ANNUAL REPORT FY21

DUG TECHNOLOGY LTD
ABN 99 169 944 334

Contents

Letter from the managing director

As managing director of DUG Technology I would like to present our 2021 annual report.

The last year has further confirmed that our business model with respect to high-performance computing is solid, and on track. Despite services having a softer second half due to circumstances beyond our control we continue to see positive growth in both the number of DUG McCloud signings and in the diversity of sales areas in Australia.

I am so pleased and quite frankly very excited with how our plans are progressing for a climate-positive HPC campus in Geraldton. I see this as an enormous business opportunity with a significant global urgency. Our latest research with respect to hydrogen energy storage systems is another example of DUG's strength in innovating low-cost, pragmatic engineering solutions. We could not be in a better position to take advantage of these opportunities and we look forward to updating you as we move forward with this project.

Thank you for your support. I hope you are as excited about the future for DUG Technology as we are.

MATTHEW LAMONT Ph.D.
Managing Director

FY21 executive summary

- Revenue of US$41.4 million with an underlying EBITDA of US$2.0 million.
- Third party HPCaaS revenue growth of 145%.
- Software revenue growth of 4% and deferred revenue growth of 9%.
- The rate of new DUG McCloud signings is increasing as is the diversity of clients.

These growth numbers reinforce and confirm DUG's business model with respect to HPCaaS and Software. Having now executed many contracts in Australia (sales to areas outside of the resource sector began in late 2019), DUG is ready to leverage its global footprint and take non-oil and gas McCloud to the world. With increasing market knowledge "sales areas" have been clearly defined to add structure and focus to the sales force.

There continues to be positive signs for services as the oil and gas business regains momentum. However, DUG saw further softening in the second half of FY21 and is working hard to reshape this business - the green shoots are continuing to grow.

- Plans announced for climate-positive HPC campus in Geraldton – a huge opportunity for DUG with significant global urgency.

DUG is in a prime position to capitalise on this opportunity, with its established DUG Cool technology, ongoing green-innovation developments and history of low-cost, pragmatic engineering solutions.

DUG from a helicopter

DUG Technology (**DUG** or **the Company**), specialises in analytical software development and reliable, green, high-performance computing (**HPC**). The company is built on a strong foundation of applied science and has a history of converting research into practical, real-world solutions. DUG delivers innovative software products and cost-effective, cloud-based HPC-as-a-service (**HPCaaS**) backed by bespoke support for technology onboarding. DUG's expertise in algorithm development and code optimisation enables clients to leverage big data and solve complex problems.

DUG is a global company with offices in Perth, London, Houston and Kuala Lumpur, supporting a diverse industrial client-base. 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.

SALES AREAS

DUG has now been selling into the non-resources market for over 20 months and has developed an understanding of the market structure. The Company has identified the following key sales areas, each with their own particular nuances, but all requiring big data solutions:

- Military & Space
- Education & Research
- Industrials
- Meteorology
- Resources
- Radio Astronomy
- Health

BUSINESS LINES AND REVENUE MODELS

DUG's business lines are software, high-performance computing (HPC) and services. Each of these revolve around delivering solutions for big data.

Software

DUG Insight is the Company's flagship proprietary software package, allowing clients to store, process and visualise big data. The intuitive and interactive package comprises a front-end application running on workstations with algorithms and processing flows that run seamlessly on HPC. DUG Insight is now used in 36 countries around the world. DUG's research and development (R&D) team specialises in:

- Analytical software development.
- Algorithms and optimisation.
- Scientific data processing and visualisation.

Software is sold under a software-as-a-service (SaaS) model. DUG charges an annual lease for the desktop application and on a utilisation basis for the algorithms that require high-performance computing. This is recurring revenue as once clients are established and happy then there is little reason to leave.

This business line had growth in FY21 of 4.4%.

HPCaaS

DUG designs, owns and operates some of the largest and greenest supercomputers on Earth. The Company's patented DUG Cool immersion technology reduces power consumption by up to **51%**, as well as increasing the life and efficiency of both compute and storage hardware. The system also uses **85%** less synthetic refrigerants including man-made fluorinated gases. Those are significant numbers with respect to both their economic and environmental outcomes. DUG's Houston centre received global recognition as a winner in the 2019 Data Centre Design Awards.

HPCaaS allows clients to use DUG's HPC and data storage systems to store and process their own data. DUG provides innovative, cost-effective solutions that are very green and very reliable. DUG tailors its HPC solutions to ensure it meets all client needs. The Company's goal is to ensure clients are successful. DUG continues to build computer room facilities (long lead time items) and populate them just-in-time with compute and storage to meet client demand while maintaining flexibility.

DUG has a dedicated support team of HPC experts and data scientists to help clients at any step and to assist with specialty tasks such as software onboarding and algorithm support. In order to efficiently use modern HPC architectures, programs are now complex and require a special set of coding skills to produce. Over a 17-year period DUG has built teams with these particular skill sets to help users maximise efficient utilisation of its HPC systems. These teams form part of the HPC support services that DUG provides.

HPC is not about renting one or two machines - it is about scientists using massive amounts of compute and storage. HPCaaS is sold under two main models:

- Recurring storage and compute under a committed revenue model. As an example, clients could commit to 20,000 node hours per month on a particular type of computer for a period between 6 and 36 months.
- Burst utilisation, on an as-needs basis, at approximately twice the price point of committed.

This business line had growth in FY21 of 145%.

Services

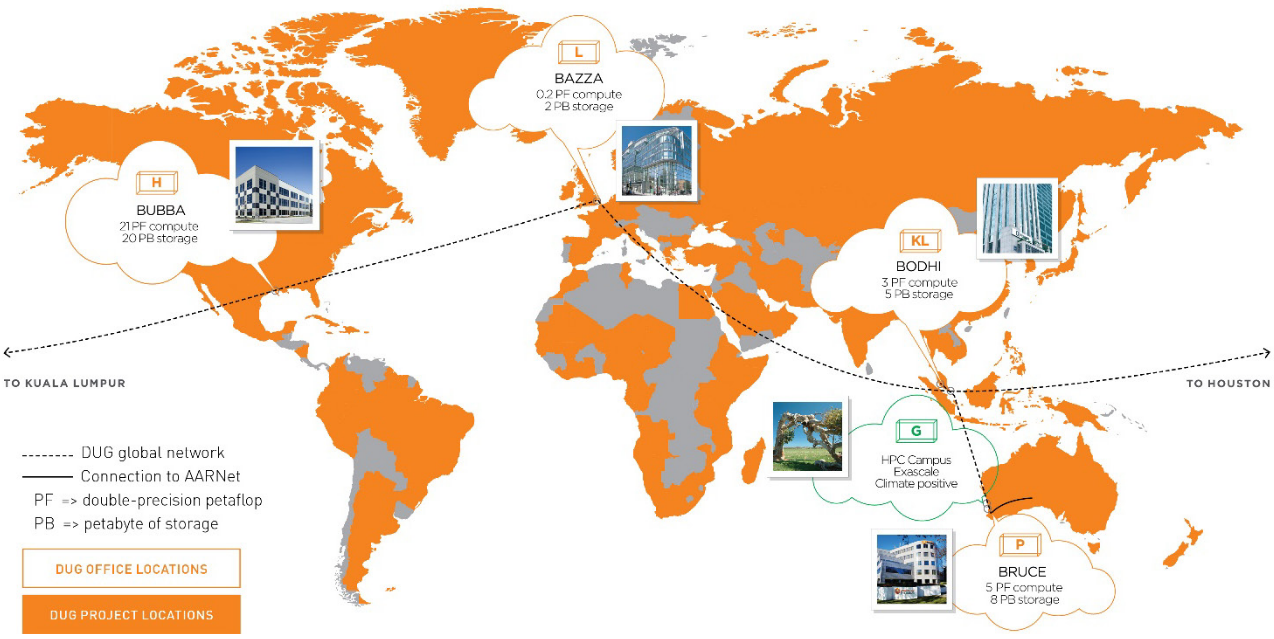
In this business DUG's team of data scientists provides geoscience services and big-data processing to the oil and gas industry, helping clients reduce drilling risk. Service projects typically take 6 to 12 months, are performed for a predominantly blue-chip client base on a turnkey basis. Often, they are related to master service agreements which can result in a stream of projects.

There are opportunities to provide similar services in other industries due to the demand for these data scientists and their expertise.

DELIVERY PLATFORM

DUG McCloud is the Company's customer-focussed and collaborative cloud solution that encapsulates DUG's HPC environment. The innovative delivery platform allows clients to combine HPCaaS, software and professional services to suit their needs. With multi-tiered integration it is composed of communication, software and security layers that allow clients to access all DUG's business lines. DUG's tailored technology offerings can be provided either directly-to-clients or via the DUG McCloud platform.

GLOBAL FOOTPRINT AND CAPACITY



DUG has four offices in Houston, London, Kuala Lumpur and Perth, as shown in the figure above. Currently the Company's largest supercomputer is Bubba, in Houston, with Kuala Lumpur and Perth also having significant compute facilities. The planned HPC campus in Geraldton is also shown above, along with all the countries where DUG has performed service projects in orange. The black dotted line depicts DUG's global network.

High-performance computing as a service (HPCaaS)

HPC IS USED EVERYWHERE

> *"All areas of contemporary research require access to advanced computing capabilities such as big data, data science and HPC."*
>
> Professor Andrew Rohl
> Head of the School of Electrical Engineering, Computing and Mathematical Sciences, Curtin University

We live in a world of ever-increasing data - indeed 90% of the world's data has been created in just the last two years. High-performance computing is essential to almost all scientific endeavours and with the data-driven nature of modern discovery, we are witnessing an exponential growth in both data volumes and the associated need for HPC. Solutions to leverage this data explosion are required in many industries. In the modern world of big data, scientific discovery requires access to advanced HPC capabilities that are not only performant, but also sustainable.

DUG delivers green, big-data solutions. This business line is growing and has significant growth potential.

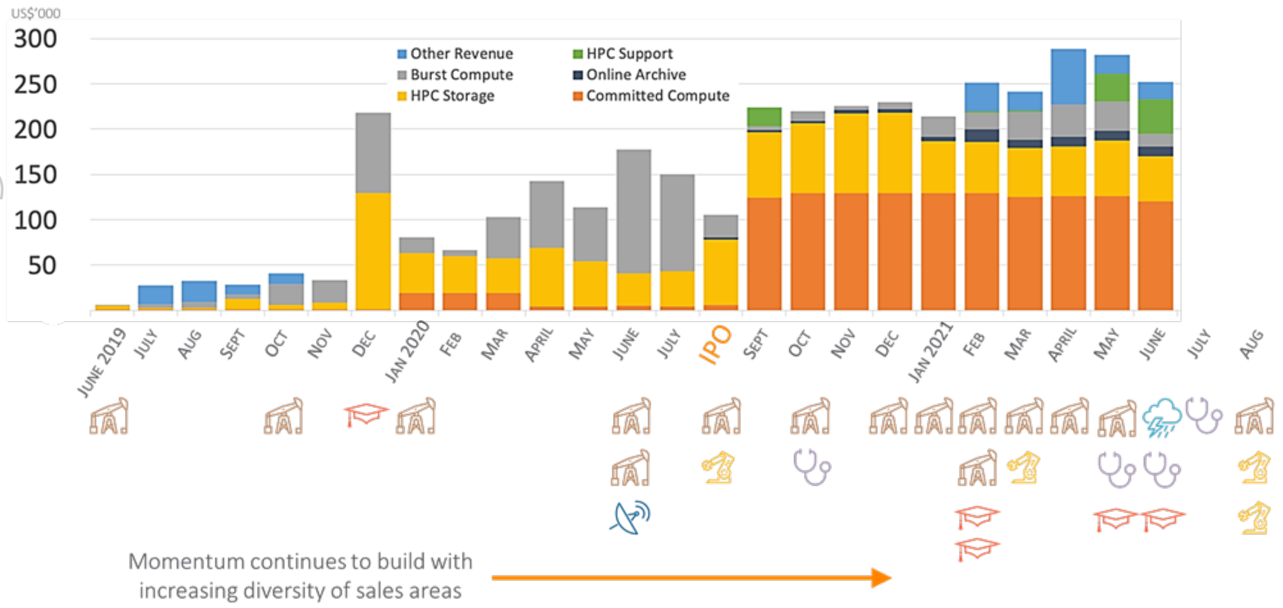
PRECEDENTS FOR HPC TRANSITION

HPC has been traditionally provided by government/public facilities (such as Pawsey and NCI in Australia, for example). Strong international precedents exist for HPC being increasingly provided by commercial facilities. For example:

- In February 2021, the United Kingdom Met Office announced a move to the cloud with a £1.2 billion investment to capitalise on the power of commercial HPC.
- The European Open Science Cloud initiative seeks to broaden access to cloud technologies for academia, the public sector and business. This initiative brings together hundreds of organisations including commercial providers. Other initiatives such as the UKRI Cloud Working Group also assist researchers to engage with cloud services.
- In mid-2019, CloudBank was founded by the National Science Foundation in the United States. It provided researchers with access to compute time from public cloud resources (such as those provided by AWS, Azure and Google).

Traditionally, companies that needed HPC had on-premise facilities and the government provided facilities for academic and public institution use. But there is a global movement for HPC to be commercialised. Under a competitive model HPC is greener, cheaper, more reliable and able to scale. There are now precedents in the UK, US and other countries for this movement. DUG is at the forefront of this movement in Australia, and plans to continue leveraging its position.

THIRD PARTY HPCAAS REVENUE AND SIGNINGS



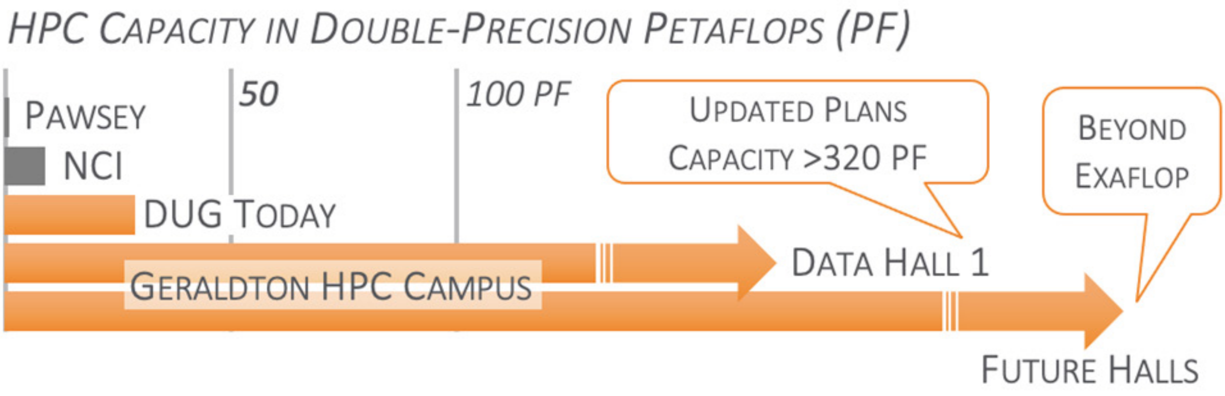
The graph above clearly illustrates the recurring nature of this business line – with revenue that will continue to layer-up over time. The top half of the graph shows third-party HPCaaS revenue. The bottom half of the graph depicts the signing (by sales area) of clients onto DUG HPCaaS as a function of time. The increasing frequency of signings matches the two-year sales cycle that DUG has observed and highlights the increasing diversity of DUG's growing client base.

DUG is continuing to work hard to sign clients across our new sales areas. For example, DUG is very pleased to have signed Austal, a global shipbuilding company that designs, constructs and supports revolutionary defence and commercial vessels for the world's leading operators:

> *"DUG is an ideal partner for Austal, not only as an Australian-based high-performance computing service provider but one of the greenest in the world.*
>
> *Austal will be running computational analysis through DUG to improve the efficiency of our vessel designs and reduce their GHG emissions; a great combination of world-leading Australian expertise and capability, tackling the challenge of decarbonisation."*
>
> Andrew Malcolm, Chief Digital Officer
>
> https://www.austal.com/news/austal-engages-australian-based-dug-environmentally-friendly-high-performance-computing-service

HPCaaS DEPLOYMENT OF CAPITAL

DUG's HPC strategy is to build long lead-time data centre infrastructure early, and then populate with short lead-time infrastructure and compute just-in-time. Just-in-time purchasing means the specific and evolving needs of clients can be addressed on demand. Funds are sourced via asset finance in conjunction with self-funding. There is a nominal maintenance CAPEX associated with DUG's data centre cooling solution. There is a compute depreciation period of five years with 25 years on infrastructure.



Potential economic scenario – Geraldton Data Hall 1

Potential Economic Scenario Geraldton Data Hall 1 (half-full) of 10	
Megawatts (12 MW when full)	6
Petaflops	162
Upfront CAPEX	US$3.5m
JIT infrastructure and renewables CAPEX	US$56.0m
JIT compute CAPEX	US$165.0m
Revenue (5 years)	US$646.0m
EBITDA (5 years)	US$445.0m
EBITDA %	69%

These are estimates only!

No guidance provided on the timeline to achieve this capacity. This is Data Hall 1 of 10 (planned) in Geraldton.

Currently the Perth computer room is dominated by Intel KNL CPUs (with some CPUs and some GPU machines). The remaining 5 MW is likely to be based on GPU technology and hence is modelled as such. The FLOPS/space/power of computer equipment increases continuously. The actual mix of compute hardware will be determined by demand.

Assumes 80% utilisation.

Revenues stated are based on three-year committed compute pricing with revenue in the 4th and 5th years being reduced to two-thirds current market price.

It is important to understand how capital is deployed in this business line. Firstly, long lead time items, such as data halls, need to be built upfront, though they can still be staged. DUG's know-how and pragmatic approach allows these facilities to be built inexpensively. For example, the initial data hall in Geraldton will cost A$4.7m (US$3.5m).

