



DUG Technology Ltd

Appendix 4E

Preliminary Final Report

ABN 99 169 944 334

Results for Announcement to the Market
Year Ended 30 June 2020

(previous corresponding period : Year ended 30 June 2019)

	30 June 2020	30 June 2019	Change Up/(Down)	
	US\$'000	US\$'000	US\$'000	%
Revenue from ordinary activities	49,405	52,135	(2,730)	(5.2%)
Loss after tax attributable to members excluding "one off" finance expenses	(3,502)	(2,633)	(869)	(33.0%)
Loss after tax attributable to members including "one off" finance expenses	(8,275)	(2,633)	(5,642)	(214.3%)

Abbreviated Explanation of Results

Revenue from ordinary activities of US\$49.4m represents a decrease of US\$2.7m (5.2%) compared with the prior year. The decline is primarily in the Services division as COVID delayed the commencement of new projects in the last quarter of the financial year. Revenue in the HPCaaS division increased by 30.5% in FY20.

On 29 July 2020, DUG signed a McCloud Agreement to provide a multi-national energy company, with access to High Performance Compute (HPCaaS) and DUG Insight software and Services through the DUG McCloud platform. Commencing on 1 August 2020, the initial contract is for one year with renewal options. The committed value of the contract, excluding potential burst utilisation, is US\$2.7m per annum.

Operating profit was impacted by lower revenue and investment in the HPCaaS division where IT and sales and marketing headcount was expanded.

Loss after tax attributable to members before the below described "one off" finance expense amounted to US\$3.5m.

On 26 February 2020, as part of the IPO process, DUG raised US\$12.1m (AU\$18.2m) in Pre-IPO funds using a convertible note instrument. The convertible notes bear interest at 10% per annum. Conversion events include a capital raising event of AU\$5m, an event which brings about a change of control, completion of the IPO or maturity, which is 6 months from the date the convertible notes were issued. The notes convert at the lesser price of 80% of the IPO price and 80% of the market capitalisation of AU\$130.0m.

DUG listed on the ASX on 12 August 2020 and 16,888,889 Ordinary Shares were issued on conversion of the notes. This transaction resulted in additional "one off" finance expenses of US\$4.8m being recorded in the 30 June 2020 Consolidated Statement of Profit and Loss relating to transaction fees, interest and the fair valuation of the convertible note instrument and IPO related costs.

Principle Activities

DUG Technology Ltd ("DUG" or "the Company") is a technology company at the forefront of high-performance computing with a strong foundation in applied physics. DUG's innovative hardware and

software solutions for the global technology and resource sectors enable clients to leverage large and complex datasets. The Company provides cloud-based, high-performance computing as a service (HPCaaS), multi-tiered support for technology onboarding and code optimisation, and integrated services. DUG has offices in Perth, London, Houston, and Kuala Lumpur. The Company designs, owns, and operates some of the largest and greenest supercomputers on Earth.

Dividends and Dividend Reinvestment Plans

No dividend has been proposed or declared in respect of the year ended 30 June 2020 and there were no dividend reinvestment plans in operation during the year.

Control Gained/Lost Over Entities Having Material Effect

No control over any material entities was gained or lost during the financial year ended 30 June 2020.

Details of Associates and Joint Venture Entities

The Group has an interest in Rouge Rock Pty Ltd.

Earnings/(Loss) per Share

	30 June 2020 US Cents	30 June 2019 US Cents
Basic and diluted loss per share	(13.0 cents)	(4.2 cents)
Adjusted basic and diluted loss per share	(5.5 cents)	(4.2 cents)
	Number of Shares	Number of Shares
Weighted average number of shares outstanding during the year used in the calculation of basic and diluted earnings per share	63,438,429	62,865,740

Adjusted basic and diluted earnings/(loss) per shares excludes "one off" finance expenses.

Net Tangible Assets per Share

	30 June 2020 US\$	30 June 2019 US\$
Net tangible assets per share	0.05	0.19

Net tangible assets in FY20 include right of use assets and lease liabilities as a result of the adoption of AASB16: Leases from 1 July 2019.

Status of the Audit

This report should be read in conjunction with the preliminary financial statements which are in the process of being audited.

Preliminary Financial Statements

All reports are based on preliminary unaudited results for the year ended 30th June 2020. All amounts disclosed are in the Company's functional currency, US Dollars, unless otherwise indicated.

