



DUG Technology Ltd

Appendix 4D

Half-year report

Reporting period

Current period: Half-year ended 31 December 2023

Previous corresponding period: Half-year ended 31 December 2022

Results for Announcement to the Market

	31 December 2023	31 December 2022 Restated	Change Up/(Down)	
	US\$	US\$	US\$	%
Revenue from ordinary activities	29,986	24,424	5,562	22.77%
Other income	1,487	1,159	328	28.30%
Profit after tax from ordinary activities	1,316	1,865	(549)	(29.46%)
Profit after tax attributable to members	800	1,920	(1,120)	(58.34%)

The table below shows the Company's EBITDA movement against the previous half and the prior corresponding period of FY23. Further commentary on the Company's result is included in the review of operations section in the accompanying Directors' Report.

	H1 FY24	H2 FY23	H1 FY23 Restated	Change H1 FY24 & H2 FY23	Change H1 FY24 & H1 FY23
	US\$	US\$	US\$	US\$	%
EBITDA ¹	7,053	8,244	6,826	(14.45%)	3.32%

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

Dividends and Dividend Reinvestment Plans

No dividend has been proposed or declared in respect of half-years ended 31 December 2023 and 31 December 2022 and there were no dividend reinvestment plans in operation during the current period.

Control Gained/Lost Over Entities

No control over any entities was gained or lost during the half-year ended 31 December 2023.

Net Tangible Assets per Share

	31 December 2023 US\$	31 December 2022 US\$
Net tangible assets per share	0.22	0.17

Audit Review

This report is based on the interim consolidated financial statements for the half-year ended 31 December 2023 which have been reviewed by Grant Thornton Australia.

Other

Additional information supporting the Appendix 4D disclosure requirements and a comparison of performance against previous periods, can be found in the accompanying Directors' Report and the interim consolidated financial statements for the half-year ended 31 December 2023.



CONSOLIDATED INTERIM FINANCIAL REPORT

for the half-year ended 31 December 2023

expressed in US dollars unless otherwise stated

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Company Information

DIRECTORS	Francesco Sciarrone Matthew Lamont Louise Bower Mark Puzey	Non-Executive Chairman Managing Director Non-Executive Director Non-Executive Director
COMPANY SECRETARY	Jacqueline Barry	
COUNTRY OF INCORPORATION	Australia	
COMPANY REGISTRATION NUMBER	169 944 334	
LEGAL FORM	Limited Company	
REGISTERED OFFICE	76 Kings Park Road West Perth WA 6005 AUSTRALIA	
PRINCIPAL PLACE OF BUSINESS	76 Kings Park Road West Perth WA 6005 AUSTRALIA	
AUDITORS	Grant Thornton Audit Pty Ltd Level 43 Central Park 152-158 St Georges Terrace Perth WA 6000 AUSTRALIA	
SHARE REGISTRY	Computershare Investor Services Level 11, 172 St Georges Terrace Perth WA 6000 AUSTRALIA	
ASX LISTING	ASX CODE: DUG	

Directors' Report

The Directors hereby present their report of the Group comprising of DUG Technology Ltd (**DUG**, or **the Company**), and its subsidiaries (together referred to as **the Group**) for the half-year ended 31 December 2023. The use of the words Company and Group are interchangeable for the purposes of this report.

DIRECTORS

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

- Francesco Sciarrone Chairman and Non-Executive Director
- Matthew Lamont Managing Director
- Louise Bower Non-Executive Director
- Mark Puzey Non-Executive Director

PRINCIPAL ACTIVITIES

DUG is an ASX listed technology company, headquartered in Australia with offices in Perth, London, Houston, Kuala Lumpur and Abu Dhabi, 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 a comprehensive geoscience offering backed by over two decades of experience and a focus on R&D. DUG maximises the value of seismic data with customised services, software and HPC solutions enabled by innovative technology – including Multi-parameter FWI Imaging.

DUG delivers innovative software products and cost effective, cloud-based HPC as a service backed by bespoke support for technology onboarding. DUG's expertise in algorithm development and code optimisation enables clients to leverage big data and solve complex problems.