The first Geraldton data hall is planned to be a 12-megawatt facility. Capital for compute (and infrastructure that can be) is deployed just-in-time. The 12 megawatts will be provisioned in stages, in-line with this just-in-time approach.

The example above, provides a potential economic scenario for Data Hall 1 filled to 50% capacity. It highlights the potential high margin of this business line at scale. These numbers assume, falling revenue in years 4 and 5 of the five-year term and 80% utilisation.

Forecasting does not take any potential grants partnerships into consideration.

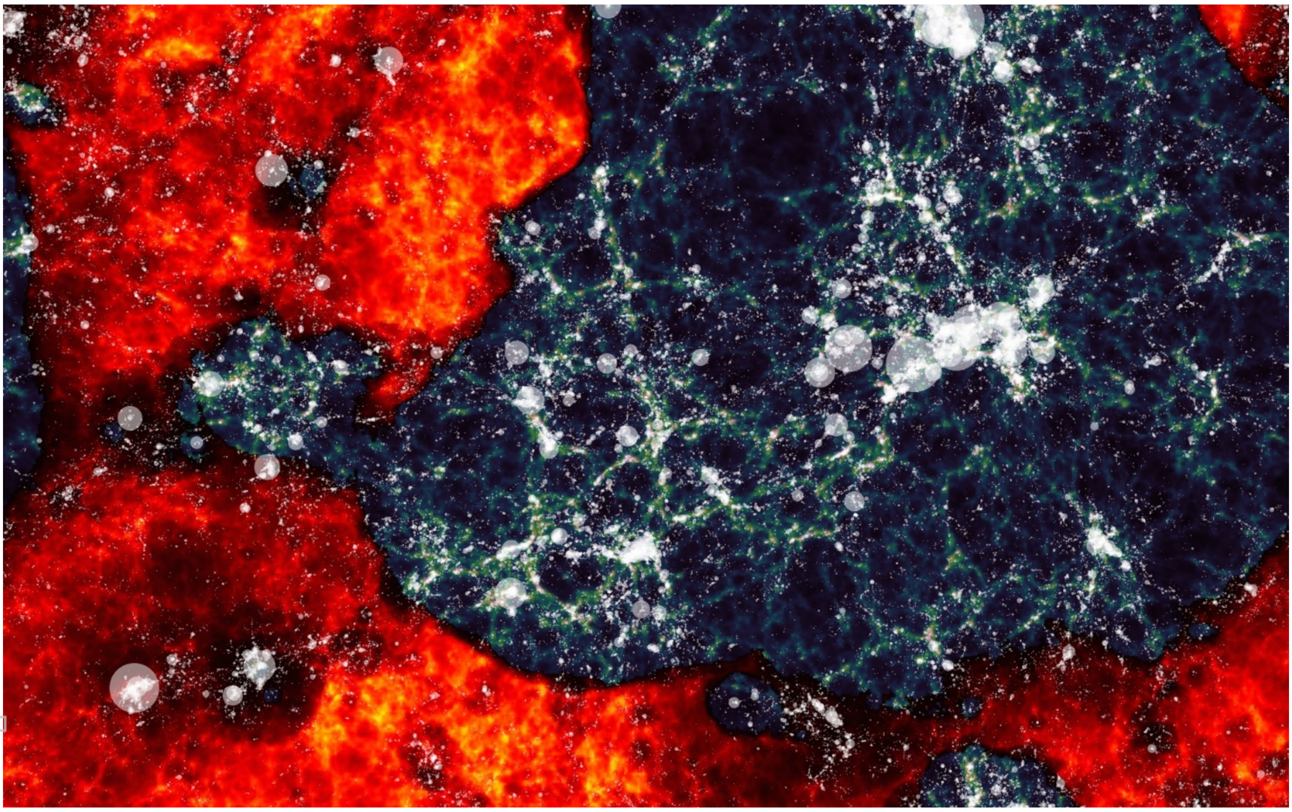
Client case studies

DUG provides big-data solutions via bespoke analytical software and HPC offerings. A selection of client case studies is presented below to highlight how DUG is making its clients successful.

THE SKA PROJECT

The Square Kilometre Array (**SKA**) Project is one of the largest international scientific research projects in history. The Murchison Widefield Array (**MWA**) telescope (a precursor to the SKA) had amassed a backlog of data that was being processed using the Pawsey Supercomputing Centre. DUG HPC experts took two weeks to optimise the academic code used to process the MWA data and achieved run-times that were **125 times** faster. DUG's support and HPC expertise allowed the ICRAR team to process their data backlog in three hours, using just a fifth of DUG's supercomputer in Perth.

This example illustrates the deep know-how that DUG possesses around numerical algorithms on high-performance compute.



THE HARRY PERKINS INSTITUTE OF MEDICAL RESEARCH

The Harry Perkins Institute of Medical Research (**Perkins**) applies bioinformatics - a rapidly evolving field combining biology, computer science and mathematics - to tackle chronic diseases including cancer and rare genetic disorders.

> *"We require a fully supported high-performance computing (HPC) system designed to let us store, process and analyse data our way."* Perkins

DUG's bespoke HPC solution gave Perkins scientists quick and easy access to their huge datasets without computational restriction.

> *"Trusting the technology to the experts at DUG, we can now get back to our number one priority - saving lives."* Perkins

Harry Perkins is one of Australia's leading medical research centres and an example of a client DUG signed in the Health sales area.

The knowledge of DUG's staff and the reliability of DUG's HPC, allows Harry Perkin's scientists to focus on their research.

Also, with respect to the field of bioinformatics, the University of Sydney very recently acknowledged DUG during the Australian BioCommons webinar "Where to go when your bioinformatics outgrows your compute":

> *"We've engaged with them [DUG] previously and we valued their support when we were being onboarded onto their system. Essentially, we gave them a list of our software and test data, in which they installed it, optimised it and tested it and called us back in so that we could just hit the ground running and do our research."*
>
> Dr Rosemarie Sadsad, Informatics Lead, The University of Sydney Informatics Hub

Sustainable HPC solutions - the Geraldton HPC Campus

DUG has recently unveiled a proposal to build the world's first climate-positive HPC campus powered by renewable energy, having signed an option to lease 44.5 hectares of land in Geraldton, Western Australia. The facility would become home to one of the largest HPC installations in the world, with the initial 12 megawatt data hall having a capacity in excess of 320 petaflops once completed, with plans for expansion to multi-exaflop scale once the proposed ten data halls are commissioned.

The world-class campus would utilise DUG's immersion-cooling technology providing some of the most energy efficient and greenest HPC on the planet. It is planned to ultimately be powered by solar and wind, and an onsite hydrogen energy storage system is also being investigated as part of the project.

"CLIMATE POSITIVE" IS NOT JUST A MARKETING TERM

HPC is traditionally a big energy consumer with a big carbon footprint. Science-aware professionals (a.k.a. clients) are acutely aware of this.

> *"Astronomers know all too well how precious and unique the environment of our planet is. Yet the size of our carbon footprint might surprise you."*

Stevens, A., et al., 2020, 'The imperative to reduce carbon emissions in astronomy', Nature Astronomy, vol. 4, pp. 843-851

Sustainability is about coexisting harmoniously with planet Earth. Given historical footprints, we must now strive to go beyond neutrality. The new mandate is to rapidly transition toward making an excess of handprints to help counter the actions of the past. This concept is well encapsulated by the term "climate positive", with outcomes that include helping others meet their sustainability goals or generating more green energy than needed for neutral operations. A climate-positive future is the only future. A sustainable economy must reconcile both environmental and economic agendas. Some see this as a contradiction with a long runway to resolve. DUG sees this as a mammoth business opportunity, for today.

THE GREENEST POWER IS THE POWER YOU DON'T USE

DUG already offers arguably the greenest computing solution on the planet thanks to the patented DUG Cool immersion technology. The DUG Cool solution reduces power consumption by up to **51%**, as well as increasing the life and efficiency of compute and storage hardware. The system also uses **85%** less synthetic refrigerants including man-made fluorinated gases. Those are significant numbers with respect to both their economic and environmental outcomes. The PUE (power usage effectiveness) metric can be used to monitor and quantify usage of this resource. DUG's Perth data-centre operates with a PUE as low as 1.03 (PUE is the ratio of energy used by the centre, to the energy delivered to computers - the closer to one the better!).

A complete climate-positive solution requires green energy at **all** times. This is the goal for the Geraldton HPC Campus - to use renewables-generated power with a green-energy storage system for when the renewables are not generating.

DUG's strategy is to marry its computer room cooling technology to renewables generated power and a green-energy storage system.

A GREEN-INNOVATION INVESTMENT

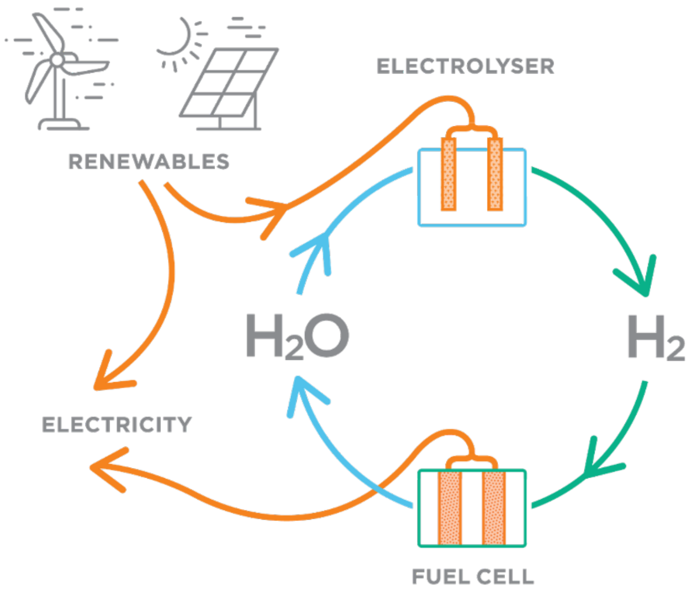
DUG is developing novel, low-cost, maintainable solutions for hydrogen electrolysis, as part of the company's green-innovation investment initiatives. As power prices from renewables become more economical, DUG believes that the capital costs of electrolysers are the primary obstacle to economically-viable hydrogen energy storage systems. The combination of the DUG Cool immersion technology with an economic hydrogen energy storage system would greatly improve the climate-positive outcomes that DUG can deliver through its planned renewables-powered Geraldton campus.

While Geraldton is a premium location for green energy, with an ideal climate for both wind and solar, there are on average six hours each day when these renewables are not generating. Hydrogen energy storage systems provide a possible green-power solution.

DUG's current modelling suggests, by implementing renewables-generated power and a hydrogen energy storage system, it can generate power at a levelised cost of energy (LCoE) of A$0.13 per kilowatt-hour. This implies a levelised cost of hydrogen (LCoH) of A$3.00 per kilogram. While these values are inherently economical, DUG expects they will also have far-reaching implications with respect to both commercial and household applications of the technology.

> *"Low-cost hydrogen energy storage technology represents a significant milestone in the quest for a solution to the intermittency of traditional renewables generation. These advances complement our innovative approach to data-centre cooling systems to deliver the world's most climate-friendly HPC."* Mark Lommers FIEAust, DUG Technology Chief Engineer

At the time of writing DUG has filed / is in the process of filing a number of patent applications to protect novel aspects of this technology.



CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021
EXPRESSED IN US DOLLARS
UNLESS OTHERWISE STATED

dug

Company information

DIRECTORS	Wayne Martin Matthew Lamont Louise Bower Mark Puzey Francesco Sciarrone	Non-Executive Chairman Managing Director Non-Executive 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	EY Australia EY Building 11 Mounts Bay Road Perth WA 6000 AUSTRALIA	
SHARE REGISTRY	Computershare Investor Services Level 11, 172 St Georges Terrace Perth WA 6000 AUSTRALIA	
ASX LISTING	ASX CODE: DUG	

Directors' report

The Directors hereby present their report together with the consolidated financial statements of the Group comprising of DUG Technology Ltd (**DUG**, or **the Company**), and its subsidiaries for the year ended 30 June 2021 and the auditor's report thereon. The use of the words Company and Group are interchangeable for the purposes of this report.

DUG Board (L-R):
Wayne Martin
Louise Bower
Frank Sciarrone
Matthew Lamont
Mark Puzey

DIRECTORS

The Directors of the Company at any time during or since the year ended 30 June 2021 are set out below. Directors were in office for the entire period unless otherwise stated.

Hon. Mr Wayne Martin AC QC LLB(Hons1st), LLM

INDEPENDENT NON-EXECUTIVE CHAIRPERSON

Mr Martin was Chief Justice of Western Australia 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. His other directorships include the WA Football Commission, the Harry Perkins Institute of Medical Research and Parkerville Children and Youth Care, and EON Foundation.

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, and DUG McCloud initiatives. Prior to founding DUG, Dr Lamont held senior technical positions at Woodside in Perth and BHP Billiton in Houston. He is an adjunct an associate professor at Curtin University.

Ms Louise Bower HBCompt, CA

NON-EXECUTIVE DIRECTOR FROM 1 MARCH 2021 (EXECUTIVE DIRECTOR AND GROUP EXECUTIVE UP TO 28 FEBRUARY 2021)

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.

Mr Michael Malone BSc, PostGradDip, FAICD, FAIM, FACS

INDEPENDENT NON-EXECUTIVE DIRECTOR (RESIGNED 6 AUGUST 2021)

Mr Malone founded iiNet in 1993 and continued as its CEO for 20 years. Since 2014 Mr Malone has held board positions with several organisations, including current appointments at NBN Co and Seven West Media. Recognised with many industry awards including 2012 Australian Entrepreneur of the Year, Mr Malone is also a recipient of the Charles Todd Medal for outstanding contributions to telecommunications.

Mr Mark Puzey FCA, FAICD, CGEIT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the board in June 2020, Mr Puzey is also chair of the audit and risk committee.

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 held Asia Pacific leadership roles in IT governance and natural resources, and was primary partner in Australia providing IT service organisation audit opinions.

Mr Puzey is the chairperson of ASX-listed M8 Sustainable Ltd and also holds board and committee positions with Gold Corporation.

Mr Charles Ramsden MSc

NON-EXECUTIVE DIRECTOR (RESIGNED 25 SEPTEMBER 2020)

Mr Ramsden has more than 35 years' global experience in the oil & gas industry. He co-founded Impact Oil & Gas (UK) and has been involved in a number of successful start-up companies. Mr Ramsden is former president of the Australian Society of Exploration Geophysicists (WA branch) and is author of numerous technical papers on the application of geophysics in oil & gas exploration.

Mr Philip Schwan

EXECUTIVE DIRECTOR (RESIGNED 25 SEPTEMBER 2020) AND CHIEF TECHNOLOGY OFFICER

Mr Schwan joined DUG in 2008. He has led the design and development of DUG Insight and been responsible for IT and DUG McCloud operations. Prior to DUG, Mr Schwan served as chief executive officer of CFS and as a lead designer of the Lustre data storage system. CFS was acquired by Sun Microsystems.

Mr Francesco (Frank) Sciarrone BCom

INDEPENDENT NON-EXECUTIVE DIRECTOR (APPOINTED JULY 2015)

Mr Sciarrone is managing director of Vantage Wealth Management. Over the past 35 years, he has held various positions in investment banking and investment advice, and has held senior management positions in the banking industry, funds management and corporate / private client financial advisory services. Mr Sciarrone is chair of the Fire and Emergency Services Super Fund and of 12 Buckets, as well as director of Government Employees Superannuation Board and Biovision Pty Ltd.

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
Wayne Martin	231,481	-	**231,481**
Matthew Lamont	23,230,864	576,457	**23,807,321**
Louise Bower	264,851	1,124,821	**1,389,672**
Mark Puzey	51,000	-	**51,000**
Frank Sciarrone	345,686	-	**345,686**

Company secretary

Ms Jacqueline Barry CertGovPrac

Ms Barry was appointed Company Secretary on 5 February 2021, having previously served as Assistant Company Secretary from May 2020. Prior to joining DUG, Ms Barry was joint Company Secretary of Magnum Mining and Exploration Ltd (ASX:MGU) for five years and also held assistant company secretarial roles with a number of ASX and AIM listed companies in Australia and South Africa.

Mr Simon Davey LLB, BCom

Mr Davey has worked in legal, technology, and oil & gas firms in UK and Australia for over 20 years. He served as the Company's General Counsel and Company Secretary from 18 May 2020 until his resignation on 5 February 2021.

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.

CORPORATE CHANGES

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

REVIEW OF OPERATIONS

The table below sets out the revenue earned for the year ended 30 June 2021 across the Group's three principal business activities.

	FY 2021 US$	FY 2020[1] US$	Change US$
Services	30,602,989	37,994,702	(7,391,713)
Software	5,164,871	6,278,702	(1,113,831)
HPCaaS	2,682,551	1,063,229	1,619,322
	38,450,411	**45,336,633**	**(6,886,222)**

1 Comparative amounts for the year ended 30 June 2020 have been restated as more fully described in Note 7 to the financial statements.

The decrease in total revenue of 15.2% reflects the impact of lower overall activity levels in the Oil & Gas industry. This revenue decline is primarily in the Services division where COVID-19 and oil price volatility have led to subdued activity and delays in awarding projects.

The decline in revenue in the Software division of $1,113,831 largely reflects the impact of the loss of a significant software division client during the year. Underlying growth from the balance of the software client portfolio was strong.

Revenue earned in the Company's strategically important High-performance Computing as a Service (HPCaaS) division has however increased by US$1,619,322 as compared with the prior year with the strong growth during the first half of the year being sustained in the second half. This strong growth in revenue underpins the strategic intent of the business to expand its higher margin HPCaaS operations.

