

ASX Release

2 November 2021



Restructure of Services Business Line

DUG Technology Ltd (ASX: DUG) (“**DUG**” or the “**Company**”) is pleased to provide this update regarding the ongoing restructure of its Services business line.

Summary

- **DUG has restructured its Services business line to reduce fixed costs and enhance operational efficiency.**
- **The restructure has focused on four initiatives relating to office space, projects, geographical business units and personnel.**
- **DUG expects to realise cost savings in FY22 of approximately US\$4.2 million as a result of these initiatives, with further savings in FY23.**

The objectives of the restructure are to reduce the level of fixed costs and to enhance operational efficiency. It will also serve to position Services for any improvement in new business activity in the oil and gas industry moving forward. With a challenging, COVID-19-affected year now in the past, and with the oil price now at a seven-year high, the Company expects this business line to regain momentum.

Restructuring has focussed on four initiatives relating to office space, personnel, projects, and geographical business units:

- Right-sizing office space is expected to provide annualised savings of approximately US\$0.55 million, to be realised in the second half of the 2022 calendar year.
- With respect to personnel, once-off redundancy costs will be approximately US\$0.85 million with expected annualised cost savings of approximately US\$4.1 million.
- Considered selection of projects to maximise profit in line with capacity.
- Cessation of third-party R&D projects.
- Creation of geographical business units from DUG’s major service centres, each responsible for its own financial performance. This initiative will include profit-sharing incentives and salary deferral will be utilised to preserve cash holdings. The centres have welcomed the increased autonomy.
- In a unified front key members of the Company's executive and board will also be part of this initiative. This includes DUG's managing director, Matt Lamont, and chief operating officer, who will each be deferring 20% of their salary. The managing director’s salary will be reduced from A\$42,864 per month to A\$34,684 per month inclusive of superannuation (effective 1 December 2021). The majority of the board’s non-executive directors will also be voluntarily deferring 20% of their fees. As already disclosed in the 2021 annual report the chairman's fee has been reduced from A\$180 thousand to A\$120 thousand per annum (effective 1 September 2021).
- While not expected to be a long term measure, salary/fee deferral could realise savings of approximately US\$0.225 million per month. This figure is based on the initial deferral schedule which is planned to be reviewed quarterly, if still required.

While the result of these initiatives is a reduction in fixed costs, DUG believes these changes will also serve to preserve cash reserves, position the business line for future opportunities and maximise profit-making ability. Personnel reduction has been focussed on support staff where continual improvements in software efficiency and functionality have now enabled more streamlined workflows. Careful analysis of projects with respect to profitability criteria will also assist moving forward. For example larger, more compute-intensive projects will be favoured over smaller yet more complex projects.

As a result of these initiatives DUG expects to realise cost savings in FY22 of approximately US\$4.2 million, with further savings in FY23.

The aforementioned restructure will have no impact on DUG's Software and HPCaaS business lines, which continue to perform well, in line with expectations. As the Company has gained increasing market knowledge, key sales areas have been identified to add structure and focus to our global sales team with respect to these business lines. This initiative is also ongoing.

With respect to military and space business development the Company has appointed a chief security officer to facilitate and drive a review and upscaling process of all appropriate measures in order to be able to successfully apply for Entry Level Defence Industry Security Program (DISP) membership in Australia. After Entry Level membership is attained, DUG expects to gain DISP Level 1 then Level 2 membership commensurate with the award of related contracts.

Authorised for release by the Board of DUG Technology Ltd.

ENDS

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About DUG

DUG is an ASX listed technology company, headquartered in Australia, 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 is a global company with offices in Perth, London, Houston and Kuala Lumpur, supporting a diverse industrial client-base that includes radio-astronomy, biomedicine and meteorology, as well as the resource, government and education sectors. 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.

To learn more, please visit www.dug.com.

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