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

REVIEW OF OPERATIONS

This review sets out the operating results of the Company for the half-year periods ended 31 December 2023 (**H1 FY24**), 30 June 2023 (**H2 FY23**) and 31 December 2022 (**H1 FY23**).

	H1 FY24 US\$000's	H2 FY23 US\$000's	H1 FY23 Restated US\$000's	Change H1 FY24 & H2 FY23 %	Change H1 FY24 & H1 FY23 %
Revenue	29,986	26,524	24,424	13%	23%
EBITDA ¹	7,053	8,244	6,826	(14%)	3%
EBITDA ¹ margin (%)	23.52%	31.08%	27.95%	(8%)	(4%)
Profit before tax	3,351	4,432	3,024	(24%)	11%
Profit after tax	1,316	3,076	1,865	(57%)	(29%)
Earnings per share (cents)	0.68	2.61	1.62	(74%)	(58%)

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

Increased revenue for the period relative to the prior comparative periods, however EBITDA margin in the current reporting period has decreased due to third party compute costs of US\$ 2.281 million incurred.

REVENUE ACROSS BUSINESS LINES

	H1 FY24 US\$000's	H2 FY23 US\$000's	H1 FY23 Restated US\$000's	Change H1 FY24 & H2 FY23 %	Change H1 FY24 & H1 FY23 %
Services	25,347	20,452	19,846	24%	28%
Software	2,627	4,241	2,405	(38%)	9%
HPCaaS	2,012	1,831	2,173	10%	(7%)
	29,986	26,524	24,424	13%	23%

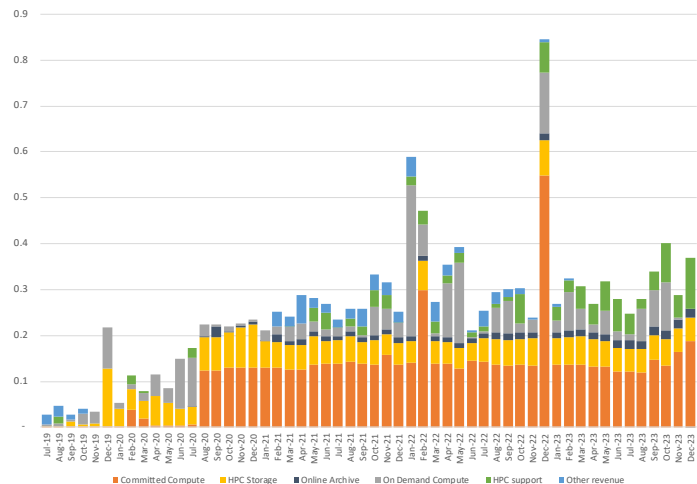
Total revenue grew 13% on H2 FY23 and 23% on H1 FY23, primarily from a resurgence of the oil and gas exploration since the turn of the 2023 calendar year.

Services revenue grew by 24% on H2 FY23 and 28% on H1 FY23. The Company has won a steady stream of new services projects since July 2023, with US\$40.6 million in new project wins for the reporting period. The Services order book value at December 2023 was US\$40.5 million.

Software revenue declined by 38% on H2 FY23 and grew 9% on H1 FY23. Software revenue is seasonal in nature with renewals occurring at different times throughout the year.

Third Party HPCaaS Invoicing (US\$millions)

HPCaaS revenue in the reported period grew by 10% on H2 FY23 and declined by 7% on H1 FY23, due to one off projects in the prior comparative period. Additional new projects have been won in the reported period.



OPERATING PROFIT AND LOSS

	H1 FY24 US\$000's	H2 FY23 US\$000's	H1 FY23 Restated US\$000's	Change H1 FY24 & H2 FY23 %	Change H1 FY24 & H1 FY23 %
Total revenue	29,986	26,524	24,424	13%	23%
Other income	1,487	1,361	1,159	9%	28%
Employee benefits	(14,402)	(14,234)	(13,621)	(1%)	(6%)
Other expenses	(10,018)	(5,407)	(5,136)	(85%)	(95%)
EBITDA¹	7,053	8,244	6,826	(14%)	3%
Depreciation and amortisation	(3,090)	(3,211)	(3,214)	4%	4%
EBIT¹	3,963	5,033	3,612	(21%)	10%
Net finance expense	(612)	(601)	(588)	(2%)	(4%)
Profit before tax	3,351	4,432	3,024	(24%)	11%
Tax expense	(2,035)	(1,356)	(1,159)	(50%)	(76%)
Profit after tax	1,316	3,076	1,865	(57%)	(29%)