Other income earned by the Group which includes R&D concessions and other government grants is no longer disclosed as part of headline revenue but is shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The decrease in other income of US$1,405,635 as compared with the prior year is mainly attributable to the proceeds of COVID-19 related government support received in the Group's American operations during the prior year.

The table below summarises the operating results of the Group for the year under review:

	FY 2021	FY 2020[1]	Change
Operating (loss)/profit (US$)	(8,847,392)	587,479	(9,434,871)
Loss before tax (US$)	(12,598,839)	(6,545,561)	(6,053,278)
Loss after tax from ordinary activities (US$)	(15,860,379)	(11,662,162)	(4,198,217)
Loss per share (cents per share)	(16.58)	(18.51)	1.93
EBITDA[2] (US$)	(1,431,130)	9,564,423	(10,995,553)
Underlying EBITDA[2, 3] (US$)	1,799,474	8,838,661	(7,039,187)

1 Comparative amounts for the year ended 30 June 2020 have been restated as more fully described in Note 7 to the financial statements.
2 These items are categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 - Disclosing non-IFRS financial information.
3 Underlying EBITDA is EBITDA excluding non-recurring costs. During the year ended 30 June 2021, non-recurring costs of approximately US$3,230,000 include redundancy payments for c. 10% of the workforce mainly in the Services division, bad debt write-offs, the legal fees and settlement costs in respect of a patent dispute and additional leave provisions in non-Australian offices required due to changes in local regulations as part of COVID-19 relief packages. The prior year comparative period has been adjusted to take account of additional listed company costs not incurred in the period before listing.

The Group's largest operating expense comprises employee benefits – total employee benefit expenses of US$30,834,000 increased by 0.5% as compared with the prior year. During the year, the Group undertook a staff redundancy program primarily across its Services Division in response to challenging operating conditions and as a result reduced total Group headcount by approximately 10%. The cost of this redundancy program is included in total employee benefit expense for the year with the full year impact of resultant cost savings to be reflected in the results for the year ending 30 June 2022. Furthermore, management continues to explore additional cost saving measures where these don't impact upon its strategic growth initiatives.

Included within other expenses for the year are several items not incurred in the prior year. Such expenses include:

- The cost associated with settling a legal matter as more fully described in the section of this Report entitled "Proceedings on behalf of the Company";
- Higher credit loss provisioning than has historically been experienced by the Group with such provisions being related to specific customer circumstances; and
- The additional costs of operating in the listed company environment.

The total of other expenses was US$11,972,488 for the year under review.

As a result of the decline in revenue and other income as described above and the increase in total expenses, the Group recorded an operating loss of US$8,847,392 for the year under review. Internally the Company also focuses on the underlying EBITDA of the Group which excludes depreciation charges and includes adjustments for significant items of expenditure, in particular the cost of the Group's redundancy program undertaken during the year and the cost of settling the legal matter referred to above. (No adjustment has been made for the impact of receiving COVID-19 related government support in the prior year of US$1,405,635). Underlying EBITDA of US$1,799,474 has decreased by US$7,039,187 as compared with the year ended 30 June 2020.

Net finance expense for the year of US$3,751,447 includes the interest expense of the Group's leases of US$1,134,349, IPO transactions costs as well as the cost of convertible notes that were ultimately converted to equity in advance of the initial public listing of the Company in August 2020. The total finance expense for the year has decreased by US$3,381,593 as compared with the prior year.

As described in in notes 5.5 and 7 to the Financial Statements, the Group has not recognised any deferred tax balances in its financial statements. The impact of reversing such deferred tax assets, which has no cash effect, results in large tax expense charges for both the year under review and the prior financial year.

The loss after tax for the year was US$15,860,379 with a resultant loss per share of US cents 16.58 - this is a decrease in the loss per share of US cents 1.93 as compared with the prior year loss per share of US cents 18.51.

REVIEW OF FINANCIAL POSITION

During the year under review the Group improved its net asset position to US$11,516,158 as at 30 June 2021. This increase in net assets of US$18,173,135 reflects the combined impact of the cash raised from the Company's initial public offer of shares of US$18,509,400 and the repayment of borrowings of US$6,099,929. During the year, the Group also continued to invest to increase its operating capacity through capital expenditure of US$6,019,173. As noted previously, difficult trading conditions in the Group's Services Division and the impact of non-recurring expenses, including the Group's redundancy program and the impact of settlement of a legal dispute led to a net cash outflow from operations of US$2,832,377.

At 30 June 2021 the Group had a net current liability position of US$ of $10,808,877 which largely reflects the maturity date of the Group's term facility of US$17,764,583. As at 30 June 2021, the repayment date of the facility was 7 January 2022. As set out in section 1.8 of this Report, the termination date has been extended to 1 July 2022 with a debt repayment requirement of US$6,250,000 over the course of the financial year ending 30 June 2022 with the balance repayable on 1 July 2022. The Group continues to explore alternative funding options to enable it to meet its debt repayment obligations.

To enable the Group to have sufficient cash to fund its planned expansionary activities, during September 2021 the Company has undertaken a successful placement of its shares to raise a further A$15,000,000 in equity and has launched a share purchase plan (**SPP**) to raise an additional A$5,000,000 during October 2021. To the extent that there is a shortfall in subscription for shares under the SPP, the Directors have reserved the right to issue the shares that comprises the SPP shortfall to institutional investors at their absolute discretion.

The directors believe that with the benefit of the additional capital raised from the placement of shares and the SPP together with improved operating cash flows in the 2022 financial year, the Group is in a sound position to meet its financial obligations and to fund both capital and operating expenditure to support the Group's strategic growth objectives. Refer to Note 2.1 in the Consolidated Financial Statements which sets out further information in this regard.

DIVIDENDS

No dividends were paid or declared during the year ended 30 June 2021 and up to the date of signing this report (year ended 30 June 2020: nil).

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2021, the termination date of the Group's US$17,805,000 Term Debt Facility with the Commonwealth Bank of Australia has been extended from 7 January 2022 to 1 July 2022. Furthermore, the Group is required to repay an amount of US$6,250,000 during financial year ending 30 June 2022. with the remainder of US$11,504,583 to be paid on 1 July 2022.

In September 2021, the Company undertook a placement of shares to new and existing sophisticated and institutional investors in order to raise an additional A$15,000,000 of share capital through the issue of approximately 16.7 million new fully paid ordinary DUG shares (**New Shares**) at a price of A$0.90 per New Share. The Issue price of A$0.90 per share represented a 12.6% discount to the closing price on the ASX of A$1.03 on 2 September 2021. The Placement is being completed in two tranches as follows:

- The Company issued 14,900,000 New Shares under the Company's existing placement capacity under ASX Listing Rule 7.1 on 13 September 2021; and
- The Company will issue a further 1,766,667 New Shares after Company's Annual General Meeting (**AGM**) to be held on 14 October 2021 subject to obtaining shareholder approval at the AGM.

In addition, the Company has launched an SPP open to all shareholders of the Company on the share register as of 6 September 2021 and with a registered address in Australia and New Zealand. Under the SPP, all eligible shareholders have the opportunity to apply for up to A$30,000 worth of new shares at a price of A$0.90 per share. The SPP is expected to close on 14 October 2021. Under the SPP, the Company is targeting to raise up to A$5,000,000.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As set out above, the Company has recently undertaken a placement of its shares to raise an additional A$15,000,000 and at the time of this report is in the process of offering its investors additional shares through the SPP. The principal purpose of raising such additional capital is to fund the Group's expansion of its HPCaaS offering and capacity. This includes both additional capital expenditure and further sales and operational capacity. The expansion of HPCaaS remains the key strategic initiative of the Group.

In addition to targeting growth in its high margin HPCaaS division, the Group is also keenly focussed on the return to profitability of its Services Division through both an increase in new business and improving the operational efficiency of that business.

Additional information about the Group's strategies and prospects for future financial years is contained in the Managing Director's letter to shareholders accompanying the Consolidated Financial Report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has, during or since the end of the year, in respect of any person who is or has been an officer 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.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

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]
Wayne Martin	8	8	-	-	1	1
Matthew Lamont	8	8	-	-	-	-
Louise Bower	8	8	1	1	-	-
Michael Malone3	8	8	4	4	1	1
Mark Puzey	8	8	4	4	-	-
Charles Ramsden[4]	3	3	-	-	-	-
Philip Schwan[5]	3	3	-	-	-	-
Frank Sciarrone	8	8	4	4	1	1

1. No. of meetings held while the director was a member of the board / committee.
2. No. of meetings attended.
3. Mr Malone resigned as a director on 6 August 2021.
4. Mr Ramsden resigned as a director on 25 September 2020.
5. Mr Schwan resigned as a director on 25 September 2020.

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	Wayne Martin - Chair
Louise Bower (appointed 1 March 2021)	Michael Malone (resigned 6 August 2021)
Michael Malone (resigned 6 August 2021)	Mark Puzey (appointed 22 September 2021)
Frank Sciarrone	Frank Sciarrone

Mr Martin is a standing observer on the ARC. Dr Lamont and Ms Josephine Leong (DUG's Head of Human Resources) are standing observers on the RNC.

PROCEEDINGS ON BEHALF OF THE COMPANY

DownUnder GeoSolutions Pty Ltd (**DUG PL**) and DownUnder GeoSolutions (Asia) Sdn Bhd (**DUG Asia**) (the **DUG Parties**) were defendants to proceedings in the Federal Court of Australia brought by PGS Australia Pty Ltd (PGS). Those proceedings, which were commenced against DUG PL in December 2018 and to which DUG Asia were joined in June 2019, involved allegations of patent infringement being made against DUG PL and DUG Asia in relation to the processing of seismic data acquired in the course of a number of maritime surveys. The DUG Parties challenged the validity of the two patents registered in the name of PGS relevant to the proceedings by way of cross-claim.

The matter was resolved on 31 May 2021. Settlement terms are confidential but include a cash payment by the DUG Parties to PGS and the grant of a worldwide, royalty-free, non-exclusive licence by PGS to DUG and its subsidiaries of the patents in suit in the proceedings. The financial impact of the settlement is reflected in the Group's result for the year ended 30 June 2021.

The Company was not party to any other proceedings during the year ended 30 June 2021.

AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 30 and forms part of the Directors' Report for the Financial Statements for the year ended 30 June 2021.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's former auditor Moore Australia Audit (WA) in the period up to its resignation as auditor and ASIC's consent to the resignation on 3 June 2021. The Group's current auditor Ernst & Young has not provided non-audit services during the period from its appointment until 30 June 2021. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Moore Australia Audit (WA) received the following amounts for the provision of non-audit services:

	30 June 2021 US$	30 June 2020 US$
Independent Accountant's Report	-	53,874

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 2021 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 (**NED**s), 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:		
Wayne Martin	NED, Chairperson, Chair of RNC	Full financial year
Louise Bower[1]	NED, ARC member	Effective from 1 March 2021
Michael Malone	NED, ARC member, RNC member	Full financial year[2]
Mark Puzey	NED, Chair of ARC, RNC member	Full financial year
Charles Ramsden	NED	Ceased 25 September 2020
Frank Sciarrone	NED, ARC member, RNC member	Full financial year
Executive Directors and other Senior Executives:		
Matthew Lamont	Managing Director	Full financial year
Louise Bower[1]	Executive Director, Chief Financial Officer	Effective to 28 February 2021
Philip Schwan	Executive Director[3], Chief Technical Officer	Full financial year

1. Ms Bower resigned as a group executive on 28 February 2021 but continued as a member of the Board.
2. Mr Malone resigned as a director after the end of the financial year.
3. Mr Schwan resigned as a director on 25 September 2020 but continued as KMP in his role of Chief Technology Officer.

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- and long-term incentive opportunities. Executive remuneration levels are reviewed annually by the RNC with reference to the remuneration guiding principles and market movements.

HOW REMUNERATION IS GOVERNED

Human Resources and the Managing Director provide recommendations to the RNC on the remuneration outcomes for the executive team. The remuneration advisors provide external and independent advice and information to the RNC. The composition of the RNC is set out on page 21 of the Directors' Report.

In the previous financial year, the RNC approved the engagement of Mr Warren Land from The Reward Practice Pty Ltd to provide external and independent remuneration recommendations regarding the remuneration mix and quantum for executives. During the current year, no other remuneration advisors were engaged.

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.

The Group's securities and trading policy applies to all NEDs and executives. The policy prohibits employees from dealing in the Company's securities while in possession of material non-public information relevant to the Group.

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 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. Annual fixed remuneration comprises 60% of the total remuneration package. An additional 20% is provided through the Short-Term Incentive Plan and 20% through the Long-Term Incentive Plan. (No awards under the Short-Term Incentive Plan were made for the year ended 30 June 2021.)
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.

Louise Bower - Chief Financial Officer and Executive Director (resigned as CFO October 2020 and as a Group Executive on 28 February 2021)

Term	Description
Remuneration and other benefits	Under the terms of her employment contract, Ms Bower was entitled to receive annual fixed remuneration of A$330,000 gross (exclusive of superannuation). Annual fixed remuneration comprised 60% of the total remuneration package. An additional 20% was provided through the Short-Term Incentive Plan and 20% through the Long-Term Incentive Plan. (No awards under the Short-Term Incentive Plan were made for the year ended 30 June 2021.) In addition, an IPO Bonus of A$250,000 (exclusive of superannuation) was granted on successful admission to the ASX.
Termination and notice periods	Employment may be terminated by either party giving three months' notice. The contact was terminated on 28 February 2021.
Restraints	During the term of her employment, Ms Bower could not have an interest in any business that competes with DUG.

Philip Schwan - Chief Technology Officer and Executive Director (resigned as Executive Director 25 September 2020)

Mr Schwan is engaged through Keyser Soze LLC (**Keyser Soze**) to provide services as the CTO.

Term	Description
Remuneration and other benefits	Under the terms of the contractor agreement, Keyser Soze is entitled to receive US$22,000 (A$33,900) per month (deemed to be fixed remuneration). Annual fixed remuneration comprises 60% of the total remuneration package. An additional 20% is provided through the Short-Term Incentive Plan and 20% through the Long-Term Incentive Plan. (No awards under the Short-Term Incentive Plan were made for the year ended 30 June 2021.)
Termination and notice periods	Either party may terminate the agreement by providing 90 days' notice.
Restraints	During the term of the engagement, Mr Schwan or Keyser Soze cannot have any interest in any business that competes with DUG. For a period of three years following termination of the engagement, Mr Schwan or Keyser Soze cannot solicit any employee of DUG.

Short-Term Incentive Plan

The Board has approved 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 Short-Term Incentive Plan is based on the achievement of three key performance hurdles that are independently assessed, and carry the weighing outlined in the table below:

FY21 Short-Term Incentive Performance Hurdles	Allocation
Third Party Revenue	20%
EBITDA Margin %	45%
Personal Target	35%

The participant has the ability to earn base, median or stretch incentives based on the Financial Performance Targets set out below:

FY21 Short-Term Financial Performance Targets	Base	Median	Stretch
Revenue Growth	10%	20%	30%
EBITDA Margin %	21%	23%	25%
% earned applied on a sliding scale	50%	100%	150%

Eligible participants under the Short-Term Incentive Plan can be measured on business unit targets or on the Company as a whole depending on their specific contribution.

In the event Financial Performance Targets are between the base and expected performance range, or expected and stretch performance range, the payment will be apportioned between the levels of performance. Payment on the achievement of Financial Performance Targets under the Short-Term Incentive Plan is capped at 150%, with the exception of the Dr Lamont, Ms Bower and Mr Schwan who will be entitled to payments up to a maximum of 200%, if the financial stretch targets under the Short-Term Incentive Plan are exceeded.

Payments for the achievement of the Personal Target is capped at 100%.

Due to the overall financial performance of the Group, no short-term incentive awards to KMP have been made in respect of the year ended 30 June 2021.

Long-Term Incentive Plan

The Board has also approved a Long-Term Incentive Plan to continue to reward DUG's employees by issuing equity incentives. This plan effectively replaced the Loan Share Plan, which was in place in prior years

The Long-Term Incentive Plan has been implemented 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.

The Long-Term Incentive Plan provides flexibility to the Board to offer eligible participants' loan funded shares (Loan Shares), tax deferred options and performance rights (such options and performance rights, hereafter referred to as an Award). The grant of Loan Shares, and Shares issued, allocated or transferred to an eligible participant upon exercise of vested Awards will carry the same rights and entitlements as other Shares on issue, including as to voting and dividends. Awards will not carry any voting or dividend rights and participants will not, by virtue of holding an Award, be entitled to participate in a rights issue undertaken by the Company. A Loan Share is a Share whose acquisition has been fully or partly paid by a member of the Group through a limited resource loan.

An Award is an entitlement to acquire a Share upon satisfaction of the applicable vesting or exercising conditions, the exercise of the Award (if applicable) and payment of an exercise price (if applicable).

The Company will apply for the official quotation of any Shares (including Loan Shares) issued to an eligible participant under the Long-Term Incentive Plan. Awards will not be quoted on the ASX.

Loan Shares issued under the Long-Term Incentive Plan for FY21 have three-year vesting conditions, being:

- The eligible participant being actively involved in or an employee of the Group on 30 June 2023; and
- The achievement of two key financial performance hurdles, that are independently assessed, and carry the weighting outlined in the table below:

FY21 Loan Share Performance Hurdles	Allocation
Total Shareholder return	50%
Earnings per Share	50%

The participant has the ability to earn base or median incentives based on the Financial Performance Targets set out below:

FY21 Long-Term Incentive Targets – 3-year vesting period	Base	Median
Increase in total Shareholder return	150%	325%
Increase in earnings per Share	125%	250%
% earned applied on a sliding scale capped at 100%	50%	100%

The Board intends to review the Long-Term Incentive Plan hurdles in advance of making further awards under this plan to ensure that such targets are set to provide a strong incentive for participants in the plan to achieve targets.

