating software licence revenue that was previously recorded over time evenly across the licence period. Upon further inspection, the correct policy to adhere to AASB 15 Revenue from Contracts with Customers is to recognise revenue at a point in time at the inception of the licence. Refer to Note 2 for the revised accounting policy.

The error resulted in a material overstatement of contract liabilities at 30 June 2021 and 30 June 2022 and a corresponding understatement of retained earnings and profit after tax for these periods.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of Financial Position (extract)	30 June 2022 as Reported US\$ '000	Increase / (decrease) US\$ '000	30 June 2022 Restated US\$ '000	30 June 2021 US\$ '000	Increase / (decrease) US\$ '000	1 July 2021 Restated US\$ '000
Trade and other payables	(2,691)	(234)	(2,925)	(2,204)	(234)	(2,438)
Contract liabilities	(2,699)	2,192	(507)	(2,704)	2,104	(600)
Net Assets	13,886	1,958	15,844	11,516	1,870	13,386
Retained earnings	(34,343)	1,958	(32,385)	(26,586)	1,870	(24,716)
Total Equity	13,886	1,958	15,844	11,516	1,870	13,386

Statement of Profit or Loss (extract) For the year ended 30 June 2022	2022 As Reported US\$ '000	Profit increase / (decrease) US\$ '000	2022 Restated US\$ '000
Revenue from contracts with customers	33,664	88	33,752
Loss for the year	(9,420)	88	(9,332)
Basic and diluted loss per share (cents per share) – Note 9	(8.13)	0.06	(8.07)

Directors' Declaration

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 33; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Managing Director and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

Dated at Perth on 28 August 2023.

Signed in accordance with a resolution of the Directors.



Mark Puzey
DIRECTOR

Independent Auditor's Report



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152-158 St Georges Terrace
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Independent Auditor's Report

To the Members of DUG Technology Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of DUG Technology Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter

How our audit addressed the key audit matter

Services Revenue recognition (\$40.3M) – Note 2

The Group's revenues are recognised from contractual service arrangements with customers and the Group has determined the services fall into the following revenue streams:

- Services
- Software
- HPCaaS

Services revenue is recognised in accordance with AASB 15 Revenue from Contracts with Customer. The complexity with services revenue lies with:

- The determination of the completion and measurement of performance obligations under each contract;
- The determination of costs towards the completion of performance obligations; and
- The determination of contingency and variation estimates, including the probability of approval for changes in price and scope.

This area is a key audit matter due to the high level of estimation and management judgement required to determine the revenue recognised from each contract.

Our procedures included, amongst others:

- Performing procedures to understand the design and implementation of controls;
- Testing the operating effectiveness of project cost controls designed for determining the revenue recognised over time utilising the percentage of completion method;
- Reviewing on a sample basis, management assumptions in determining the stage of completion, total contract price, costs incurred and estimated costs to complete to supporting documentation;
- Testing on a sample basis, all revenue streams to ensure revenue recognition recorded is appropriate and in accordance with *AASB 15 Revenue from Contracts with Customers*;
- Performing cut off testing, to ensure that revenue is recorded in the period to which it relates;
- Reviewing Management's judgements regarding timing and occurrence of revenue are appropriate taking into consideration the output method; and
- Assessing the adequacy of the Group's presentation and disclosures in the financial statements.

Research and development tax incentives – Note 3

Under the research and development (R&D) tax incentive scheme, the Group receives a tax offset of 38.5% on the first 2% of the total R&D eligible costs recorded within DUG Australia and 46.5% on costs above this level. An R&D plan is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in non-refundable tax offsets.

Management performed a detailed review of the Group's total R&D expenditure to estimate the tax offset under the R&D tax incentive legislation.

At 30 June 2023, Research and Development grant income of \$2.5 million was recorded.

This is a key audit matter due to the size of the accrual and the degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.

Our procedures included, amongst others:

- Performing procedures to understand the design and implementation of controls;
- Utilising an internal R&D tax specialist to;
 - review the expenditure methodology employed by management for consistency with the R&D tax offset rules;
 - consider the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate meet the eligibility criteria;
- Comparing the nature of the R&D expenditure included in the current year estimate to the prior year claim;
- Selecting a sample of R&D expenditure and agreeing to supporting documentation to ensure appropriate classification, validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria; and
- Assessing the appropriateness of financial statement disclosures.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 20 to 26 of the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of DUG Technology Ltd, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

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L A Stella
Partner – Audit & Assurance

Perth, 28 August 2023

Grant Thornton Audit Pty Ltd

Corporate Governance Statement

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

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

ASX additional information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 14 August 2023.

DISTRIBUTION OF EQUITY SECURITIES

a) Ordinary share capital

118,123,386 fully paid shares are held by 2,248 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

Range of Fully Paid Shares	Number of Investors	Number of Securities	Percentage
1 - 1,000	517	330,181	0.28
1,001 - 5,000	839	2,310,260	1.96
5,001 - 10,000	360	2,785,113	2.36
10,001 - 100,000	467	13,670,633	11.57
100,001 Over	65	99,027,199	83.83
Total	2,248	118,123,386	100.00
Unmarketable parcels	57	3,788	

b) Substantial shareholders

Ordinary Shareholders	Fully paid	
	Number	Percentage
MR MATTHEW GORDON LAMONT	24,040,654	20.35
PERENNIAL VALUE MANAGEMENT LIMITED	17,156,639	14.52
REGAL FUNDS MANAGEMENT PTY LTD	13,221,791	11.19
TIGA TRADING PTY LTD / THORNEY TECHNOLOGIES LTD	7,896,812	6.69

c) Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully paid	
	Number	Percentage
CITICORP NOMINEES PTY LIMITED	15,033,799	12.73
NATIONAL NOMINEES LIMITED	12,927,297	10.94
MR MATTHEW GORDON LAMONT	12,300,000	10.41
UBS NOMINEES PTY LTD	11,506,311	9.74
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,055,612	9.36
MS SHEILA TERESA LAMONT	10,700,000	9.06
MR CALAN LESLIE MCINTYRE <SCR MCINTYRE A/C>	4,100,000	3.47
GRANDALBERO PTY LTD <THE THOMPSON FAMILY A/C>	3,501,371	2.96
KAYNADAN PTY LTD <THE BOWER FAMILY A/C>	1,124,821	0.95
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,108,733	0.94
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	991,796	0.84
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	891,287	0.75
LYTTON NOMINEES PTY LTD <LYTTON SUPER FUND A/C>	655,629	0.56
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	630,431	0.53
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	578,500	0.49
LAMONT GEOPHYSICAL SERVICES PTY LTD <SHEILA LAMONT FAMILY A/C>	576,457	0.49
SARODA HOLDING PTY LTD <SCIARRONE FAMILY S/F A/C>	490,000	0.41
BNP PARIBAS NOMS PTY LTD <DRP>	408,650	0.35
AUSTRAL CAPITAL PTY LTD <AUSTRAL EQUITY A/C>	400,000	0.34
MR DONALD RODERICK HUNTER	380,000	0.32
Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	89,360,694	75.64

d) Unquoted equity securities shareholdings greater than 20%

NONE.

e) On market share purchases for executive LTI plan

NONE.

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 AND PRINCIPAL PLACE OF BUSINESS	76 Kings Park Road West Perth WA 6005 AUSTRALIA +61 8 9287 4100	
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 CODE	ASX CODE: DUG	



DUG Technology Ltd
ABN 99 169 944 334

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