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

Other income in H1 FY24 comprises Research and Development (R&D) concessions; the amount increased from H2 FY23 due to R&D activities during the reporting period for developing MP-FWI Imaging technology for market. Other income in H1 FY24 included insurance claim proceeds relating to the damage caused by a Polar Vortex in Houston in February 2021.

Employee benefit expenses increase of 1% on H2 FY23 which were lower relative to revenue increase. Employee expenses represented 48% of revenue compared to 54% and 56% in H2 FY23 and H1 FY23 respectively.

Other expenses increased by 85% on H2 FY23 mainly due to US\$ 2.281 million of third party compute costs. Additional compute is necessary until the previously announced compute upgrades are fully operational. Once complete, this upgrade effectively doubles the Group's compute capacity.

Finance costs increased due to additional asset financing during the year. Included in finance costs is interest on lease liabilities of \$0.388 million.

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

FINANCIAL POSITION

During the year, the Group improved its net asset position to \$26.931 million at 31 December 2023 from \$20.914 million, having recorded \$1.316 million in net profit after tax and received \$ 4.627 million from an employee loan funded share repayment.

Net current assets at 31 December 2023 of \$4.704 million were an improvement on 30 June 2023 net current asset of \$3.342 million. This improvement in position is an outcome of strong cashflows from operating activities and having received \$4.627 million from an employee loan funded share repayment.

Gross debt (excluding lease liabilities) was \$10.626 million at 31 December 2023, in comparison to \$2.756 million at 30 June 2023 following repayments made for CBA term debt facilities and additional asset financing arrangements to fund capital expenditure.

Net cash position at 31 December 2023 was \$1.065 million compared with net cash position of \$5.231 million at 30 June 2023.

CASH FLOWS

Net cash flows generated from operating activities totalled \$6.193 million for the period (H1 FY23: cash inflow of \$3.049 million); mainly with increased revenue and increased cash receipts of \$8.247 million compared to H1 FY23.

Net cash flows invested into plant and equipment and intangible assets increased from the corresponding period to \$11.304 million (H1 FY23: \$1.088 million) for assets purchased to support DUG's increased compute requirement to support growth in the Services line of business.

Net cash flows from financing activities totalled \$8.900 million which included inflow from new asset financing of \$8.659 million, an employee loan funded share repayment of \$4.627 million and term debt repayments of \$2.647 million.

Cash on hand at 31 December 2023 was \$11.691 million, compared with 30 June 2023 cash of \$7.987 million.

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

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

Dated at Perth on 27 February 2024.

Signed in accordance with a resolution of the Directors.



Mark Puzey
DIRECTOR

Auditor's Independence Declaration



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Auditor's Independence Declaration

To the Directors of DUG Technology Ltd

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

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

L A Stella
Partner – Audit & Assurance
Perth, 27 February 2024

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

	Note	31 Dec 2023 US\$000's	31 Dec 2022 Restated US\$000's
Income			
Revenue from contracts with customers	6	29,986	24,424
Other income	7	1,487	1,159
		31,473	25,583
Expenses			
Depreciation and amortisation		(3,090)	(3,214)
Employee benefits	8	(14,402)	(13,621)
Other expenses	9	(10,018)	(5,136)
Operating profit		3,963	3,612
Finance income		1	1
Finance expense	10	(613)	(589)
Net finance expense		(612)	(588)
Profit before tax		3,351	3,024
Tax expense		(2,035)	(1,159)
Profit for the period		1,316	1,865
Attributable to:			
Equity holders of the parent		800	1,920
Non-controlling interest		516	(55)
Total Comprehensive profit		1,316	1,865
Earnings per share			
Basic profit per share (US\$ cents per share)		0.68	1.62
Diluted profit per share (US\$ cents per share)		0.65	1.59