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 2021:

Base Fees	A$
Chairperson	$180,000 (including Committee Fees)
Non-Executive Director	$75,000

Committees Fees	Chairperson (A$)	Member (A$)
Audit and Risk	$20,000	$5,000
Remuneration and Nomination	-	$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 2021 AGM.

With the exception of the Chairperson whose fee will reduce to A$120,000 per annum from 1 September 2021, no other changes to NED rates will be made for the year ending 30 June 2022.

STATUTORY AND SHARE-BASED REPORTING

Executive KMP remuneration for the years ended 30 June 2021 and 30 June 2020

		Short-Term Benefits			Post-employment	Long-term Benefits	Share-based Payments			
		Salary & Fees	Cash Bonus	Other[1]	Super-annuation	Employee Entitlements	Loan Funded Share Plan	Total Remuneration	Total Remuneration	Performance Related
	Year	US$	US$	US$	US$		US$	US$	A$	%
Matthew Lamont	**2021**	**366,628**	**-**	**40,719**	**16,081**	**6,105**	**1,046**	**430,579**	**576,215**	**-**
	2020[2]	303,167	-	37,236	16,930	5,501	(44,114)	318,720	516,702	(14%)
Louise Bower[3]	**2021**	**138,928**	**179,940**	**7,147**	**30,292**	**802**	**703**	**357,812**	**492,657**	**50%**
	2020[2]	203,841	-	(934)	19,365	4,059	(9,233)	217,098	352,248	(4%)
Philip Schwan	**2021**	**264,276**	**-**	**-**	**-**	**-**	**727**	**265,003**	**355,210**	**-**
	2020	264,276	-	-	-		3,181	267,457	398,565	1%
Total executive KMP	**2021**	**769,832**	**179,940**	**47,866**	**46,373**	**6,907**	**2,476**	**1,053,394**	**1,424,082**	
	2020	771,284	-	36,302	36,295	9,560	(50,166)	803,275	1,267,515	

1. Includes motor vehicle benefits and changes in accrued annual leave.
2. Amounts included for the year ended 30 June 2020 have been updated to include the impact of changes in leave accruals, not previously shown as part of total remuneration.
3. Ms Bower resigned as an executive on 28 February 2021 and thus amounts reflected above are up to date of resignation. The cash bonus refers to the IPO Bonus granted on successful admission to the ASX. Additional remuneration from 1 March 2021 is shown in the table at 2.6.2. below.

REPORTING CURRENCY

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

Compensation for the Australian-based executives, Dr Lamont and Ms Bower, is paid in Australian dollars and, for reporting purposes, converted to US dollars based on the applicable exchange rate at the date of payment.

NED remuneration for the years ended 30 June 2021 and 30 June 2020

	Year	Short-Term Benefits Board and Committee Fees US$	Post-employment Superannuation US$	Total US$	Total A$
Wayne Martin	**2021**	**122,795**	**11,666**	**134,461**	**180,000**
	2020	47,048	4,470	51,518	75,000
Louise Bower[1]	**2021**	**18,747**	**1,781**	**20,528**	**26,667**
	2020	-	-	-	-
Michael Malone	**2021**	**54,575**	**5,185**	**59,760**	**80,000**
	2020	3,088	293	3,381	4,923
Mark Puzey	**2021**	**64,808**	**6,157**	**70,965**	**95,000**
	2020	3,667	348	4,015	5,846
Charles Ramsden[2]	**2021**	**12,241**	**1,163**	**13,404**	**18,750**
	2020	20,607	-	20,607	30,000[3]
Frank Sciarrone	**2021**	**54,575**	**5,185**	**59,760**	**80,000**
	2020	20,607	-	20,607	30,000[3]
Total	**2021**	**327,741**	**31,137**	**358,878**	**480,417**
	2020	95,017	5,111	100,128	145,769

1. Ms Bower resigned as an executive on 28 February 2021 and continued as a non-executive member of the Board. Remuneration disclosed in this table is from 1 March to 30 June 2021.
2. Resigned 25 September 2020.
3. Paid via the issue of fully paid ordinary shares.

REPORTING CURRENCY

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

All NEDs are paid in Australian dollars and, for reporting purposes, converted to US dollars based on the applicable exchange rate at the date of payment.

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	**2021**	**539,190**	**37,267**	**3/07/20**	**30/06/23**	**A$1.35**	**-**	**576,457**	**539,190**
	2020	741,478	-	N/A	N/A	N/A	(202,288)	539,190	539,190
Louise Bower	**2021**	**1,099,765**	**25,056**	**3/07/20**	**30/06/23**	**A$1.35**	**-**	**1,124,821**	**1,099,765**
	2020	1,212,147	-	N/A	N/A	N/A	(112,382)	1,099,765	1,099,765
Philip Schwan	**2021**	**5,706,866**	**25,894**	**3/07/20**	**30/06/23**	**A$1.35**	**-**	**5,732,760**	**5,706,866**
	2020	5,706,866	-	N/A	N/A	N/A	-	5,706,866	5,706,866
Total	**2021**	**7,345,821**	**88,217**				**-**	**7,434,038**	**7,345,821**
	2020	7,660,491	-				(314,670)	7,345,821	7,660,491

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

Shareholdings of KMPs

	Balance 1 July 2020	Granted as Remuneration under Loan Share Plan	Conversion of Convertible Notes[1]	Other Acquisitions	Divested	Reclassified from Executive to NED	Balance 30 June 2021
NEDs							
Wayne Martin	-	-	231,481	-	-	-	231,481
Louise Bower	-	-	-	-	-	1,389,672	1,389,672
Michael Malone	-	-	-	185,186	-	-	185,186
Mark Puzey	-	-	-	51,000	-	-	51,000
Charles Ramsden[2]	214,167	-	-	-	-	-	-
Frank Sciarrone	171,055	-	92,593	82,038	-	-	345,686
Executives							
Matthew Lamont	26,770,054	37,267	-	-	(3,000,000)	-	23,807,321
Louise Bower	1,364,616	25,056	-	-	-	(1,389,672)	-
Philip Schwan	9,206,866	25,894	-	-	(2,000,000)	-	7,232,760
Total	**37,726,758**	**88,217**	**324,074**	**318,224**	**(5,000,000)**	**-**	**33,243,106**

1. On 30 June 2020, Mr Martin had an indirect interest in 250,000 convertible notes and Mr Sciarrone had an indirect interest in 100,000 convertible notes. The convertible notes which had a face value of A$1.00 were converted to ordinary shares at an issue price of A$1.08 on 29 July 2020.
2. Ceased as a KMP on resignation on 25 September 2020.

Loans to KMP and their related parties

On 30 June 2012, DUG provided an unsecured loan to Mr Schwan amounting to A$870,000 to enable Mr Schwan to pay the acquisition price for 2,400,000 fully paid ordinary shares in the Company. This loan was not provided as part of the Loan Share Plan.

Pursuant to the Unsecured Loan Agreement, interest is charged at the benchmark interest rate stated by the Australian tax authorities on 31 March each year. During the year ended 30 June 2021, an amount of US$354,335 was repaid and the number of shares outstanding under this agreement was 1,500,000.

The maturity date of the Unsecured Loan Agreement is 30 June 2022. If the loan is not repaid in full by the maturity date, Mr Schwan has agreed to repay a minimum of A$250,000 per annum until such time as the loan has been repaid in full.

The balance on the loan, at the option of the Company, becomes immediately due and payable if Mr Schwan is no longer engaged by the Company or fails to pay the minimum annual repayments. The Company will only have recourse to the proceeds paid or payable from the disposal of the abovementioned shares.

During the year ended 30 June 2021, a reassessment of this arrangement has concluded that the arrangement is a limited recourse loan and meets the definition of a share-based payment under AASB 2: Share Based Payments. Accordingly, the loan (including accrued interest) that was previously disclosed as a component of Other Assets on the Consolidated Statement of Financial Position has been derecognised at 1 July 2019, with a corresponding amount adjusted against Equity at 1 July 2019.

Other transactions and balances with KMP and their related parties

Details and terms and conditions of other transaction with KMP and their related parties:

On 1 July 2016, the Company entered into an agreement with Rouge Rock Pty Ltd (Rouge Rock) to provide seismic processing services by the Company to Rouge Rock. DUG holds a 49% interest in Rouge Rock and the remaining 51% is held by Mr Charles Ramsden. Mr Ramsden ceased to be a KMP upon his resignation as a director on 25 September 2020.

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. An amount of US$19,791 was paid to Comsen Solutions Pty Ltd during the year ended 30 June 2021.

End of remuneration report.

Dated at Perth on 22 September 2021.

Signed in accordance with a resolution of the Directors.

MARK PUZEY
Director

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Auditor's independence declaration to the Directors of DUG Technology Ltd

As lead auditor for the audit of the financial report of DUG Technology Ltd for the financial year ended 30 June 2021, I declare 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.

This declaration is in respect of DUG Technology Ltd and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
22 September 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	30 June 2021 US$	30 June 2020 Restated (Note 7) US$
Income			
Revenue from contracts with customers	9	38,450,411	45,336,633
Other income	10	2,924,947	4,330,582
		41,375,358	**49,667,215**
Expenses			
Depreciation and amortisation		(7,416,262)	(8,976,944)
Employee benefits	11	(30,834,000)	(30,673,286)
Other expenses	12	(11,972,488)	(9,429,506)
Operating (Loss)/Profit		**(8,847,392)**	**587,479**
Finance income	14	-	3,458
Finance expense	14	(3,751,447)	(7,136,498)
Net finance expense		**(3,751,447)**	**(7,133,040)**
Loss before tax		**(12,598,839)**	**(6,545,561)**
Tax expense	15	(3,261,540)	(5,116,601)
Loss for the year		**(15,860,379)**	**(11,662,162)**
Attributable to:			
Equity holders of the parent		(15,981,758)	(11,690,308)
Non-controlling interest		121,379	28,146
Total Comprehensive Loss		**(15,860,379)**	**(11,662,162)**
Loss per share			
Basic and diluted loss per share (cents per share)	16	(16.58)	(18.51)

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 2021

	Note	30 June 2021 US$	30 June 2020 Restated (Note 7) US$	1 July 2019 Restated (Note 7) US$
ASSETS				
Current assets				
Cash and cash equivalents	17	10,015,732	12,441,703	1,987,849
Trade and other receivables	18	5,856,040	7,220,866	8,818,692
Prepayments		593,430	1,056,720	1,105,219
Contract assets	19	842,721	521,747	761,012
Income tax receivable		341,744	-	-
Other current assets		38,192	-	-
Total current assets		**17,687,859**	**21,241,036**	**12,672,772**
Non-current assets				
Deferred tax assets	15	-	-	1,162,485
Property, plant and equipment	20	23,073,941	22,499,917	26,525,166
Right of use asset	21	14,028,564	15,378,663	17,106,947
Intangible assets	22	454,987	312,224	375,124
Other assets	23	712,965	731,955	744,841
Total non-current assets		**38,270,457**	**38,922,759**	**45,914,563**
Total assets		**55,958,316**	**60,163,795**	**58,587,335**
LIABILITIES				
Current liabilities				
Trade and other payables	24	2,204,087	3,035,263	6,021,837
Loans and borrowings	25	17,764,583	15,989,008	2,472,160
Contract liabilities	19	2,704,241	2,367,396	2,137,201
Lease liabilities	26	2,171,162	2,475,001	1,303,049
Current tax liabilities		-	-	23,192
Provisions	27	3,652,663	3,000,070	2,001,500
Total current liabilities		**28,496,736**	**26,866,738**	**13,958,939**
Non-current liabilities				
Loans and borrowings	25	-	23,669,622	21,228,261
Lease liabilities	26	15,759,322	16,044,589	18,495,047
Provisions	27	186,100	239,823	261,936
Total non-current liabilities		**15,945,422**	**39,954,034**	**39,985,244**
Total liabilities		**44,442,158**	**66,820,772**	**53,944,183**
NET ASSETS		**11,516,158**	**(6,656,977)**	**4,643,152**
EQUITY				
Share capital	28	38,671,855	4,644,673	4,603,459
Reserves	28	(569,501)	(575,832)	(896,539)
(Accumulated loss)/Retained earnings		(26,586,196)	(10,725,818)	936,232
TOTAL EQUITY/(NET DEFICIENCY)		**11,516,158**	**(6,656,977)**	**4,643,152**
Equity attributable to equity holders of parent		11,426,947	(6,624,809)	4,703,466
Non-controlling interest		89,211	(32,168)	(60,314)
TOTAL EQUITY/(NET DEFICIENCY)		**11,516,158**	**(6,656,977)**	**4,643,152**

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 2021

	Note	Share Capital US$	Translation Reserve US$	Share-based Payment reserve US$	Retained Earnings/ (Accumulated Losses) US$	Total US$	Non-controlling Interests US$	Total Equity US$
Restated balance at 1 July 2020		**4,644,673**	**(2,177,269)**	**1,601,437**	**(10,693,650)**	**(6,624,809)**	**(32,168)**	**(6,656,977)**
(Loss)/Profit for the year		-	-	-	(15,981,758)	(15,981,758)	121,379	(15,860,379)
Total comprehensive (loss)/income for the year		**-**	**-**	**-**	**(15,981,758)**	**(15,981,758)**	**121,379**	**(15,860,379)**
TRANSACTIONS WITH EQUITY HOLDERS								
Share based payments		-	-	6,331	-	6,331	-	6,331
Receipts from loan funded share plan		354,335	-	-	-	354,335	-	354,335
Shares issued during the period (net of costs)		33,672,847	-	-	-	33,672,847	-	33,672,847
Total transactions with equity holders		**34,027,182**	**-**	**6,331**	**-**	**34,033,513**	**-**	**34,033,513**
Balance at 30 June 2021		**38,671,855**	**(2,177,269)**	**1,607,768**	**(26,675,408)**	**11,426,947**	**89,211**	**11,516,158**
Balance at 1 July 2019		**5,477,686**	**(2,177,382)**	**893,452**	**8,059,567**	**12,253,323**	**(16,739)**	**12,236,584**
Restatements	7	(874,227)	-	387,166	(6,511,914)	(6,998,974)	(43,575)	(7,042,550)
Adoption AASB 16		-	113	-	(550,995)	(550,882)	-	(550,882)
Restated balance at 1 July 2019		**4,603,459**	**(2,177,269)**	**1,280,618**	**996,658**	**4,703,466**	**(60,314)**	**4,643,152**
(Loss)/Profit for the year (restated)		-	-	-	(11,690,308)	(11,690,308)	28,146	(11,662,162)
Opening balance adjustment (shares)		-	-	(11,148)	-	(11,148)	-	(11,148)
Total comprehensive (loss)/income for the year		**-**	**-**	**(11,148)**	**(11,690,308)**	**(11,701,456)**	**28,146**	**(11,673,310)**
TRANSACTIONS WITH EQUITY HOLDERS								
Share based payments		-	-	331,967	-	331,967	-	331,967
Share issued during the period		41,214	-	-	-	41,214	-	41,214
Total transactions with equity holders		**41,214**	**-**	**331,967**	**-**	**373,181**	**-**	**373,181**
Restated balance at 30 June 2020		**4,644,673**	**(2,177,269)**	**1,601,437**	**(10,693,650)**	**(6,624,809)**	**(32,168)**	**(6,656,977)**

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 2021

	Note	30 June 2021 US$	30 June 2020 US$
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		39,425,548	47,947,477
Cash paid to suppliers		(9,998,036)	(11,347,829)
Cash paid to employees		(31,536,357)	(30,808,415)
Income Tax paid		(806,731)	(1,043,793)
Receipt of Government Grants		83,199	1,511,457
Net cash flows (used in)/from operating activities	37	**(2,832,377)**	**6,258,897**
CASHFLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(6,019,173)	(3,109,026)
Acquisition of intangible assets		(192,340)	(58,500)
Proceeds from disposal of property, plant and equipment		208,000	1,583
Net cash used in investing activities		**(6,003,513)**	**(3,165,943)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		18,509,400	-
Receipts from loan funded share plan		354,335	-
Proceeds from borrowings		-	4,383,544
Proceeds from convertible notes issued		-	12,062,624
Transaction costs relating to capital raising/borrowings		(1,449,703)	(891,287)
Costs relating to convertible notes issued		-	(602,514)
Repayment of borrowings		(6,099,929)	(4,572,653)
Payment of principal portion of lease liabilities		(2,474,939)	(1,467,859)
Interest paid - Lease liabilities		(800,420)	(788,027)
Interest paid - Convertible notes		(541,752)	-
Interest paid - Debt		(724,118)	(1,308,884)
Net cash flows from financing activities		**6,772,873**	**6,814,943**
Net (decrease)/increase in cash and cash equivalents		**(2,063,017)**	**9,907,897**
Cash and cash equivalents at the beginning of the year		12,032,545	1,987,849
Effect of changes in foreign currency		46,204	136,799
Cash and cash equivalents at the end of the year	17	**10,015,732**	**12,032,545**

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 2021

1. REPORTING ENTITY

The consolidated financial statements of DUG Technology Ltd as at and for the year ended 30 June 2021 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 22 September 2021. 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 8.

2. 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 in Note 6 and have been consistently applied unless stated otherwise.

2.1 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.

For the year ended 30 June 2021, the Group incurred a net loss of US$15,860,379 (2020: US$11,662,162) and experienced net cash outflows from operating activities of US$2,832,377 which included the impact of the Group's redundancy program and the settlement of legal matters as outlined in section 1.11 of the Directors' Report (2020: net inflow of US$6,258,897).

At 30 June 2021, the Group had net current liabilities of US$10,808,877 (2020: US$5,625,702) and held cash and cash equivalents of US$10,015,732 (2020: US$12,441,703). The net current liability is primarily attributed to a loan of US$17,764,583 with the Commonwealth Bank of Australia (CBA) which, as at 30 June 2021 was due for repayment in January 2022.