Please refer to pages 4 through 10 of this report wherein the following are provided:

- Consolidated Income Statement of Profit or Loss and Other Comprehensive Income.
- Consolidated Statement of Financial Position.
- Consolidated Statement of Cash Flows.
- Consolidated Statement of Changes in Equity.
- Abbreviated Notes to the Financial Statements.

Significant Subsequent Events

DUG listed on the ASX on 12 August 2020 and issued 19,259,259 new shares at a price of AU\$1.35 per share to raise AU\$26.0m. The total number of shares issued post completion of the IPO is 99,473,544 with an initial market capitalisation of AU\$134.2m.

Louise Bower
CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2020

	Note	30 June 2020 US\$	30 June 2019 US\$
Sales revenue	1	49,404,945	52,134,877
Income/(Expenses)			
Depreciation and amortisation		(9,219,079)	(7,292,515)
Employee benefits		(30,425,508)	(29,647,580)
Other income		3,266	72,821
Other expense	2	(9,811,620)	(12,727,826)
Operating (loss)/profit		(47,996)	2,539,777
Finance income		49,756	65,465
Finance expense	3	(6,878,768)	(951,192)
Net finance expense		(6,829,012)	(885,727)
(Loss)/Profit before tax		(6,877,008)	1,654,050
Tax expense		(1,398,275)	(4,287,288)
Loss for the year		(8,275,283)	(2,633,238)
Attributable to:			
Equity holders of the parent		(8,301,842)	(2,632,399)
Non-controlling interest		26,559	(839)
Total Comprehensive Loss		(8,275,283)	(2,633,238)

The accompanying abbreviated notes form part of these financial statements.

Consolidated Statement of Financial Position
As at 30 June 2020

	Note	30 June 2020 US\$	30 June 2019 US\$
ASSETS			
Current assets			
Cash and cash equivalents		12,032,545	1,987,849
Trade and other receivables		7,812,598	10,253,451
Prepayments		1,056,720	1,105,219
Contract assets		521,747	761,012
Other current assets		1,272,693	1,236,240
Total current assets		22,696,303	15,343,771
Non-current assets			
Deferred tax assets		5,786,974	3,232,039
Property, plant and equipment	4	35,033,515	26,888,879
Intangible assets		312,224	375,124
Other assets		918,690	874,227
Total non-current assets		42,051,403	31,370,269
Total assets		64,747,706	46,714,040
LIABILITIES			
Current liabilities			
Trade and other payables		3,035,263	6,021,837
Loans and borrowings	5	15,827,051	2,502,845
Contract liability		444,985	-
Lease liability		2,265,126	-
Current tax liabilities		-	23,192
Provisions		1,948,363	1,634,613
Total current liabilities		23,520,788	10,182,487
Non-current liabilities			
Trade and other payables		-	1,994,699
Loans and borrowings	5	24,227,939	22,038,334
Lease liability		12,986,703	-
Provisions		239,824	261,936
Total non-current liabilities		37,454,466	24,294,969
Total liabilities		60,975,254	34,477,456
NET ASSETS		3,772,452	12,236,584
EQUITY			
Share capital		5,518,900	5,477,686
Reserves		(962,998)	(1,283,818)
Retained earnings		(783,450)	8,042,716
TOTAL EQUITY		3,772,452	12,236,584
Equity split as follows:			
Equity attributable to equity holders of the parent		3,762,632	12,253,323
Non-controlling interest		9,820	(16,739)
TOTAL EQUITY		3,772,452	12,236,584

The accompanying abbreviated notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2020