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 Dec 2023 US\$000's	30 June 2023 US\$000's
ASSETS			
Current assets			
Cash and cash equivalents		11,691	7,987
Trade and other receivables	11	16,024	6,558
Prepayments		865	692
Contract assets		793	2,622
Income tax receivable		-	283
Other current assets		277	274
Total current assets		29,650	18,416
Non-current assets			
Property, plant and equipment	12	26,261	17,786
Right of use assets	13	9,382	10,104
Intangible assets		550	551
Other assets		1,607	212
Total non-current assets		37,800	28,653
Total assets		67,450	47,069
LIABILITIES			
Current liabilities			
Trade and other payables		6,524	6,498
Loans and borrowings	14	5,290	2,756
Contract liabilities	15	8,292	1,572
Lease liabilities	16	1,933	1,811
Income tax payable		488	-
Provisions		2,419	2,437
Total current liabilities		24,946	15,074
Non-current liabilities			
Loans and borrowings	14	5,336	-
Lease liabilities	16	10,081	10,949
Provisions		156	132
Total non-current liabilities		15,573	11,081
Total liabilities		40,519	26,155
NET ASSETS		26,931	20,914
EQUITY			
Share capital	17	55,008	50,381
Reserves		(1,949)	(2,023)
Accumulated loss		(26,128)	(27,444)
TOTAL EQUITY		26,931	20,914
Equity attributable to equity holders of parent		26,499	20,998
Non-controlling interest		432	(84)
TOTAL EQUITY		26,931	20,914

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

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2023

	Note	Share Capital US\$000's	Translation Reserve US\$000's	Share-based Payment reserve US\$000's	Accumulated Losses US\$000's	Total US\$000's	Non-controlling Interests US\$000's	Total Equity US\$000's
Balance at 1 July 2023		50,381	(2,177)	154	(27,360)	20,998	(84)	20,914
Profit for the period		-	-	-	800	800	516	1,316
Total comprehensive income for the period		-	-	-	800	800	516	1,316
TRANSACTIONS WITH EQUITY HOLDERS								
Employee loan funded shares sold		4,627	-	-	-	4,627	-	4,627
Share based payments		-	-	74	-	74	-	74
Total transactions with equity holders		4,627	-	74	-	4,701	-	4,701
Balance at 31 December 2023		55,008	(2,177)	228	(26,560)	26,499	432	26,931
Restated Balance at 1 July 2022		50,381	(2,177)	25	(32,365)	15,864	(20)	15,844
Restatements	19	-	-	-	(694)	(694)	(61)	(755)
Profit for the period		-	-	-	2,614	2,614	6	2,620
Total comprehensive loss for the period		-	-	-	1,920	1,920	(55)	1,865
TRANSACTIONS WITH EQUITY HOLDERS								
Share based payments		-	-	58	-	58	-	58
Total transactions with equity holders		-	-	58	-	58	-	58
Restated Balance at 31 December 2022		50,381	(2,177)	83	(30,445)	17,842	(75)	17,767

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

Condensed Consolidated Statement of Cashflows

For the half-year ended 31 December 2023

	Note	31 Dec 2023 US\$000's	31 Dec 2022 US\$000's
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		26,895	18,648
Cash paid to suppliers		(6,171)	(3,706)
Cash paid to employees		(14,487)	(11,777)
Income tax paid		(44)	(116)
Net cash flows from operating activities		6,193	3,049
CASHFLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(12,134)	(1,102)
Acquisition of intangible assets		(83)	(58)
Proceeds from disposal of property, plant and equipment		-	72
Capital grant income received		913	-
Net cash used in investing activities		(11,304)	(1,088)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from employee loan funded shares sold		4,627	-
Proceeds from loans and borrowings		8,659	319
Repayment of borrowings		(2,647)	(770)
Transaction costs relating to borrowings		(117)	-
Lease payments on capitalised Leases		(1,010)	(957)
Interest paid - Lease liabilities		(388)	(396)
Interest paid - Borrowings		(224)	(212)
Net cash flows from / (used in) financing activities		8,900	(2,016)
Net increase / (decrease) in cash and cash equivalents		3,789	(55)
Cash and cash equivalents at the beginning of the period		7,987	2,656
Effect of changes in foreign currency		(85)	(70)
Cash and cash equivalents at the end of the period		11,691	2,531