Subsequent to 30 June 2021 and prior to the date of this report, the Group has secured additional capital to enable it to fund its expansion strategy in the HPCaaS operations (refer to Note 40). The termination date of all bank facilities with CBA has also been extended to 1 July 2022. As part of this extension, the Group is required to make repayments during the year ending 30 June 2022 of US$6,250,000 with the remainder of US$11,504,583 to be repaid on 1 July 2022. The Group continues to explore alternative funding options to enable it to meet its debt repayment obligations.

The Directors have prepared the financial statements on the going concern basis as they are satisfied that the Group will be able to raise the additional funding required to meet the Group's obligations as, and when, they fall due. This determination is based upon the Group having recently demonstrated its ability to successfully raise capital from multiple sources.

In the event that the Group is unable to raise additional capital, material uncertainty would exist that may cast doubt on the ability of the Consolidated Entity to continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

3. 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.

4. 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. The amounts presented in the consolidated financial statements have been rounded to the nearest dollar.

5. 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:

5.1 Revenue recognition

Services revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on outputs delivered to or consumed by the customer. 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.

Services contract revenue comprises the initial amount of revenue agreed in the contract and subsequent variations to the extent that it is highly probable that a significant reversal of revenue recognised will not occur when any uncertainty associated with the variable consideration is subsequently resolved.

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.

5.2 Expected credit loss allowance for receivables

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. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 18.

5.3 Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result 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.

5.4 Impairment of non-financial 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. Refer to Note 29.

5.5 Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. 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. Refer to Note 15.

5.6 AASB 16 Leases

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.

5.7 Contingent liabilities

The preparation of the financial statements has required the Group to make judgment, estimates and assumptions that affect the reported amounts of liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount in future periods. Refer to Note 38.

5.8 Share-based payments

The Group provides benefits to certain employees in the form of share-based payment transactions, whereby employees render services in exchange for share-based payments. The costs of share-based payment transactions with employees are measured by reference to the fair value of the equity instruments at the grant date and is recognised over the period in which performance and/or service conditions are fulfilled. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. Refer to Note 36 for further information.

5.9 Consolidation of entities in which the Group holds less than a majority of voting rights

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 and is responsible for the strategic direction and day to day management of the entity.

5.10 Onerous contracts

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.

5.11 Investment in Rouge Rocks Pty Ltd (Rouge Rock)

The Group holds a 49% interest in Rouge Rock, an unlisted company. The Group has always considered its interest in Rouge Rock to be a non-core asset.

As the Group does not have any active involvement with this entity, during the year it has re-designated its investment in Rouge Rock as a financial asset fair value through profit or loss. At 30 June 2021, the fair value of this financial asset was determined to be nil taking into account its significant net asset deficiency.

6. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

6.1 Basis of consolidation

a) Subsidiaries

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.

b) Transactions eliminated on consolidation

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

6.2 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.

6.3 Revenue

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 McCloud 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) Service 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). 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. There are 2 types of licences – node locked (valid only for a designated computer) and floating (may be used by any person directly employed by the Licensee but only allows one concurrent user).

Revenues relating to node-locked licence agreements are recognised at the point of sale, as the Group considers that such agreements provide customers with a right to use the Group's software products and as such the performance obligation is fulfilled at the point in time at which the customer receives the licence key.

Revenues relating to floating licence agreements are 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 floating licences which 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.

6.4 Other income

a) 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 received 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.

b) Management fees

The Company charges management fees for performing various services on behalf of the subsidiary entities.

6.5 Employee benefits

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) Loan funded share plans

The loan funded share plans allow certain employees to acquire shares in the Company. The grant date fair value of the shares issued is recognised as an employee share based payment in the profit and loss with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the shares. The fair value of the shares granted is measured using a Black-Scholes pricing model, taking into account the terms and conditions upon which the shares were granted. 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.

6.6 Research and development expenses

Research and development expenses consist primarily of personnel and related costs directly associated with the Group's research and development employees, as well as direct costs of research and development (including subscriptions) and allocated overheads. Research and development costs are expensed as incurred.

6.7 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. 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.

6.8 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.

6.9 Property, plant and equipment

a) 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.

b) 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.

c) Depreciation

Depreciation is calculated to write off 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 period of lease
○ Right of use asset	No longer than period of lease
○ Office equipment and motor vehicles	3 to 4 years

6.10 Intangible assets

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.

a) 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.

b) 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.

c) 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.

d) Amortisation

Amortisation is calculated to write off the cost 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	2.5 to 4 years
○ 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.

6.11 Bonds and security deposits

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, with terms ranging from 2 to 10 years.

6.12 Financial instruments

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 assets.

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.

6.13 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.

6.14 Trade and other receivables

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 as outlined at Note 5.2. Bad debts are written off as incurred.

6.15 Contract assets

Contract assets represents the fair value consideration in exchange for goods or services that the Group has transferred to its customer, but contractually is not entitled to invoice.

6.16 Trade and other payables

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.

6.17 Contract liabilities

Contract Liabilities represent the fair value consideration received from its customer in advance of the Group meeting its performance obligations to deliver goods or services.

6.18 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:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;

- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- 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.

6.19 Provisions

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

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.

6.20 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.

Convertible notes

Convertible notes which include embedded derivatives (option to convert the security to variable number of shares in the Company), are initially recognised as financial liabilities at cost, which equates to the proceeds received, and subsequently measured at fair value. The movements are recognised on the Consolidated Statement of Profit or Loss as transaction costs.

6.21 Share capital

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.

6.22 Determination of 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.

6.23 Earnings per share

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.

6.24 Segment information

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.

6.25 Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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.

6.26 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 2020, unless otherwise stated. All new and amended accounting standards and interpretations effective from 1 July 2020 were adopted by the Group with no material impact.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below.

The Group intends to adopt these 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 are 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.

New / Revised Pronouncement	Effective Date
AASB 2020-1: Amendments to Australian Accounting Standards - Classification of Liabilities as current or Non-current	1 July 2022 (the mandatory effective date of AASB 2020-1 has been deferred to 1 January 2022 by AASB 2020-6)
AASB 2020-3: Amendments to Australian Accounting Standards - Annual Improvements 2018–2020 and Other Amendments	1 July 2022
AASB 2020-8: Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2 - September 2020	1 July 2021
SB 2021-2: Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates	1 July 2023

7. ADJUSTMENTS TO COMPARATIVE PERIOD

During 2021, the Group identified certain matters which have resulted in adjustments to prior periods.

The impact on previously reported amounts is summarised in the tables below. In these tables, 'adjustments' refer to restatements with profit or loss impact while 'reclassifications' relate to those with no profit or loss impact.

The increase in the reported net loss for the year ended 30 June 2020 is mainly driven by the reassessment and subsequent derecognition of deferred tax assets on the balance sheet as outlined in Note 7.4, offset by an increase in revenue arising from timing differences related to the reassessment of revenue recognition under AASB15 as outlined in Note 7.1.

Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2020	Note	30 June 2020 As Reported US$	30 June 2020 Adjustments US$	30 June 2020 Reclassification US$	30 June 2020 Restated US$
Income					
Revenue from contracts with customers	7.1	49,404,945	1,057,816	(5,126,128)	45,336,633
Other income	7.1	-	-	4,330,582	4,330,582
		49,404,945	**1,057,816**	**(795,546)**	**49,667,215**
Expenses					
Depreciation and amortisation	7.2	(9,219,079)	242,135	-	(8,976,944)
Employee benefits	7.3	(30,425,508)	(247,778)	-	(30,673,286)
Other expense	7.1, 7.3, 7.5	(9,808,354)	(416,698)	795,546	(9,429,506)
Operating (Loss)/Profit		**(47,996)**	**635,475**	**-**	**587,479**
Finance income	7.5	49,756	(46,298)	-	3,458
Finance expense	7.2	(6,878,768)	(257,730)	-	(7,136,498)
Net finance expense		**(6,829,012)**	**(304,028)**	**-**	**(7,133,040)**
(Loss)/Profit before tax		**(6,877,008)**	**331,447**	**-**	**(6,545,561)**
Tax expense	7.4	(1,398,275)	(3,718,326)	-	(5,116,601)
Loss for the year		**(8,275,283)**	**(3,386,879)**	**-**	**(11,662,162)**
Basic and diluted loss per share (cents per share)		**(13.04)**	**(5.47)**	**-**	**(18.51)**

The decrease in net assets at 30 June 2020 is mainly driven by the reassessment and subsequent derecognition of deferred tax assets on the balance sheet as outlined in Note 7.4 and the recognition of contract liabilities representing deferred revenue arising from timing differences related to the reassessment of revenue recognition under AASB15 as outlined in Note 7.1.

Statement of Financial Position As at 30 June 2020	Note	30 June 2020 as Reported US$	30 June 2020 Adjustments US$	30 June 2020 Reclassification US$	30 June 2020 Restated US$
ASSETS					
Cash and cash equivalents	7.6	12,032,545	-	409,158	12,441,703
Trade and other receivables	7.1	7,812,598	(591,732)	-	7,220,866
Other current assets	7.6	1,272,693	-	(1,272,693)	-
Deferred tax assets	7.4	5,786,974	(5,786,974)	-	-
Property, plant and equipment	7.2	22,766,640	-	(266,723)	22,499,917
Right of use assets	7.2	12,266,875	2,845,065	266,723	15,378,663
Other non-current assets	7.5 & 7.6	918,690	(901,111)	714,376	731,955
Total assets		**64,747,706**	**(4,434,752)**	**(149,159)**	**60,163,795**
LIABILITIES					
Contract liabilities	7.1	444,984	1,922,412	-	2,367,396
Loans and borrowings	7.2 & 7.6	40,054,990	-	(396,360)	39,658,630
Provisions	7.3	2,188,188	1,051,705	-	3,239,893
Lease liabilities	7.2	15,251,829	3,020,560	247,201	18,519,590
Total liabilities		**60,975,254**	**5,994,677**	**(149,159)**	**66,820,772**
NET ASSETS		**3,772,452**	**(10,429,429)**	**-**	**(6,656,977)**
EQUITY					
Share capital	7.5	5,518,900	(874,227)	-	4,644,673
Reserves	7.5	(962,998)	387,166	-	(575,832)
Retained earnings		(783,450)	(9,942,368)	-	(10,725,818)
TOTAL EQUITY/(NET DEFICIENCY)		**3,772,452**	**(10,429,429)**	**-**	**(6,656,977)**

Statement of Financial Position As at 1 July 2019	Note	30 June 2019 As Reported US$	1 July 2019 Adjustment US$	1 July 2019 Reclass US$	1 July 2019 Adopt AASB16 US$	1 July 2019 Restated US$
ASSETS						
Trade and other receivables	7.1	10,253,451	(1,434,759)	-	-	8,818,692
Other current assets	7.6	1,236,240	-	(1,236,240)	-	-
Deferred tax assets	7.4	3,232,039	(2,069,554)	-	-	1,162,485
Property, plant and equipment	7.2	26,888,879	-	(363,713)	-	26,525,166
Right of use assets	7.2	-	2,602,907	363,713	14,140,327	17,106,947
Other assets	7.6	874,227	(874,227)	744,851	-	744,851
Total assets		**46,714,040**	**(1,775,633)**	**(491,399)**	**14,140,327**	**58,587,335**
LIABILITIES						
Trade and other payables		8,016,536	-	-	(1,994,699)	6,021,837
Contract liabilities	7.1	-	2,137,201	-	-	2,137,201
Loans and borrowings	7.2 & 7.6	24,541,179	-	(840,758)	-	23,700,421
Provisions	7.3	1,896,549	366,887	-	-	2,263,436
Lease liabilities	7.2	-	32,762,829	349,359	16,685,908	19,798,096
Total liabilities		**34,477,456**	**5,266,917**	**(491,399)**	**14,691,209**	**53,944,183**
NET ASSETS		**12,236,584**	**(7,042,550)**	**-**	**(550,882**	**4,643,152**
EQUITY						
Share capital	7.5	5,477,686	(874,227)	-		4,603,459
Reserves	7.5	(1,283,818)	387,166	-	113	(896,539)
Retained earnings		8,042,716	(6,555,489)	-	(550,995)	936,232
TOTAL EQUITY/(NET DEFICIENCY)		**12,236,584**	**(7,042,550)**	**-**	**(550,882)**	**4,643,152**

The adjustments made are more fully described below:

7.1 A reassessment of the facts and circumstances associated with the adoption of AASB 15: *Revenue from Contracts with Customers* (**AASB 15**) has led to the following changes in revenue recognition and disclosure:

- In the prior year, software revenue was recognised on a ‘right to use’ basis where revenue was recorded at the point in time when a software licence was transferred to a customer. In the current year, the Group reassessed its performance obligations associated with its software contracts and considered it more appropriate that revenue be recognised over the term of the software contract as it was concluded that the licence creates a ‘right of access’. This has resulted in the recognition of contract liabilities of US$2,137,201 at 1 July 2019 and an increase in contract liabilities at 30 June 2020 of US$1,922,412. The impact on revenue recognised for the year ended 30 June 2020 was an increase of US$214,790;
- The Group has reassessed its accounting treatment in relation to a collaborative agreement with a third-party company, whereby the current year accounting reflects the Group’s underlying entitlement to revenue as per the contract with the third-party company. This has resulted in a decrease to retained earnings and trade and other receivables at 1 July 2019 of US$1,434,759, an increase of US$843,026 in revenue for the year ended 30 June 2020 and a decrease to trade and other receivables as 30 June 2020 of US$591,732;
- In the prior year, the Group classified R&D concessions and other government grants of US$4,330,582 as revenue in its Consolidated Statement of Profit or Loss and Other Comprehensive Income. As this receipt does not meet the requirements of revenue from contracts with customers, the Group considered it more appropriate to classify such items as other income in accordance with AASB 120: Accounting for Government Grants and Disclosure of Government Assistance; and

- The Group previously classified sales discounts provided to customers within other operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Sales discounts granted of US$795,546 have been reclassified from other operating expense to revenue from contracts with customers for the year ending 30 June 2020.
- The net impact of the adjustments described above on revenue from contracts with customers for the year ended 30 June 2020 is an increase of US$1,057,816.

7.2 As required by AASB16: *Leases* (**AASB 16**), the Group recognised right of use assets and lease liabilities in the year ended 30 June 2020, adopting the modified retrospective method.

- In determining the amount recognised for right of use assets and lease liabilities on transition to AASB 16, the Group, applied certain assumptions with reference to underlying lease terms included in its lease contracts. In the current year, the Group completed a reassessment of the lease term associated with one of its infrastructure facilities taking into consideration contractual lease extension options, which indicated that the lease extension options should have been included in the transition to AASB 16 on 1 July 2019. As a result of this reassessment, right of use assets recognised at 1 July 2019 increased by US$2,602,907 (30 June 2020: US$2,845,065) and lease liabilities increased by US$2,762,829 (30 June 2020: US$3,020,560). The impact of this change on the loss for the year ended 30 June 2020 was an increase of US$15,595 comprising a decrease of US$242,135 in depreciation and an increase in finance expense of $257,730.
- In the prior period, the outstanding balance on a facility used to fund a data centre fit-out in the Group's Malaysian operations was classified as part of loans and borrowings with the related assets included in the balance of property, plant and equipment (**PP&E**). The amount should have been reclassified to right of use assets and lease liabilities on transition to AASB 16 on 1 July 2019. The Group has reassessed this and now accounts for this arrangement in terms of AASB16. As a result, PP&E has decreased by US$363,713 at 1 July 2019 and by US$266,723 at 30 June 2020 with a corresponding increase in right of use assets. Loans and borrowings have decreased by US$349,359 at 1 July 2019 and by US$247,201 at 30 June 2020, with a corresponding increase in lease liabilities.

7.3 In the current year the Group reviewed its obligations to employees in overseas jurisdictions, reassessing its annual leave liability where employees are entitled to varying levels of paid annual leave in each calendar year (defined as 1 January to 31 December). Such entitlements have been further impacted by changes to government regulations in each respective jurisdiction associated with COVID-19. Accordingly, in the current year the Group has calculated its annual leave liability for overseas jurisdictions resulting in an increase to the annual leave liability of US$366,887 at 1 July 2019 with a corresponding decrease to retained earnings, and a further increase of US$247,778 at 30 June 2020 with a corresponding increase to employee benefits expense.

The Group also reviewed its key assumptions regarding costs to complete service contracts including estimation of time to completion, labour costs and compute costs, and determined that a provision for onerous contracts of US$437,041 should have been raised at 30 June 2020 and which also increases other expenses by US$437,041.

7.4 The Group has reassessed the recoverability of deferred tax assets at 1 July 2019 and 30 June 2020 using the best information available at those dates, including prevailing economic conditions and the impact of COVID-19. As a result of the uncertainty around the utilisation timeframe associated with such deferred tax assets, an amount of $2,069,554 and $5,786,974 should not have been recognised at 1 July 2019 and 30 June 2020 respectively with corresponding decreases in the retained earnings.

Whilst such deferred tax assets are no longer recognised, they remain available to the Group to be used against future taxable income.

7.5 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. A reassessment of this arrangement has concluded that the arrangement is a limited recourse loan and meets the definition of a share-based payment under *AASB 2: Share Based Payment*. Accordingly, the loan (including accrued interest) that was previously disclosed as a component of other assets has been derecognised at 1 July 2019, with a corresponding amount adjusted against Equity at 1 July 2019. The impact on other expenses for the year ended 30 June 2020 is a decrease of US$20,344 and a decrease in Finance income of US$46,298. The share-based payment reserve also increased by the fair value of the in-substance option of US$387,166 with a corresponding decrease in the retained earnings.

7.6 The Group has reassessed the classification of certain property bonds, bank guarantees and overdraft. At 1 July 2019, this has resulted in the reduction of other current assets of US$1,236,240, an increase in non-current other assets of $744,841 and a reduction in loans and borrowings of US$491,399. At 30 June 2020, this has resulted in the reduction of other current assets of US$1,272,693, an increase in non-current other assets of US$714,376, an increase in the cash and cash equivalents of US$409,158 and a reduction in Loans and borrowings of US$149,159.