	30 June 2020 US\$	30 June 2019 US\$
CASHFLOWS FROM OPERATING ACTIVITIES		
Loss after tax	(8,275,283)	(2,633,238)
Adjustments for:		
○ Depreciation	9,097,679	7,017,060
○ Amortisation	121,400	275,455
○ Net finance expense	6,829,012	885,727
○ Tax expense	1,398,275	4,287,288
○ Unrealised foreign exchange gain	(134,927)	(72,821)
○ Loss on disposal of property, plant and equipment	1,583	5,626
○ Equity-settled share-based payment transactions	331,967	236,140
○ Research & development grant	(2,819,125)	(3,146,152)
	<u>6,550,581</u>	<u>6,855,085</u>
Changes in:		
○ Trade and other receivables	3,677,294	(1,408,403)
○ Prepayments	48,499	(87,373)
○ Contract assets / liabilities	239,264	2,042,401
○ Other current assets	(80,918)	(86,398)
○ Trade and other payables	(3,369,319)	1,986,828
○ Provisions	291,637	122,944
Cash generated from operating activities	<u>7,357,038</u>	<u>9,425,083</u>
Tax paid	(1,043,793)	(52,885)
Proceeds from government grants	32,695	-
Net cash flows from operating activities	<u>6,345,940</u>	<u>9,372,198</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,109,026)	(15,858,182)
Acquisition of intangible assets	(58,500)	(91,043)
Interest received	49,756	65,465
Proceeds from disposal of property, plant and equipment	1,583	-
Net cash used in investing activities	<u>(3,116,187)</u>	<u>(15,883,760)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	4,383,544	10,155,688
Proceeds from convertible notes issued	12,062,624	-
Costs relating to convertible notes issued	(602,514)	-
Repayment of borrowings	(4,572,653)	(2,415,219)
Lease payments on capitalised leases	(1,467,860)	-
Interest paid	(2,096,911)	(834,700)
Costs relating to capital raising/borrowings	(891,287)	(284,880)
Net cash flows from financing activities	<u>6,814,943</u>	<u>6,620,889</u>
Net increase in cash and cash equivalents	10,044,696	109,327
Cash and cash equivalents at the beginning of the year	1,987,849	1,878,522
Cash and cash equivalents at the end of the year	<u>12,032,545</u>	<u>1,987,849</u>

The accompanying abbreviated notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2020

	Share Capital	Translation Reserve	Share- based Payment reserve	Retained Earnings	Total	Non- controlling Interests	Total Equity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 July 2019	5,477,686	(2,177,382)	893,452	8,059,567	12,253,323	(16,739)	12,236,584
(Loss)/Profit for the year	-	-	-	(8,301,842)	(8,301,842)	26,559	(8,275,283)
Opening balance adjustment (IFRS 16)	-	112	-	(550,994)	(550,882)	-	(550,882)
Opening balance adjustment (shares)	-	-	(11,148)	-	(11,148)	-	(11,148)
Total comprehensive (loss)/income for the period	-	112	(11,148)	(8,852,836)	(8,863,872)	26,559	(8,837,313)
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
Balance at 30 June 2020	5,518,900	(2,177,270)	1,214,271	(793,269)	3,762,632	9,820	3,772,452
Balance at 1 July 2018							
Balance at 1 July 2018	5,353,963	(2,177,382)	736,570	10,691,966	14,605,117	(15,900)	14,589,217
Loss for the year	-	-	-	(2,632,399)	(2,632,399)	(839)	(2,633,238)
Total comprehensive loss for the period	-	-	-	(2,632,399)	(2,632,399)	(839)	(2,633,238)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issued during the period	123,723	-	-	-	123,723	-	123,723
Share based payments	-	-	156,882	-	156,882	-	156,882
Total transactions with equity holders	123,723	-	156,882	-	280,605	-	280,605
Balance at 30 June 2019	5,477,686	(2,177,382)	893,452	8,059,567	12,253,323	(16,739)	12,236,584

The accompanying abbreviated notes form part of these financial statements.

Abbreviated Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2020

Basis of preparation

The preliminary financial statements relate to DUG Technology Ltd and its controlled entities (“the Group”) for the year ended 30 June 2020 and has been prepared based on the requirements of rule 4.3A of the ASX listing rules (Appendix 4E).

The accounting policies applied in these preliminary consolidated financial results are the same as those applied in the Group’ consolidated financial statements as at and for the year ended 30 June 2019.

	30 June 2020 US\$	30 June 2019 US\$
NOTE 1 – REVENUE		
HPCaaS	1,469,392	1,125,804
Services	36,963,268	40,227,421
Software	6,641,703	7,635,500
Government grants	4,330,582	3,146,152
Sales Revenue	49,404,945	52,134,877
NOTE 2 – OTHER EXPENSE		
Sales and marketing	(1,489,632)	(2,035,261)
Facilities	(1,244,499)	(3,088,697)
Consultants	(1,156,383)	(1,236,183)
Loss on disposal of property, plant and equipment	(1,583)	(5,626)
Unrealised foreign exchange gain/(loss) – net	134,927	(10,581)
IT facilities and related costs	(2,544,132)	(3,768,776)
Professional fees	(838,128)	(674,950)
Other	(2,672,190)	(1,907,752)
Other expense	(9,811,620)	(12,727,826)
NOTE 3 – FINANCE EXPENSE		
Interest expense – debt	(1,193,939)	(834,700)
Debt arrangement fees	(123,837)	(116,492)
Interest expenses - leases	(788,027)	-
	(2,105,803)	(951,192)
“One off” finance expense		
Convertible note - interest expense and foreign exchange	(871,933)	-
Convertible note - transaction cost	(602,514)	-
Convertible note - fair value loss (non-cash)	(2,545,671)	-
IPO and capital raising fees	(752,847)	-
	(4,772,965)	-
Finance expense	(6,878,768)	(951,192)