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

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2023

1. REPORTING ENTITY

The interim condensed consolidated financial statements of DUG Technology Ltd as at and for the half-year ended 31 December 2023 comprise of DUG Technology Ltd (**the Company**) and its subsidiaries (together referred to as **the Group**) and were authorised for issue on 27 February 2024 in accordance with a resolution of the directors. The Group is comprised of for-profit entities. DUG Technology Ltd is a limited company incorporated and domiciled in Australia and whose shares are publicly traded.

The principal activities of the Group are the provision of high-performance computing as a service (HPCaaS), scientific data analysis and the provision of software. Further information on the Group's principal activities is provided in Note 5.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statement for the half-year ended 31 December 2023 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The half-year financial report does not include all of the information required for a full financial report, and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2023, and any public announcements made by the Group during the half-year ended 31 December 2023 in accordance with continuous disclosure obligations under the *Corporations Act 2001* and ASX Listing Rules.

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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

Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group. The Group intends to adopt new and amended standards and interpretations, if applicable, when they become effective. The Group does not expect a material impact on the financial statements when these standards become effective. Other standards and interpretations that are issued, but not yet effective, which are not expected to impact the Group have not been listed.

The below standards will apply to the Group and have a mandatory effective date of 1 January 2024:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
- AASB-2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants
- AASB-2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements

5. SEGMENT INFORMATION

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

1. The HPCaaS segment, allows clients to connect to the Group's HPC and storage in a complete HPC environment. The Group's supercomputers, located in three global locations, provide substantial compute and storage capabilities. DUG also provides software and algorithm support and development to enable a client to successfully operate on DUG's HPC.
2. The Services segment, provides clients with two types of services:
 - Data loading, quality control and management, and
 - Scientific data analysis.
3. The Software segment, has two main products:
 - DUG Insight – A modern, intuitive and interactive software package for scientific processing and visualisation, and
 - DUG Cluster Software – high end algorithms for the processing of scientific data on large HPC installations.

DUG 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.

31 December 2023	HPCaaS US\$000's	Services US\$000's	Software US\$000's	Eliminations US\$000's	Consolidated US\$000's
Income					
Revenue from contracts with external customers	2,012	25,347	2,627	-	29,986
Inter-segment	7,031	-	944	(7,975)	-
Other Income	124	7	1,356	-	1,487
	9,167	25,354	4,927	(7,975)	31,473
Segment EBITDA¹	2,751	2,512	1,790	-	7,053
Segment assets²	41,646	4,577	9,536	-	55,759
Segment liabilities²	21,650	4,605	12,072	-	38,327

	HPCaaS	Services	Software Restated	Eliminations	Consolidated
31 December 2022	US\$000's	US\$000's	US\$000's	US\$000's	US\$000's
Income					
Revenue from contracts with external customers	2,173	19,846	2,405	-	24,424
Inter-segment	3,844	-	936	(4,780)	-
Other Income	117	-	1,042	-	1,159
	6,134	19,846	4,383	(4,780)	25,583
Segment EBITDA¹	665	5,293	868	-	6,826
Segment assets²	26,456	3,738	12,648	-	42,842
Segment liabilities²	12,670	5,750	7,157	-	25,577

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

² The increased capital expenditure relating to Compute upgrades and the corresponding asset finance are a part of the HPCaaS segment

	31 Dec 2023 US\$ '000	31 Dec 2022 Restated US\$ '000
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Reconciliation of assets

Segment assets	55,759	42,842
Cash and cash equivalents	11,691	2,531
Sundry receivables	-	6
Income tax receivable	-	509
Total assets	67,450	45,888

Reconciliation of liabilities

Segment liabilities	38,327	25,577
Income tax payable	488	-
Loans and borrowings	1,704	4,502
Total liabilities	40,519	30,079

	31 Dec 2023 US\$000's	31 Dec 2022 Restated US\$000's
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Reconciliation of loss before tax

Segment EBITDA	7,053	6,826
Depreciation and amortisation	(3,090)	(3,214)
Net finance expense	(612)	(588)
Profit before tax	3,351	3,024