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

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

The Group monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. The Group's financing (including finance costs, 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 is charged by the HPCaaS segment for their use. This results in inter-segment revenue reported in the HPCaaS segment with the corresponding costs recorded in other expenses in the Services segment. These inter-segment values eliminate on consolidation.

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

30 June 2021	HPCaaS US$	Services US$	Software US$	Total Segments US$	Eliminations US$	Consolidated US$
Income						
Revenue from contracts with external customers	2,705,647	30,602,989	5,141,775	38,450,411	-	38,450,411
Inter-segment	17,262,408	56,871	-	17,319,279	(17,319,279)	-
Other income	446,320	1,683,011	795,616	2,924,947	-	2,924,947
	20,414,375	**32,342,871**	**5,937,391**	**58,694,637**	**(17,319,279)**	**41,375,358**
Expenses						
Employee benefits & consultants	7,541,536	21,647,428	2,160,198	31,349,162	(515,162)	30,834,000
IT facilities, related costs & consultants	3,307,175	1,084,923	115,659	4,507,757	-	4,507,757
Other expenses	2,333,627	20,391,635	1,543,586	24,268,848	(16,804,117)	7,464,731
	13,182,338	**43,123,986**	**3,819,443**	**60,125,767**	**(17,319,279)**	**42,806,488**
Segment EBITDA [1]	**7,232,037**	**(10,781,115)**	**2,117,948**	**(1,431,130)**	-	**(1,431,130)**
EBITDA % [1]	***35.4%***	***(33.37%)***	***35.7%***			***(3.5)%***
Depreciation & amortisation	5,867,913	1,292,558	255,791	7,416,262	-	7,416,262
Segment EBIT	**1,364,124**	**(12,073,673)**	**1,862,157**	**(8,847,392)**	-	**(8,847,392)**
Segment assets	**31,808,587**	**11,370,543**	**1,708,745**	**44,887,875**	-	**44,887,875**
Segment liabilities	**1,650,778**	**4,218,702**	**2,877,611**	**8,747,091**	-	**8,747,091**

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

30 June 2020 Restated	HPCaaS US$	Services US$	Software US$	Total Segments US$	Eliminations US$	Consolidated US$
Income						
Revenue from contracts with external customers	1,052,088	37,994,703	6,289,842	45,366,633	-	45,366,633
Inter-segment	10,767,240	-	-	10,767,240	(10,767,240)	-
Other Income	598,348	2,980,603	751,631	4,330,582	-	4,330,582
	12,417,676	**40,975,306**	**7,041,473**	**60,434,455**	**(10,767,240)**	**49,667,215**
Expenses						
Employee benefits & consultants	6,356,946	10,205,788	2,020,150	18,582,884	-	18,582,884
IT facilities, related costs & consultants	2,405,086	618,319	86,279	3,109,684	-	3,109,684
Other expenses	1,455,627	26,970,798	751,039	29,177,464	(10,767,240)	18,410,224
	10,217,659	**37,794,905**	**2,857,468**	**50,870,032**	**(10,767,240)**	**40,102,792**
Segment EBITDA [1]	**2,200,017**	**3,180,401**	**4,184,005**	**9,564,423**	**-**	**9,564,423**
EBITDA % [1]	***17.7%***	***7.8%***	***59.4%***			***19.3%***
Depreciation & amortisation	7,148,943	1,530,713	297,288	8,976,944	-	8,976,944
Segment EBIT	**(4,948,926)**	**1,649,688**	**3,886,717**	**587,479**	**-**	**587,479**
Segment assets	**30,768,433**	**14,405,551**	**1,816,153**	**46,990,137**	**-**	**46,990,137**
Segment liabilities	**1,077,116**	**4,762,201**	**2,803,235**	**8,642,553**	**-**	**8,642,552**

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

	30 June 2021 US$	30 June 2020 Restated US$
Reconciliation of assets		
Segment assets	44,887,875	46,990,137
Cash and cash equivalents	10,015,732	12,441,703
Income tax receivable	341,744	-
Other assets	712,965	731,955
Total assets	**55,958,316**	**60,163,795**
Reconciliation of liabilities		
Segment liabilities	8,747,091	8,642,552
Loans and borrowings	17,764,583	39,658,630
Lease liabilities	17,930,484	18,519,590
Total liabilities	**44,442,158**	**66,820,772**
Reconciliation of profit		
Segment EBIT	(8,847,392)	587,479
Finance expense	(3,751,447)	(7,136,498)
Finance income	-	3,458
Loss before tax	**(12,598,839)**	**(6,545,561)**

9. REVENUE FROM CONTRACTS WITH CUSTOMERS

	30 June 2021 US$	30 June 2020 Restated US$
Services	30,602,989	37,994,702
Software	5,164,871	6,278,702
HPCaaS	2,682,551	1,063,229
Revenue from contracts with customers	**38,450,411**	**45,336,633**
Timing of revenue recognition		
Over time[1]	37,650,497	44,620,327
At a point in time[2]	799,914	716,306
Revenue from contracts with customers	**38,450,411**	**45,336,633**

1 Relating to the sale of software licenses other than node-locked licences, services and HPCaaS.
2 Relating to revenue from node-locked software licences.

Geographic information		
Australia	11,470,758	8,889,790
United Kingdom	9,981,965	17,682,742
United States of America	10,777,009	8,920,001
Malaysia	6,220,680	9,664,101
Revenue from contracts with customers	**38,450,411**	**45,336,633**

10. OTHER INCOME

	30 June 2021 US$	30 June 2020 Restated US$
Government grant - R&D tax concession	2,841,748	2,819,125
Government grant - other	83,199	1,511,457
Other income	**2,924,947**	**4,330,582**

11. EMPLOYEE BENEFITS

	30 June 2021 US$	30 June 2020 Restated US$
Salaries and fees	24,444,410	25,086,191
Superannuation	1,972,839	1,822,040
Payroll tax	1,585,082	1,553,756
Other benefits	2,825,338	1,879,332
Share based payments	6,331	331,967
	30,834,000	**30,673,286**

12. OTHER EXPENSES

	30 June 2021 US$	30 June 2020 Restated US$
Sales and marketing	387,739	753,922
Office facilities	1,153,234	1,244,499
Consultants	1,533,712	1,156,383
Loss on disposal of property, plant and equipment	15,102	1,583
Realised and unrealised foreign exchange (gain)/loss – net	488,270	(158,513)
IT facilities and related costs	3,602,255	2,981,173
Professional fees	1,849,083	838,128
Other	2,943,093	2,612,331
Other expenses	**11,972,488**	**9,429,506**

13. AUDITOR'S REMUNERATION

	30 June 2021 US$	30 June 2020 Restated US$
Amounts received or due and receivable by auditors of the Group are set out below:		
Amounts received or due and receivable by Ernst & Young		
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of controlled entities	161,638	-
	161,638	**-**
Amounts received or due and receivable Moore Australia Audit (WA)		
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of controlled entities	49,723	178,042
Fees for other assurance services	-	60,970
Non-audit services		
Investigating Accountant's Report	-	53,874
	49,723	**292,886**
Amounts received or due and receivable by other firms		
Fees for auditing the local statutory financial report of the oversees controlled entities	44,252	-
	44,252	**-**
Total audit fees	**255,613**	**292,886**

14. FINANCE INCOME / (EXPENSE)

	30 June 2021 US$	30 June 2020 Restated US$
Interest income	-	3,458
Finance income	**-**	**3,458**
Interest expense - debt	(704,130)	(1,110,312)
Debt arrangement fees	(94,960)	(123,837)
Interest expenses - leases	(1,134,349)	(1,129,383)
Convertible note expenses	(1,338,813)	(4,020,118)
IPO and capital raising fees	(479,195)	(752,847)
Finance expense	**(3,751,447)**	**(7,136,498)**
Net finance expense	**(3,751,447)**	**(7,133,040)**

15. INCOME TAXES

	30 June 2021 US$	30 June 2020 Restated US$
a) Amounts recognised in consolidated profit or loss and other comprehensive income		
The components of tax expense/(benefit) comprise:		
Current tax expense	2,892,050	3,128,885
Withholding tax	299,039	561,175
Adjustment for prior years	70,451	293,261
Total current tax expense	**3,261,540**	**3,983,321**
Adjustment for prior years	-	(29,205)
Deferred tax assets derecognised	-	1,162,485
Total deferred tax benefit	**-**	**1,133,280**
Tax expense	**3,261,540**	**5,116,601**
b) Numerical reconciliation of tax expense		
Loss before tax	**(12,598,839)**	**(6,545,561)**
Tax using the Company's domestic tax rate of 30%	(3,779,652)	(1,963,668)
Add/(Less) the tax effect of:		
Effect of tax rates in foreign jurisdictions	1,955,044	14,264
Change in tax rates	(1,491,391)	(218,074)
Research and development income	(852,524)	(845,738)
Research and development expense	2,214,349	2,289,291
Pioneer status income not subject to tax	-	(526,141)
Other non-assessable income	(29,192)	(299,170)
Capital allowances	-	(93,427)
Other non-deductible expenses	391,212	1,857,392
Other differences	(861,110)	(171,568)
Adjustment for prior years	70,451	264,056
Withholding tax	299,039	561,175
Deferred tax assets derecognised	-	1,162,485
Deferred tax assets not recognised	5,345,314	3,085,724
Tax expense	**3,261,540**	**5,116,601**

c) Movement in temporary differences

At 30 June 2021 the Group has unrecognised deferred tax assets amounting to US$15,053,713 (30 June 2020: US$9,708,399).

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 beneath:

	Restated 30 June 2020 US$	Recognised in Profit or Loss US$	Balance 30 June 2021 US$
Deferred tax liabilities			
Property, plant and equipment	(2,838,174)	(960,684)	(3,798,858)
Cash and cash equivalents	(17,744)	(34,408)	(52,152)
Deferred tax assets			
Trade and other receivables	121,688	515,085	636,773
Trade and other payables	384,796	572,564	957,360
Leases	540,248	59,223	599,471
Provisions	742,890	177,792	920,682
Other current assets	481,811	223,928	705,739
Tax losses carried forward	10,292,884	4,791,814	15,084,698
Deferred tax assets derecognised	(9,708,399)	(5,345,314)	(15,053,713)
	-	-	-

	Restated 1 July 2019 US$	Recognised in Profit or Loss US$	Restated 30 June 2020 US$
Deferred tax liabilities			
Property, plant and equipment	(3,429,850)	591,676	(2,838,174)
Cash and cash equivalents	(64,568)	46,824	(17,744)
Deferred tax assets			
Trade and other receivables	4,548	117,140	121,688
Trade and other payables	546,733	(161,937)	384,796
Leases	-	540,248	540,248
Provisions	604,620	138,270	742,890
Other current assets	234,602	247,209	481,811
Tax losses carried forward	9,889,075	403,809	10,292,884
Deferred tax assets derecognised	(6,622,675)	(3,085,724)	(9,708,399)
	1,162,485	**(1,162,485)**	-

d) Franking credit balance

The franking account balance of the Company as at the end of the financial year at 30% is A$800,258 (2020: A$546,723). The balance will be reduced to A$560,619 when the Company receives its income tax refund of A$239,639 in 2022.

16. LOSS PER SHARE

	30 June 2021 US$	30 June 2020 Restated US$
Basic and diluted loss per share (cents per share)	(16.58)	(18.51)
Loss used in calculating basic and diluted loss per share	(15,981,758)	(11,690,308)

	30 June 2021 Number	30 June 2020 Number
Weighted average number of ordinary shares used in calculating basic and adjusted diluted loss per share	96,383,021	63,156,886

17. CASH AND CASH EQUIVALENTS

	30 June 2021 US$	30 June 2020 US$
Cash at bank and on hand	10,015,732	12,441,703
Total cash and cash equivalents	**10,015,732**	**12,441,703**
Bank overdrafts	-	(409,158)
Cash and cash equivalents in the Statement of Cashflows	**10,015,732**	**12,032,545**

A secured bank overdraft facility of A$1,000,000 (2020: A$1,000,000) is in place, with an applicable floating charge rate based on an overdraft index rate plus a margin.

18. TRADE AND OTHER RECEIVABLES

	30 June 2021 US$	30 June 2020 Restated US$
Current asset		
Trade receivables	6,450,989	7,313,543
Provision for impairment	(600,807)	(92,769)
Trade receivables - net	**5,850,182**	**7,220,774**
Other receivables	5,858	92
Trade and other receivables	**5,856,040**	**7,220,866**

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 2021 US$	30 June 2020 US$
As at 1 July	(92,769)	-
Provision for expected credit losses	(585,132)	(92,769)
Unwind of prior year's provision	77,094	-
As at 30 June	**(600,807)**	**(92,769)**

a) Expected credit loss lifetime credit: impaired

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 30). At 30 June 2021 a total of 40% of year end trade receivables were concentrated to the top five customers (FY20: 37%).

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 2021 is determined as follows. The expected credit losses below also incorporate forward-looking information.

30 June 2021	Current US$	31-60 days US$	61-90 days US$	>90 days US$	Total US$
Gross carrying amount	**3,044,922**	**822,832**	**399,813**	**2,189,280**	**6,456,847**
Specific loss allowing provision	-	(79,995)	-	(304,093)	(384,088)
Expected credit loss provision	(79,136)	(11,448)	(22,347)	(103,788)	(216,719
Net carrying amount	**2,965,786**	**731,389**	**377,466**	**1,781,399**	**5,856,040**
Expected loss rate	2.6%	1.5%	5.5%	5.5%	3.6%

30 June 2020 Restated	Current US$	31-60 days US$	61-90 days US$	>90 days US$	Total US$
Gross carrying amount	**3,975,465**	**1,308,050**	**1,206,337**	**823,783**	**7,313,635**
Specific loss allowing provision	-	-	-	(92,769)	(92,769)
Net carrying amount	**3,975,465**	**1,308,050**	**1,206,337**	**731,014**	**7,220,866**
Expected loss rate	0%	0%	0%	0%	0%

b) Financial assets measured at amortised cost

	30 June 2021 US$	30 June 2020 Restated US$
Trade and other receivables		
Current	5,856,040	7,220,866
Non-current	-	-
Total financial assets classified as loans and other receivables	**5,856,040**	**7,220,866**

19. CONTRACT ASSETS / LIABILITIES

	30 June 2021 US$	30 June 2020 Restated US$
Contract Assets - Current		
Services revenue	836,346	521,747
Software revenue	-	-
High-performance computing revenue	6,375	-
Total	**842,721**	**521,747**
Contract Liabilities - Current		
Services revenue	226,837	186,485
Software revenue	2,353,730	2,180,911
High-performance computing revenue	123,674	-
Total	**2,704,241**	**2,367,396**

a) 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 six reputable customers. Taking into account their operational reputation, past historical experience and the short-term nature of the contract assets, expected credit loss allowance was determined to be immaterial.

20. PROPERTY, PLANT AND EQUIPMENT

	Data Centre Infrastructure and HPC US$	Leasehold Improvements US$	Office Equipment and Motor Vehicles US$	Under Construction US$	Total US$
Cost					
Balance at 1 July 2019	51,576,234	4,923,342	1,691,402	1,904,560	60,095,538
Restatement at 1 July 2019	(116,002)	(387,396)	-	-	(503,398)
Additions	3,423,743	118,767	85,248	(519,966)	3,107,792
Disposals	(455,170)	-	-	-	(455,170)
Restated balance at 30 June 2020	**54,428,805**	**4,654,713**	**1,776,650**	**1,384,594**	**62,244,762**
Balance at 1 July 2020 Restated	54,428,805	4,654,713	1,776,650	1,384,594	62,244,762
Additions	5,698,755	821	1,463	320,012	6,021,051
Reclassifications	1,067,944	-	-	(1,067,944)	-
Disposals	(2,113,122)	-	(120,061)	(208,000)	(2,441,183)
Balance at 30 June 2021	**59,082,382**	**4,655,534**	**1,658,052**	**428,662**	**65,824,630**
Accumulated depreciation					
Balance at 1 July 2019	30,076,645	1,769,153	1,360,880	-	33,206,678
Restatement at 1 July 2019	(28,999)	(110,685)	-	-	(139,684)
Depreciation	6,362,695	511,143	252,167	-	7,126,005
Disposals	(448,154)	-	-	-	(448,154)
Restated balance at 30 June 2020	**35,962,187**	**2,169,611**	**1,613,047**	**-**	**39,744,845**
Restated Balance at 1 July 2020	35,962,187	2,169,611	1,613,047	-	39,744,845
Depreciation	4,564,981	528,636	130,276	-	5,223,893
Disposals	(2,097,988)	-	(120,061)	-	(2,218,049)
Balance at 30 June 2021	**38,429,180**	**2,698,247**	**1,623,262**	**-**	**42,750,689**
Carrying amounts					
Restated at 30 June 2020	18,466,618	2,485,102	163,603	1,384,594	22,499,917
At 30 June 2021	**20,653,202**	**1,957,287**	**34,790**	**428,662**	**23,073,941**

21. RIGHT OF USE ASSETS

	Offices US$	Data Centre US$	Global Fibre Links US$	Total US$
Cost				
Balance at 1 July 2019	-	-	-	-
Restatement at 1 July 2019	503,398	2,701,942	-	3,205,340
Adoption of AASB 16	11,455,092	5,617,043	684,449	17,756,584
Additions	-	-	-	-
Disposals	-	-	-	-
Restated Balance at 30 June 2020	**11,958,490**	**8,318,985**	**684,449**	**20,961,924**
Restated Balance at 1 July 2020	11,958,490	8,318,985	684,449	20,961,924
Additions	37,342	-	756,589	793,931
Reclassifications	(88,442)	-	-	(88,442)
Disposals	(173,803)	-	-	(173,803)
Balance at 30 June 2021	**11,733,587**	**8,318,985**	**1,441,038**	**21,493,610**
Accumulated depreciation				
Balance at 1 July 2019	-	-	-	-
Adoption of AASB 16	3,625,521	226,696	2,767	3,854,984
Depreciation	1,427,169	268,482	32,626	1,728,277
Disposals	-	-	-	-
Restated Balance at 30 June 2020	**5,052,690**	**495,178**	**35,393**	**5,583,261**
Restated Balance at 1 July 2020	5,052,690	495,178	35,393	5,583,261
Depreciation	1,404,182	396,142	288,430	2,088,754
Reclassifications	(33,166)	-	-	(33,166)
Disposals	(173,803)	-	-	(173,803)
Balance at 30 June 2021	**6,249,903**	**891,320**	**323,823**	**7,465,046**
Carrying amounts				
Restated At 30 June 2020	6,905,800	7,823,807	649,056	15,378,663
At 30 June 2021	**5,483,684**	**7,427,665**	**1,117,215**	**14,028,564**

22. INTANGIBLE ASSETS

	Website US$	Software US$	Patents and Trademarks US$	Total US$
Cost				
Balance at 1 July 2019	19,707	91,263	1,456,729	1,567,699
Acquisitions	-	-	58,500	58,500
Balance at 30 June 2020	**19,707**	**91,263**	**1,515,229**	**1,626,199**
Balance at 1 July 2020	19,707	91,263	1,515,229	1,626,199
Acquisitions	-	125,000	67,339	192,339
Reclassifications	-	1,035,157	(1,035,157)	-
Balance at 30 June 2021	**19,707**	**1,251,420**	**547,411**	**1,818,538**
Accumulated amortisation				
Balance at 1 July 2019	2,701	83,095	1,106,779	1,192,575
Amortisation	4,925	8,168	108,307	121,400
Balance at 30 June 2020	**7,626**	**91,263**	**1,215,086**	**1,313,975**
Balance at 1 July 2020	7,626	91,263	1,215,086	1,313,975
Reclassifications	-	1,035,157	(1,035,157)	-
Amortisation	4,927	-	44,649	49,576
Balance at 30 June 2021	**12,553**	**1,126,420**	**224,578**	**1,363,551**
Carrying amounts				
At 30 June 2020	12,081	-	300,142	312,224
At 30 June 2021	**7,154**	**125,000**	**322,832**	**454,987**

23. OTHER ASSETS

	30 June 2021 US$	30 June 2020 Restated US$
Bonds and security deposits	712,965	713,469
Other Loans	-	18,486
	712,965	**731,955**

Bonds and security deposits are for property leases with average terms of 4.44 years (2020: 5.25 years).