The reduction in facilities costs in 2020 reflects the adoption of IFRS 16. The reduction in IT facilities and related costs is primarily due to Texas State electricity rebate (under a program conceived to reduce energy consumption) received in December 2019 of US\$715,000.

Abbreviated Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2020

	HPC Computer Equipment	Leasehold Improvements	Right of Use Asset	Office Equipment and Motor Vehicles	Under construction	Total
	US\$	US\$	US\$	US\$	US\$	US\$

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

Cost

Balance at 1 July 2018	37,783,172	4,915,774	-	1,691,995	74,399	44,465,340
Additions	14,005,469	7,568	-	1,783	1,843,362	15,858,182
Assets recommissioned	157,896	-	-	-	-	157,896
Reclassification	13,201	-	-	-	(13,201)	-
Disposals	(383,504)	-	-	(2,376)	-	(385,880)
Balance at 30 June 2019	51,576,234	4,923,342	-	1,691,402	1,904,560	60,095,538

Balance at 1 July 2019	51,576,234	4,923,342	-	1,691,402	1,904,560	60,095,538
Additions	3,425,389	118,767	17,756,585	85,248	(520,378)	20,865,611
Reclassifications	(1,646)	-	-	-	412	(1,234)
Disposals	(455,170)	-	-	-	-	(455,170)
Balance at 30 June 2020	54,544,807	5,042,109	17,756,585	1,776,650	1,384,594	80,504,745

Accumulated depreciation

Balance at 1 July 2018	24,171,829	1,203,008	-	1,029,640	-	26,404,477
Depreciation	6,117,299	566,145	-	333,616	-	7,017,060
Assets recommissioned	157,896	-	-	-	-	157,896
Reclassification	5,821	-	-	-	-	5,821
Disposals	(376,219)	-	-	(2,376)	-	(378,595)
Balance at 30 June 2019	30,076,626	1,769,153	-	1,360,880	-	33,206,659

Balance at 1 July 2019	30,076,626	1,769,153	-	1,360,880	-	33,206,659
Leased assets	-	-	3,616,258	-	-	3,616,258
Depreciation	6,387,126	584,934	1,873,452	252,167	-	9,097,679
Reclassification	(1,212)	-	-	-	-	(1,2132)
Disposals	(448,154)	-	-	-	-	(448,154)
Balance at 30 June 2020	36,014,386	2,354,087	5,489,710	1,613,047	-	45,471,230

Carrying amounts

At 30 June 2019	21,499,608	3,154,189	-	330,522	1,904,560	26,888,879
At 30 June 2020	18,530,421	2,688,022	12,266,875	163,603	1,384,594	35,033,515

The Group holds leases for properties with an average lease term of 10 years. *AASB 16 Leases* has been adopted with a modified retrospective transition approach so there are no right-of-use assets recognised for the reporting period ended 30 June 2019.

Abbreviated Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2020

	Bank Loan US\$	Convertible Note US\$	Promissory Note US\$	Total US\$
NOTE 5 – LOANS AND BORROWINGS				
30 June 2020				
Carrying value	<u>24,227,939</u>	<u>15,480,228</u>	<u>346,823</u>	<u>40,054,990</u>
Current	-	15,480,228	346,823	15,827,051
Non-current	<u>24,227,939</u>	-	-	<u>24,227,939</u>
	<u>24,227,939</u>	<u>15,480,228</u>	<u>346,823</u>	<u>40,054,990</u>
30 June 2019				
Carrying value	<u>21,682,517</u>	-	<u>2,858,662</u>	<u>24,541,179</u>
Current	-	-	2,502,845	2,502,845
Non-current	<u>21,682,517</u>	-	355,817	<u>22,038,334</u>
	<u>21,682,517</u>	-	<u>2,858,662</u>	<u>24,541,179</u>

The Group has taken a decision to list DUG Technology Ltd on the ASX to gain access to growth capital. On 26 February 2020, as part of the IPO process, the Group raised AU\$18.2m in pre-IPO funds using a convertible note instrument.