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

	31 Dec 2023 US\$000's	31 Dec 2022 Restated US\$000's
Services	25,347	19,846
Software	2,627	2,405
HPCaaS	2,012	2,173
Revenue from contracts with customers	29,986	24,424

Timing of revenue recognition

Over time ¹	27,900	22,541
At a point in time ²	2,086	1,883
Revenue from contracts with customers	29,986	24,424

1 Relating to the revenue from Services, HPCaaS and Cloud Software.

2 Relating to revenue from sales of Insight software licences.

Geographic information

Australia	4,450	3,688
United Kingdom	5,935	5,021
United States of America	14,754	12,680
Malaysia	4,847	3,035
Revenue from contracts with customers	29,986	24,424

7. OTHER INCOME

	31 Dec 2023 US\$000's	31 Dec 2022 US\$000's
Government grant - non-cash R&D tax concession	1,230	1,159
Insurance proceeds	257	-
	1,487	1,159

8. EMPLOYEE BENEFITS

	31 Dec 2023 US\$000's	31 Dec 2022 US\$000's
Salaries, incentives and fees	11,883	10,957
Superannuation	871	800
Payroll tax	755	616
Other benefits	819	1,190
Share based payments	74	58
	14,402	13,621

9. OTHER EXPENSES

	31 Dec 2023 US\$ '000	31 Dec 2022 US\$ '000
Third party compute costs	2,281	-
IT facilities and related costs	2,150	1,660
Withholding tax	1,366	739
Sales and marketing	672	588
Human resources	356	312
Insurance	248	224
Travel	625	376
Office facilities	263	441
Consultants	243	217
Profit on disposal of property, plant and equipment	-	(45)
Realised and unrealised foreign exchange loss – net	128	5
Professional fees	311	303
Bad Debts	407	26
Other	968	290
	10,018	5,136

10. FINANCE EXPENSE

	31 Dec 2023 US\$ '000	31 Dec 2022 US\$ '000
Interest expense - borrowings	225	168
Debt arrangement fees	-	17
Interest expenses – lease liabilities	388	404
	613	589

11. TRADE AND OTHER RECEIVABLES

	31 Dec 2023 US\$ '000	30 June 2023 US\$ '000
Current asset		
Trade receivables ¹	16,429	6,552
Provision for expected credit losses	(434)	(24)
Trade receivables – net	15,995	6,528
Other receivables	29	30
Trade and other receivables	16,024	6,558

1 The increase in Trade Receivables is a result of \$3.13m prepaid billings at 31 December 2023. The remaining increase is a result of increased revenue.

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.

	31 Dec 2023 US\$ '000	30 June 2023 US\$ '000
As at 1 July	(24)	(21)
Increase in provision for expected credit losses	(61)	(5)
Specific Provision	(349)	
Unwind of prior year's provision	-	2
Total ECL	(434)	(24)

The main source of credit risk to the Group is considered to relate to the class of assets described as "trade and other receivables". At 31 December 2023 a total of 47% of year end trade receivables were concentrated to the top five customers (30 June 2023: 45%).

12. PROPERTY, PLANT AND EQUIPMENT

	Data Centre Infrastructure and HPC US\$ '000	Leasehold Improvements US\$ '000	Office Equipment US\$ '000	Under Construction US\$ '000	Total US\$ '000
At 30 June 2023					
Cost	61,816	2,932	1,648	1,022	67,418
Accumulated depreciation	(45,514)	(2,470)	(1,648)	-	(49,632)
Net book value	16,302	462	-	1,022	17,786
Half-year ended 31 December 2023					
Opening net book value	16,302	462	-	1,022	17,786
Additions	2,693	397	7	7,699	10,796
Depreciation	(1,864)	(455)	(2)	-	(2,321)
Closing net book value	17,131	404	5	8,721	26,261
At 31 December 2023					
Cost	64,509	3,329	1,655	8,721	78,214
Accumulated depreciation	(47,378)	(2,925)	(1,650)	-	(51,953)
Net book value	17,131	404	5	8,721	26,261