24. TRADE AND OTHER PAYABLES

	30 June 2021 US$	30 June 2020 US$
Current		
Trade payables	446,331	1,209,900
Accruals	886,746	901,837
Payroll-related payables	604,022	829,309
GST payable	243,888	83,756
Other	23,100	10,461
	2,204,087	**3,035,263**

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

25. LOANS AND BORROWINGS

	Bank Facilities US$	Convertible Notes US$	Promissory Notes US$	Total US$
30 June 2021				
Carrying value	17,764,583	-	-	17,764,583
Current	17,764,583	-	-	17,764,583
Non-current	-	-	-	-
	17,764,583	**-**	**-**	**17,764,583**
Restated 30 June 2020				
Carrying value	24,078,780	15,480,228	99,622	39,658,630
Current	409,158	15,480,228	99,622	15,989,008
Non-current	23,669,622	-	-	23,669,622
	24,078,780	**15,480,228**	**99,622**	**39,658,630**

Bank facilities

As at 30 June 2021, the Group has the following bank facilities in place:

Revolving facility of US$7,000,000 (30 June 2020: US$7,000,000). The facilities are comprised of three sub facilities covering growth capex, working capital and a bank guarantee facility. At 30 June 2021, bank guarantees issued on behalf of the Group entities totalled US$675,403. Interest is calculated as LIBOR plus a margin. The Financier conducts an annual review of the facilities. The Financier has absolute discretion, to determine the roll over for a further 12 months;

- A multi-option facility of A$1,000,000 (30 June 2020: A$1,000,000) comprised of two sub facilities that can be utilised for either an overdraft or bank guarantees. The balance of the overdraft facility at 30 June 2021 was $nil (2020: $409,158); and
- A term debt facility of US$17,805,000 (30 June 2020: US$17,805,000) of which US$17,796,236 was drawn down at 30 June 2021 (30 June 2020: US$17,796,236). Attributable to this facility is unamortised borrowing costs at 30 June 2021 of US$31,652 (30 June 2020: US$126,613).

At 30 June 2021, the full amount of the term facility utilised is shown as a current liability as the facility had a termination date of 7 January 2022. Subsequent to 30 June 2021, the termination date of all bank facilities has been extended to 1 July 2022. As part of this extension, the Group is required to make repayments during the year ending 30 June 2022 of $6,250,000 with the remainder of $11,504,583 to be paid on 1 July 2022.

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.
- General security deed and working capital guarantee recourse deed with Export Finance Insurance Corporation in Australia to partially guarantee facilities provided by CBA.
- There is a fixed charge on all freehold, leasehold, book debts and other assets of the Group, in respect of a bank loan drawdown. The bank also has a floating charge over all the assets of the Group.

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

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

For the year ended 30 June 2021, the Bank has agreed to waive compliance with certain covenant requirements.

The weighted average effective interest rate on the bank facilities is 3.91% per annum (30 June 2020: 4.72%).

The amount drawn-down and available for each bank facility at 30 June 2021 is as follows:

	Facility Commitment US$	Amount Drawn US$	Undrawn Commitment US$
Revolving facility	7,000,000	(675,403)	6,324,597
Multi-option facility	683,900	-	683,900
Term debt facility	17,805,000	(17,796,236)	8,764
Total	**25,488,900**	**(18,471,639)**	**7,017,261**

Convertible notes

At 30 June 2020, the Company had 18,240,000 convertible notes with an interest rate of 10% per annum and with a face value of A$1.00 per note on issue. These notes were converted into shares on 29 July 2020 at a price equal to 80% of the offer price.

Promissory notes

Promissory notes outstanding at 30 June 2020 was payable to Wells Fargo Equipment Finance Inc and was secured by compute reported in the US subsidiary, DownUnder GeoSolutions (America) LLC. Intel Corporation have provided a guarantee to Wells Fargo through a recourse agreement. The facility was fully repaid during the year.

26. LEASE LIABILITIES

	30 June 2021 US$	30 June 2020 Restated US$
Carrying value	**17,930,844**	**18,519,590**
Current	2,171,162	2,475,001
Non-current	15,759,322	16,044,589
	17,930,484	**18,519,590**

Right-of-use assets

The Group’s lease portfolio includes buildings, which their remaining lease term ranges from 1 year to 19 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$	More than Five Years US$
Extension options expected not to be exercised	886,170	1,799,874

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

	30 June 2021 US$	30 June 2020 Restated US$
Depreciation charge related to right of use assets	2,088,754	1,728,277
Interest expense on lease liabilities	1,134,349	1,129,383

Total cash outflow for leases

	30 June 2021 US$	30 June 2020 US$
Total cash outflow for leases	3,275,359	2,255,886
Total cash outflow for short-term leases and low-value assets	81,692	65,037

27. PROVISIONS

	30 June 2021 US$	30 June 2020 Restated US$
Current		
Provision for annual leave	2,364,875	1,912,521
Provision for long service leave	874,280	650,508
Provision for onerous contracts	413,508	437,041
	3,652,663	**3,000,070**
Non-current		
Provision for long service leave	186,100	239,823
	186,100	**239,823**
Reconciliation of movement in provisions:		
Provision for annual leave		
Balance at beginning of year	1,912,521	1,531,523
Net movement during the financial year	452,354	380,998
Balance at end of year	**2,364,875**	**1,912,521**
Provision for long service leave		
Balance at beginning of year	890,332	731,913
Net movement during the financial year	170,048	158,418
Balance at end of year	**1,060,380**	**890,331**
Provision for onerous contracts		
Balance at beginning of year	437,041	-
Utilisation	(437,041)	-
Addition	413,508	437,041
Balance at end of year	**413,508**	**437,041**

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.

28. 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 2021		30 June 2020 Restated	
	No.	US$	No.	US$
Fully paid up shares				
Balance at beginning of period	54,427,919	4,644,673	54,394,769	5,477,686
Restatements	-	-	-	(874,227)
Receipts from loan funded share plan	-	354,335	-	-
Issued and fully paid shares	-	-	33,150	41,214
Issued on conversion of convertible notes	16,888,889	16,272,360	-	-
Issued on IPO	19,259,259	18,509,400	-	-
Costs of capital raisings issued	-	(1,108,913)	-	-
Balance at end of year	**90,576,067**	**38,671,855**	**54,427,919**	**4,644,673**
Issued under loan funded share plans				
Balance at beginning of year	8,353,967	-	8,960,059	-
Vesting conditions not met	-	-	(706,668)	-
Issued during the year	168,510	-	100,576	-
Balance at end of year	**8,522,477**	**-**	**8,353,967**	**-**
Performance Shares				
Balance at beginning of year	375,000	-	-	-
Performance Shares issued for services	-	-	375,000	-
Balance at end of year	**375,000**	**-**	**375,000**	**-**
Total shares issued	**99,473,544**	**38,671,855**	**63,156,886**	**4,644,673**

- 16,888,889 fully paid ordinary shares were issued to the Convertible Note Holders on conversion of the convertible note at a price equal to 80% of the Offer Price.
- 19,259,259 fully paid ordinary shares were issued to investors as part of the Company's initial public offering of shares.
- The Company invites key employees to acquire shares in the Company under loan funded share plans. During the period ended 30 June 2021, 168,510 shares were offered (30 June 2020: 100,576). The shares are granted at market value with the assistance of a limited recourse loan for a term of six to ten years. Any dividends payable in respect of these shares are repayable against the loan, until the loan is fully repaid.
- Shares issued under the loan funded share plans are in-substance options. The fair value of the in-substance options granted under the loan funded share plans are measured using the Black-Scholes method, taking into account the terms and conditions on which the share options were granted. The model takes into account expected dividends and share price volatility of the Company to predict the share performance. Expected volatility is determined by calculating the annualised standard deviation of daily change in share price over a 90 day period. The exercise price of the in-substance option is equal to the market price of the underlying shares on the date of the grant.
- In 2020, 375,000 fully paid performance shares were issued to a key technology advisor. No such shares were issued in 2021.

b) Reserves

	30 June 2021 US$	30 June 2020 Restated US$
Share-based payments reserve	1,607,768	1,601,437
Translation reserve	(2,177,269)	(2,177,269)
	(569,501)	**(575,832)**
Reconciliation of movement in reserves:		
Share-based payments reserve		
Restated balance at beginning of year	1,601,437	1,280,618
Opening balance adjustment	-	(11,148)
Share based payment expense	6,331	331,967
Balance at end of year	**1,607,768**	**1,601,437**
Translation reserve		
Balance at beginning of year	(2,177,269)	(2,177,382)
Opening balance adjustment	-	113
Balance at end of year	**(2,177,269)**	**(2,177,269)**

- The share-based payment reserve comprises expenses incurred from the issue of the Company's shares under employee loan funded share 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.

29. IMPAIRMENT OF NON-CURRENT ASSETS

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 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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

At 30 June 2021, the impairment trigger for the HPCaaS and Services CGUs was identified being the losses incurred for the last two financial years to 30 June 2021.

The recoverable amount of these CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on the financial budget approved by the Board and extrapolated using the estimated growth rates covering a five-year period and a terminal growth rate thereafter. These growth rates are a combination of historical data and forecasts specific to the CGU.

As a result of this analysis, the Group did not identify any impairment for these CGUs (2020: nil).

Key assumptions used in value in use calculations

The values assigned to the key assumptions represent management's assessment of future trends in the relevant CGUs and have been based on historical data from both external and internal sources. The key assumptions used in the estimation of the recoverable amounts are set out below.

- A post-tax real discount rate of 12.5% has been used which represents the Group's real weighted average cost of capital.
- Combined revenue growth rates have been determined based on past performance and management's expectation of future growth. Average annual revenue growth over the forecast period is between 4% to 6% for the HPCaaS CGU. The average annual revenue growth rate for Services CGU is between 8% to 10% based on the result for FY21. Based on the more representative revenue result achieved in FY20, average annual revenue growth is between 4% to 6% over the forecast period.
- A zero long term growth rate has been applied to take account of the fact that that current capacity will be approaching full utilisation by the end of the forecast period.
- An average annual growth rate between 2% to 3% has been applied for growth in general overhead costs for the HPCaaS and Services CGU over the forecast period.
- The resultant EBITDA margin over the forecast period for the Services CGU increases during the forecast period to levels similar to those achieved in FY20. The EBITDA margin for the HPCaaS CGU also increases reflecting the full utilisation of the Group's existing compute capacity.
- Capital expenditure to maintain current capacity has been estimated based on historical spending and excludes expansionary capital expenditure.
- Working capital requirements of both CGU's have been determined based on historical requirements adjusted for revenue growth assumptions.

Sensitivity to changes in assumptions

The impairment assessment is sensitive to movements in key assumptions including the discount rate applied, the revenue growth rate and the EBITDA margin. Management has performed sensitivity analysis for these variables to determine if reasonable changes in the assumptions would cause the carrying amount of the above CGUs to exceed their recoverable amount. In relation to the Services CGU, the following results:

- If the discount rate increased by 2.5% with other assumptions held constant, no impairment results.
- If the revenue growth rate decreased by 2% with other assumptions held constant, there would be an impairment loss of $162,000.
- If the EBITDA margin decreased by 1% with other assumptions held constant, there would be an impairment loss of $2,090,000.

Under the existing assumptions, the HPCaaS CGU would break even at a discount rate of approximately 13.5%.

30. 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 for each category of the financial instruments are as follows:

	30 June 2021 US$	30 June 2020 Restated US$
Financial assets		
Cash and cash equivalents	10,015,732	12,441,703
Trade and other receivables	6,568,968	7,965,453
	16,584,700	**20,407,156**
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	(2,204,087)	(3,035,263)
Lease liabilities	(17,930,484)	(18,519,590)
Loans and borrowings	(17,764,583)	(39,658,630)
	(37,899,154)	**(61,213,483)**

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 2021 (30 June 2020: 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 2021 a total of 40% of year end trade receivables were concentrated to the top five customers (FY20: 37%). The Group is confident these receivables are collectable, other than the trade receivables specifically provided for, 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.

30 June 2021	Carrying Amount US$	Past Due and Impaired US$	Current US$	31-60 days US$	61-90 days US$	>90 days US$
Trade receivables	6,450,989	392,106	3,039,065	822,832	399,813	1,797,175
Specific loss provision	-	(304,093)	-	(79,995)	-	
Expected credit loss provision	(600,807)	(88,013)	(79,136)	(11,448)	(22,347)	(15,776)
Other receivables	718,786	-	718,785	-	-	-
	6,568,968	**-**	**3,678,714**	**731,389**	**377,466**	**1,781,399**

30 June 2020 Restated	US$	US$	US$	US$	US$	US$
Trade and term receivables	7,325,268	92,769	3,987,098	1,308,050	1,206,337	731,014
Expected credit loss	(92,769)	(92,769)	-	-	-	-
Other receivables	732,954	-	92	-	-	732,862
	7,965,453	**-**	**3,987,190**	**1,308,050**	**1,206,337**	**1,463,876**

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, and does not reflect management's expectations that banking facilities will be rolled forward beyond their existing maturity date. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities.

30 June 2021	Carrying Amount US$	Contractual Cash Outflows US$	6 Months or Less US$	6-12 Months US$	1-2 Years US$	2-5 Years US$	More than 5 Years US$
Bank loans	17,764,583	18,125,093	360,510	17,764,583	-	-	-
Lease liabilities	17,930,484	25,223,781	1,568,733	1,567,763	2,966,166	7,061,762	12,059,357
Trade and other payables	2,204,087	2,204,086	2,204,086	-	-	-	-
	37,899,154	**45,552,960**	**4,133,330**	**19,332,345**	**2,966,166**	**7,061,762**	**12,059,357**

Restated 30 June 2020	US$	US$	US$	US$	US$	US$	US$
Bank loans	23,669,622	24,393,469	369,450	354,397	23,669,622	-	-
Lease liabilities	18,519,590	28,499,089	1,662,726	1,612,583	3,136,496	8,027,449	14,059,835
Convertible note	15,480,228	13,439,921	13,439,921	-	-	-	-
Promissory note	99,622	99,622	99,622	-	-	-	-
Bank overdraft	409,158	409,158	409,158	-	-	-	-
Trade and other payables	3,035,263	3,035,263	3,035,263	-	-	-	-
	61,213,482	**69,876,522**	**19,016,139**	**1,966,980**	**26,806,118**	**8,027,449**	**14,059,835**

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 25 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 2021 US$	30 June 2020 US$
Impact on profit		
0.5% increase in interest rates	(88,823)	(196,247)

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.

d) Capital management

Management effectively manages the Group's capital 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.

31. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	30 June 2021 US$	30 June 2020 US$
Short-term benefits	1,402,889	944,009
Other long-term benefits	6,907	9,560
Share-based payments	2,476	(50,166)
Total compensation paid to key management personnel	**1,412,272**	**903,403**
Comprising:		
Senior executives	1,053,394	803,275
Non-executive directors	358,878	100,128
	1,412,272	**903,403**

There are no other key management compensation transactions for the year ended 30 June 2021 or 30 June 2020.

32. 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 2021 US$	30 June 2020 US$
Payments made to Comsen Solutions Pty Ltd, a company of which Ms Bower is a Director.	19,791	-
Amounts outstanding at reporting date		
Amount payable to Directors and key management personnel	7,052	-

For other details of disclosures relating to key management personnel, refer to Note 31.