13. RIGHT OF USE ASSETS

	Offices US\$ '000	Data Centre US\$ '000	Global Fibre Links US\$ '000	Total US\$ '000
At 30 June 2023				
Cost	7,919	8,319	1,282	17,520
Accumulated depreciation	(4,912)	(1,723)	(781)	(7,416)
Net book value	3,007	6,596	501	10,104
Half-year ended 31 December 2023				
Opening net book value	3,007	6,596	501	10,104
Additions	171	-	47	218
Depreciation	(652)	(203)	(85)	(940)
Closing net book value	2,526	6,393	463	9,382
At 31 December 2023				
Cost	7,555	8,319	721	16,595
Accumulated depreciation	(5,029)	(1,926)	(258)	(7,213)
Net book value	2,526	6,393	463	9,382

14. LOANS AND BORROWINGS

	Bank Facilities US\$ '000	Other US\$ '000	Total US\$ '000
31 December 2023			
Current	1,500	3,790	5,290
Non-current	-	5,336	5,336
	1,500	9,126	10,626
30 June 2023			
Current	2,500	256	2,756
Non-current	-	-	-
	2,500	256	2,756

Bank facilities

As at 31 December 2023, the Group has the following bank facilities in place:

- A term debt facility of US\$1,500,000 (30 June 2023: US\$2,500,000) of which US\$1,500,000 was drawn down at 31 December 2023 (30 June 2023: US\$2,500,000).
- An overdraft facility of A\$1,000,000 (30 June 2023: A\$1,000,000) which \$nil was drawn at 31 December 2023 and was not drawn at 30 June 2023.
- A contingent instrument facility of US\$1,000,000 (30 June 2023: US\$1,000,000). At 31 December 2023, bank guarantees issued on behalf of the Group entities totalled US\$661,000 (30 June 2023: US\$434,000).

The term debt facility expires on 1 July 2024 with quarterly repayments of US\$500,000 required up to the maturity date with the balance payable on 1 July 2024. The overdraft and contingent instrument facilities are subject to annual review by the financier who in their absolute discretion can determine to roll over for a further 12 months.

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

- A first ranking general security to Commonwealth Bank of Australia (CBA) over all present and future rights, property and undertakings.
- There is a fixed charge on all freehold, leasehold, book debts and other assets of the Group, in respect of a bank loan drawdown. The bank also has a floating charge over all the assets of the Group. There is a security carve-out for the financing of specific assets through third party financiers.

Covenants imposed by the bank and tested on a periodic basis include:

- A gross leverage ratio based on financial indebtedness divided by Group EBITDA; and
- A debt service coverage ratio of Group EBITDA divided by debt service of the group.

During the period, the Group complied with all financial covenants.

Interest is calculated at SOFR plus a line fee of 4.25%.

The weighted average effective interest rate on debt facilities (including asset financing) at 31 December 2023 was 11.14% per annum (30 June 2023: 8.19%).

Other

1) As at 31 December 2023, the Group has the following asset financing in place:

Financier	Available to Draw Down 31 Dec 23 US\$'000	Drawn Down 31 Dec 23 US\$'000	Available to Draw Down 30 June 23 US\$'000	Drawn Down 30 June 23 US\$'000	Expiry Date	¹ Quarterly Repayments US\$'000
Grow Funding	213	213	256	256	31/10/25	31
First National Capital	969	969	-	-	31/08/25	107
First National Capital	524	524	-	-	31/10/25	56
First National Capital	6,750	6,750	-	-	31/12/25	666
First National Capital	466	466	-	-	31/12/25	45
Total	8,922	8,922	256	256		905

¹ Quarterly repayments are exclusive of interest

2) Insurance premium funding of US\$204,000 (30 June 2023: US\$nil).

15. CONTRACT LIABILITIES

	31 Dec 2023 US\$ '000	30 June 2023 US\$ '000
Contract Liabilities		
Services	5,584	501
Software	1,286	319
HPCaaS ¹	1,422	752
Total	8,292	1,572

¹ Includes \$0.85m funding received from the Western Australian State Government

16. LEASE LIABILITIES

	31 Dec 2023 US\$ '000	30 June 2023 US\$ '000
Current	1,933	1,811
Non-current	10,081	10,949
	12,014	12,760

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	2,787	1,511

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

	31 Dec 2023 US\$ '000	30 June 2023 US\$ '000
Depreciation charge related to right of use assets	940	2,088
Interest expense on lease liabilities	388	844

Total cash outflow for leases

	31 Dec 2023 US\$ '000	30 June 2023 US\$ '000
Total cash outflow for leases excluding interest	1,010	2,757

17. SHARE CAPITAL

Share capital comprises ordinary shares.

	31 Dec 2023		30 June 2023	
	No.	US\$ '000	No.	US\$ '000
Fully paid-up shares				
Balance at beginning of period	109,618,614	50,381	109,618,614	50,381
Employee loan funded shares sold	5,676,715	4,627	-	-
Balance at end of period	115,295,329	55,008	109,618,614	50,381
Issued under loan funded share plans				
Balance at beginning of year	8,504,772	-	8,504,772	-
Employee loan funded shares sold	(5,676,715)	-	-	-
Balance at end of period	2,828,057	-	8,504,772	-
Total shares issued	118,123,386	55,008	118,123,386	50,381

18. RELATED PARTY TRANSACTIONS

During the half-year ended 31 December 2023 there were no related party transactions.

During the half-year ended 31 December 2022 US\$310,000 was paid to Rouge Rock Pty Ltd for seismic processing of the Vulcan Basin surveys.

19. 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.

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 in the table below.

Statement of Financial Position (extract)	30 June 2022 US\$ '000	Adjustment (Increase) / decrease US\$ '000	1 July 2022 Restated US\$ '000	31 Dec 2022 Profit for the period Reported US\$ '000	Adjustment (Increase) / decrease US\$ '000	31 Dec 2022 Restated US\$ '000
Trade and other payables	(2,691)	(234)	(2,925)	-	-	-
Contract liabilities	(2,699)	2,192	(507)	-	(755)	(4,797)
Net Assets	13,886	(1,958)	15,844	-	755	17,767
Accumulated Losses	(34,343)	1,958	(32,385)	2,620	(755)	(30,520)
Total Equity	13,886	(1,958)	15,844	2,620	755	17,767

Statement of Profit or Loss (extract) For the year ended 31 December 2022	2022 As Reported US\$ '000	Profit increase / (decrease) US\$ '000	2022 Restated US\$ '000
Revenue from contracts with customers	25,179	(755)	24,424
Profit for the year	2,620	(755)	1,865
Basic profit per share (cents per share)	2.21	(0.59)	1.62
Diluted profit per share (cents per share)	2.16	(0.57)	1.59

20. CONTINGENT LIABILITIES AND COMMITMENTS

a) Commitments

At 31 December 2023, the Group has received US\$ 0.85m (A\$1.25 million) in grant funding provided by the Western Australian State Government to complete the Geraldton HPC data centre (30 June 2023: US\$nil). The grant has been recorded in contract liabilities on the balance sheet.

b) Contingency

In May 2021, the group received a supplier invoice that it disputed. DUG has since renewed a commercial agreement with this supplier and has received no correspondence in respect of this matter for over two years and considers the matter closed; consequently no provision has been made.

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

21. EVENTS AFTER REPORTING DATE

The Company has signed a Letter of Intent with First National Capital LLC to fund further investment in computers at our Houston data centre, worth US\$18.2 million.

Directors' Declaration

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

- (a) the interim financial statements and notes of the Company and its subsidiaries (collectively the Group) for the half-year ended 31 December 2023 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The declaration has been made after receiving the declarations required to be made to the directors by the Managing Director and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the half-year ended 31 December 2023.

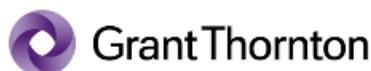
Dated at Perth on 27 February 2024.

Signed in accordance with a resolution of the Directors.



Mark Puzey
DIRECTOR

Independent Auditor's Review Report



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Independent Auditor's Review Report

To the Members of DUG Technology Ltd

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of DUG Technology Ltd (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2023, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L A Stella
Partner – Audit & Assurance

Perth, 27 February 2024

Grant Thornton Audit Pty Ltd