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

33. CONSOLIDATED ENTITIES

		Ownership Interest	
Name of Entity	Country of Incorporation	30 June 2021 %	30 June 2020 %
Parent entity:			
DUG Technology Ltd	Australia		
Subsidiaries:			
DUG Technology (Australia) Pty Ltd (*formerly known as DownUnder GeoSolutions 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

34. PARENT ENTITY DISCLOSURES

As at, and throughout, the year ended 30 June 2021 the parent entity of the Group was DUG Technology Ltd.

	30 June 2021 US$	30 June 2020 Restated US$
Results of parent entity:		
Loss for the year	(22,171,216)	(4,316,383)
Other comprehensive income/(expense)	-	-
Total comprehensive income/(expense) for the year	**(22,171,216)**	**(4,316,383)**
Financial position of parent entity:		
Current assets	7,877,667	12,084,957
Total assets	11,527,409	15,734,699
Current liabilities	23,000	15,738,216
Total liabilities	23,000	15,738,216
Total equity of parent entity comprising of:		
Share capital	39,191,711	5,518,900
Reserves	786,838	780,507
Accumulated losses	(28,474,140)	(6,302,924)
Total equity/(net deficit)	**11,504,409**	**(3,517)**

a) Parent entity contingent liabilities

There were no contingent liabilities of the parent entity as at 30 June 2021 and as at 30 June 2020.

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 2021 and as at 30 June 2020.

35. 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. Level 3 inputs were used for all assets and liabilities to determine that the carrying value approximates fair value.

36. SHARE BASED PAYMENTS

Loan Funded Share Plans

The Company invites 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.

From 1 July 2020, the Company offers loan funded shares to key employees under its Long-Term Incentive Plan.

Under both plans, the shares are 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 2021				
Plan	Tranche	No. of Shares	Price per Share A$	Loan A$	Loan US$	Loan Maturity
LFSP	1	400,879	0.80	425,527	320,443	30/06/24
LFSP	2	487,183	1.04	667,917	502,975	30/06/25
LFSP	3	5,665,279	0.90	6,172,532	4,648,225	27/07/25
LFSP	5	288,106	1.25	400,646	301.706	30/06/28
LFSP	6	704,148	1.49	1,300,235	979,142	19/02/27
LFSP	7	617,574	1.99	1,306,428	983,805	30/06/29
LFSP	8	90,222	2.00	180,444	135,883	15/05/29
LFSP	9	100,576	2.05	209,371	157,667	19/03/30
LTIP	1	168,510	1.35	232,722	175,251	26/07/26
	Total	**8,522,477**		**10,895,822**	**8,205,098**	

		Number of Shares and Balance of Recourse Loans on 30 June 2020				
Plan	Tranche	No. of Shares	Price per Share A$	Loan A$	Loan US$	Loan Maturity
LFSP	1	400,879	0.80	409,464	280,032	30/06/24
LFSP	2	487,183	1.04	640,197	437,830	30/06/25
LFSP	3	5,665,279	0.90	6,172,532	4,221,395	27/07/25
LFSP	4	-	-	-	-	-
LFSP	5	288,106	1.25	390,404	266,998	30/06/28
LFSP	6	704,148	1.49	1,240,847	848,615	19/02/27
LFSP	7	617,574	1.99	1,280,840	875,967	30/06/29
LFSP	8	90,222	2.00	180,444	123,406	15/05/29
LFSP	9	100,576	2.05	206,884	141,488	19/03/30
	Total	**8,353,967**		**10,521,612**	**7,195,731**	

On 3 July 2020, the Company issued a first tranche of 168,510 shares under the Long-Term Incentive Plan.

During the year ended 30 June 2020,

- 100,576 shares were offered under Tranche 9 of the Loan Share Plan; and
- 50% of shares under the 2017 tranche of the Loan Share Plan (Tranche 5) vested and no shares issued under the 2016 tranche of the Loan Share Plan (Tranche 4) achieved the vesting conditions, resulting in the cancellation of 706,668 shares.

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

	30 June 2021 US$	30 June 2020 US$
Expense arising from equity-settled share-based payment transactions	6,331	331,967
Total expense arising from share-based payment transactions	**6,331**	**331,967**

The fair value of the shares granted under the loan funded share plan are measured using the Black-Scholes method. Expected volatility is estimated by considering historic average share price volatility. A probability of 100% has been applied to the valuation of all unvested shares as at 30 June 2021 (30 June 2020: 100%), reflecting the liquidity event which was triggered by the Company's listing on the ASX on 10 August 2020.

Other loan funded shares

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. A reassessment of this arrangement has concluded that the arrangement is a limited recourse loan and meets the definition of a share-based payment. Accordingly this arrangement is now classified under AASB 2: Share Based Payment, with the fair value of the shares granted under the loan funded share plan measured using the Black-Scholes method. At 30 June 2021, 1,500,000 shares remain outstanding.

37. CASH FLOW INFORMATION

Reconciliation of net profit after tax to net cash flows from operations	30 June 2021 US$	30 June 2020 Restated US$
Loss from continuing operations after income tax	(15,860,379)	(11,662,162)
Adjustments for:		
Depreciation and amortisation	7,416,262	8,976,944
Net finance expense	3,751,447	7,133,040
Tax expense	3,261,540	5,116,601
Unrealised foreign exchange (gain) / loss	176,324	(157,119)
Loss on disposal of property, plant and equipment	15,102	1,583
Share based payments – Equity settled	6,331	331,967
Government grants	83,199	-
Government grant – R&D tax concessions	(2,841,748)	(2,819,125)
	(3,991,922)	6,921,729
Changes in:		
Trade and other receivables	1,451,881	1,785,582
Prepayments	324,850	48,499
Contract assets and liabilities	15,870	469,459
Other current assets	(32,421)	-
Other assets	1,448	(80,918)
Trade and other payables	831,176	(2,818,118)
Provisions	(626,528)	976,457
Cash (utilised)/generated from operating activities	(2,025,646)	7,302,690
Taxation Paid	(806,731)	(1,043,793)
Net cash flows (utilised)/generated from operating activities	**(2,832,377)**	**6,258,897**

38. CONTINGENT LIABILITIES AND COMMITMENTS

a) Commitments

At 30 June 2021, the Group had no capital commitments (30 June 2020: US$4,435,021).

b) Disputed invoice contingency

The Group's USA subsidiary, DownUnder GeoSolutions LLC (**DUG US**) has entered into an energy management services agreement in Texas.

In February 2021, DUG US declared Force Majeure under the terms of this agreement as a result of an unprecedented storm in Texas. However, the other party to the agreement continued to bill DUG US under the agreement, which has resulted in invoices that are disputed by DUG US. The Group has engaged legal counsel but no resolution has been reached at reporting date. DUG US disputes the full amount of invoices provided to it and denies any liability for the amounts contained therein. As a result, the Group has made no provision for the disputed invoices.

39. RECONCILIATION TO APPENDIX 4E PRELIMINARY FINAL REPORT

The Group lodged its Appendix 4E Preliminary Final Report with the Australian Stock Exchange on 31 August 2021. Subsequent to the lodgement of this document, the following transactions have been recorded into the Group's Consolidated Financial Report as outlined beneath:

- A provision for impairment relating to Trade and other receivables was raised at 30 June 2021 for an amount of US$180,138, and
- A provision for onerous contracts of US$437,041 was recognised at 30 June 2020 (refer Note 7), with an amount of US$413,502 recognised at 30 June 2021.

The net impact of the adjustments described above on the Consolidated Statement of Profit or Loss is a decrease of US$437,041 for the year ended 30 June 2020, and decrease of US$156,605 for the year 30 June 2021.

In addition, certain other amounts have been reclassified in the Consolidated Statement of Financial Position with no impact on the Consolidated Statement of Profit or Loss.

40. SUBSEQUENT EVENTS

- Subsequent to 30 June 2021, the termination date of the Group's US$17,803,000 Term Debt Facility with the Commonwealth Bank of Australia has been extended from 7 January 2022 to 1 July 2022. Furthermore, the Group is required to repay an amount of US$6,250,000 during financial year ending 30 June 2022 with the remainder of US$11,504,583 to be paid on 1 July 2022.
- In September 2021, the Company undertook a placement of shares to new and existing sophisticated and institutional investors in order to raise an additional A$15,000,000 of share capital through the issue of approximately 16.7 million new fully paid ordinary DUG shares (**New Shares**) at a price of A$0.90 per New Share. The Issue price of A$0.90 per share represented a 12.6% discount to the closing price on the ASX of A$1.03 on 2 September 2021. The Placement is being completed in two tranches as follows: The Company issued 14,900,000 New Shares under the Company's existing placement capacity under ASX Listing Rule 7.1 on 13 September 2021; and
- The Company will issue a further 1,766,667 New Shares after Company's Annual General Meeting (**AGM**) to be held on 14 October 2021 subject to obtaining shareholder approval at the AGM.

In addition, the Company has launched a share purchase plan (SPP) open to all shareholders of the Company on the share register as of 6 September 2021 and with a registered address in Australia and New Zealand. Under the SPP, all eligible shareholders have the opportunity to apply for up to A$30,000 worth of new shares at a price of A$0.90 per share. The SPP is expected to close on 14 October 2021. Under the SPP, the Company is targeting to raise up to A$5,000,000.

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 DUG Technology Ltd, as set out on pages 31 to 79, for the financial year ended 30 June 2021 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 2021 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 2; and

(c) Subject to the achievement of matters described in Note 2.1 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 head of finance in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

Dated at Perth on 22 September 2021.

Signed in accordance with a resolution of the Directors.

MARK PUZEY
Director

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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 (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the 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 consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key

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audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Revenue recognition

Why significant	How our audit addressed the key audit matter

The Group's business involves entering into contractual relationships with customers to provide a range of services with the following revenue streams:
▸ High-performance computing as a service (HPCaaS)
▸ Software as a service
▸ Data processing and imaging services.
Revenue recognition involves a significant degree of judgement, with estimates being made in:
▸ identifying the performance obligations under its contracts with customers
▸ determining the transaction price, considering the terms in the contracts
▸ determining the method of allocating the transaction price in the contract to the performance obligations
▸ measuring the Group's progress towards the complete satisfaction of the performance obligations under the customer contract
▸ identifying and providing for onerous contracts.
The Group's accounting policies and disclosures for revenue are detailed in Note 5.1, Note 5.10, Note 6.2 and Note 9 of the financial report. Prior year adjustments in relation to revenue recognition are detailed in Note 7.
	We performed the following procedures, amongst others:
	▸ Assessed whether the Group's accounting policies were in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers*
	▸ Evaluated the judgements made by the Group in applying the accounting policy by obtaining an understanding of the revenue streams and considering the terms and conditions of a sample of contracts
	▸ For a sample of contracts for each revenue stream tested, we:
	    ▸ developed an understanding of the key terms of the arrangement including parties, performance obligations, termination clause, fees and payment terms to ensure with the Group's accounting policies
	    ▸ considered the Group's identification of performance obligations and allocation of the transaction prices to the performance obligations
	    ▸ recalculated the amount of revenue which the Group has recognised, taking into account the terms of the contracts, the progress to 30 June 2021, discussions with the key executives with oversight over the various contract portfolios
	    ▸ assessed the contract status through the examination of external evidence, such as approved variations, customer correspondence and contract progress confirmation with customers
	    ▸ tested to subsequent billings and cash receipts.
	▸ Assessed the provisions for onerous contracts and whether these appropriately reflected the expected contractual positions
	▸ Assessed the Group's accounting policies and the adequacy of its related disclosures in the financial report.

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Valuation of Property, Plant and Equipment (including Right of Use Assets)

Why significant	How our audit addressed the key audit matter
As detailed in Note 8, the Group operates in three operating segments being High-Performance Computing as a service, Software and Services. These were also determined to be the Group's three cash generating units ("CGUs"). At the end of each reporting period, the Group exercises judgment in determining whether there is any indication of impairment of these CGUs. If any such indicators exist, the Group estimates the recoverable amount of the applicable assets. The Group assessed whether any indicators of impairment were present at 30 June 2021 and concluded that an indicator or indicators of impairment were present in the high-performance computing as a service and data processing and imaging services CGUs as a result of the adverse impact of COVID-19 on the Group's performance during the current year. The Group has therefore performed an impairment assessment on its property, plant and equipment (including right of use assets), across these two cash generating units. Based on the outcome of this impairment assessment, the Group did not recognise any impairment charge. This was determined to be a key audit matter due to the quantum of the carrying value of the property, plant and equipment (including right of use assets) as well as the judgment involved in the assessment of their recoverable amount. The assessment requires the Group to make assumptions used in the underlying cash flow forecasts. The assumptions include expectations for future revenue, margin and market and economic assumptions such discount rates and inflation rates which have been disclosed in Note 29 to the financial statements.	We performed the following procedures, amongst others: ▶ Assessed the determination of CGUs and the allocation of assets and liabilities to those CGUs ▶ Assessed the Group's discounted cash flow ("DCF") model which calculates the value in use recoverable amount of the Group's assets, in order to determine if any asset impairment was required ▶ Evaluated the Group's assumptions and estimates used to determine the recoverable amount of its assets, including those relating to future revenue, margin, discount rates and inflation rates. We involved our valuation and modelling specialists to compare these assumptions against external benchmarks (such as for the terminal value multiple and discount rates) and considered the assumptions based on our knowledge of the Group and its industries ▶ Performed sensitivity analysis on individual cash generating units with a higher risk of impairment ▶ Assessed the adequacy of the Group's disclosures in respect of asset carrying values and impairment assessment assumptions.

Correction of prior period balances

Why significant	How our audit addressed the key audit matter
The financial statements of the Group for the year ended 30 June 2021 were the first financial statements of the Group audited by Ernst & Young. As disclosed in Note 7 to the financial statements, the audit identified a number of material adjustments, which have resulted in the restatements of prior period balances. Given the nature and extent of these adjustments, including the number of account balances impacted, the identification, quantification and correction of prior year balances was considered as a key audit matter.	We performed the following procedures, amongst others: ▶ obtained an understanding of the nature of the Group's operations, its processes, controls and accounting policies ▶ reviewed the audit documentation of previous auditor for the year ended 30 June 2020 ▶ assessed the compliance of accounting policies applied by the Group with the relevant financial reporting standards, in particular with regard to the recognition of revenue, the recognition and measurement of deferred tax assets, the recognition of a limited-recourse loan, lease accounting, onerous contract provisions, the provision for employees benefits and the classification of certain other assets and liabilities ▶ assessed the significant audit matters from the prior year audit and their impact on the financial statements for the year ended 30 June 2020

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Why significant	How our audit addressed the key audit matter
	▶ evaluated the adjustments identified to determine the financial period in which they arose ▶ evaluated the accuracy of disclosures in the financial statements with respect to adjustments of the opening balances.

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 Company's 2021 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 on the other information obtained prior to the date of this auditor's report, 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 relating 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.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of DUG Technology Ltd for the year ended 30 June 2021, 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.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
22 September 2021

Ernst & Young

Ernst & Young

V L Hoang
Partner
Perth
22 September 2021

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 new 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 21 September 2021.

DISTRIBUTION OF EQUITY SECURITIES

a) Ordinary share capital

114,373,543 fully paid shares are held by 2,414 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	584	396,722	0.35
1,001 - 5,000	862	2,444,602	2.14
5,001 - 10,000	395	3,093,041	2.70
10,001 - 100,000	510	14,178,892	12.40
100,001 Over	63	94,260,286	82.41
Total	**2,414**	**114,373,543**	**100.00**
Unmarketable parcels	241	99,949	

b) Substantial shareholders

Ordinary Shareholders	Fully paid	
	Number	Percentage
MR MATTHEW GORDON LAMONT	12,300,000	10.75
NATIONAL NOMINEES LIMITED	11,078,437	9.69
MS SHEILA TERESA LAMONT	10,900,000	9.53
REGAL FUNDS MANAGEMENT PTY LTD (RFM)	10,677,352	9.34
TIGA TRADING PTY LTD/ THORNEY TECHNOLOGIES LTD	7,896,812	6.90
UBS NOMINEES PTY LTD	7,341,256	6.42
MR PHILIP IMPERIAL SCHWAN	7,232,760	6.32

c) Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully paid	
	Number	Percentage
MR MATTHEW GORDON LAMONT	12,300,000	10.75
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	12,024,283	10.51
NATIONAL NOMINEES LIMITED	11,078,437	9.69
MS SHEILA TERESA LAMONT	10,900,000	9.53
UBS NOMINEES PTY LTD	7,341,256	6.42
MR PHILIP IMPERIAL SCHWAN	7,232,760	6.32
MS SHARON MCINTYRE	4,500,000	3.93
CITICORP NOMINEES PTY LIMITED	3,796,305	3.32
MR TROY ALAN THOMPSON <THE THOMPSON FAMILY A/C>	3,501,371	3.06
BNP PARIBAS NOMS PTY LTD <DRP>	2,544,652	2.22
IXORA PRINCE PTY LTD	2,128,003	1.86
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,079,031	1.82
KAYNADAN PTY LTD <THE BOWER FAMILY A/C>	1,124,821	0.98
ALPINE NOMINEES PTY LTD <THE ASHLEY FAMILY A/C>	1,100,000	0.96
LAMONT GEOPHYSICAL SERVICES PTY LTD <SHEILA LAMONT FAMILY A/C>	576,457	0.50
MR DONALD RODERICK HUNTER	575,890	0.50
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	553,853	0.48
MRS SONYA JANE CRUTE	500,000	0.44
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	499,538	0.44
JAM SYSTEMS PTY LTD	483,748	0.42
Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	**84,840,405**	**74.18**

d) Unquoted equity securities shareholdings greater than 20%

NONE.

e) On market share purchases for executive LTI plan

NONE.

1 July 2020 to 30 June 2021
DUG Technology Ltd
ABN 99 169 944 334

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

www.dug.com