



PROSPECTUS

Initial Public Offer

Prospectus for the offer of 100 million Shares at the Offer Price of \$1.00 per Share to raise gross proceeds of \$100.0 million, together with the offer of 9.8 million Shares under the Vendor Offer



Joint Lead Managers



Important information

Offer

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (**Shares**) in DGL Group Limited ACN 002 802 646 (**Company**). This Prospectus is issued by the Company.

Lodgement and listing

This Prospectus is dated 5 May 2021 (**Prospectus Date**) and a copy has been lodged with the Australian Securities and Investments Commission (**ASIC**). This Prospectus is a replacement prospectus which replaces the prospectus dated 28 April 2021 relating to Shares in the Company which was lodged with ASIC on that date (**Original Prospectus**). A summary of the material changes from the Original Prospectus is as follows:

- additional financial information disclosures in Section 4.3.1 in relation to forecast revenue growth in FY22 and forecast EBITDA and revenue growth in FY21 (and the respective key drivers for each);
- additional disclosure in Section 4.3.1 in relation to the basis of Management's forecast revenue and customer demand increase for FY22;
- additional disclosure in Section 4.5.3 in relation to the basis of Management's expectations with respect to future customer demand;
- clarification in Section 4.7.2 that the debt forgiveness is unconditional;
- replacing the GST exclusive amount in Section 4.7.4 with a GST inclusive amount;
- additional disclosures in Table 4.17 in Section 4.8.5 to provide further information in relation to the related party loans provided by Simon Henry to certain Group Members;
- clarification in Section 5.1.6 regarding the risk relating to the Group's contractual arrangements and material licences;
- updated the disclosure in Section 5.2.8 regarding the issued share capital of the Company which will be held by the Existing Shareholder following Completion of the Offer;
- updated the disclosure in Section 6.3.2 to include the names of the Group Members to whom the loans are provided;
- updated dedicated telephone number for the DGL Offer Information Line; and
- ancillary updates to this Prospectus resulting from lodgement of this replacement Prospectus.

The Company has applied to ASX Limited (**ASX**) for admission of the Company to the Official List and quotation of its Shares on ASX. The Company has also applied for listing with NZX Limited (**NZX**) as a foreign exempt issuer and for quotation of its Shares on the NZX Main Board.

Neither ASIC, ASX, NZX nor their respective officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

No Shares will be issued or sold on the basis of this Prospectus after 27 May 2022 (**Expiry Date**).

Note to applicants

No person is authorised to provide any information, or to make any representation, about the Company or the Offer that is not contained in this Prospectus. Potential investors should only rely on the information contained in this Prospectus. Any information or representation which is not contained in the Prospectus may not be relied on as having been authorised by the Company or any other person in connection with the Offer. Except as required by law and only to the extent so required, neither the Company, nor any person associated with the Company or the Offer guarantees or warrants the future performance of the Company, the return on an investment made under the Prospectus, the repayment of capital or the payment of dividends on the Shares.

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. The Company is not licensed to provide financial product advice in relation to Shares or any other financial products. No cooling-off period applies to the acquisition of Shares under this Prospectus.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 4, including macroeconomic and market condition risks arising from the ongoing global COVID-19 pandemic. There may be risk factors in addition to these that should be considered in light of your personal circumstances. You should also consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the Company's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company's or the repayment of capital or any return on investment made pursuant to this Prospectus.

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has been prepared for publication in Australia and New Zealand and may not be released to US wire services or distributed in the United States except to Eligible US Fund Managers. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, except in compliance with Regulation S under the US Securities Act of 1933. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, except in a transaction exempt from the registration requirements of the US Securities Act of 1933, and applicable US state securities laws. The Offer is not being extended to any investor outside Australia or New Zealand, other than to Institutional Investors as part of the Institutional Offer. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia and New Zealand, please refer to Section 7.15.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

Financial information presentation

Section 4 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 4.2.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest \$0.1 million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus may be due to rounding.

Forward looking statements and statements from third parties

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements.

Any forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and their respective directors and management.

Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, the discussion of the Pro Forma Historical Financial Information and the Forecast Financial Information in Section 4.3, specific assumptions and general assumptions as set out in Section 4.5, the sensitivities as set out in Section 4.6 and other information in this Prospectus and the risk factors as set out in Section 5.

The Company cannot and does not give any assurances that the results, performance or achievements expressed or implied by the forward looking statements contained in the Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. The Company has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, uses market data and third party estimates. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risks set out in Section 5.

Disclaimer

None of the Company, the Joint Lead Managers nor any other person in connection with the Offer warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied on as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

As set out in Section 7, it is expected that the Shares will be quoted on ASX and NZX. The Company, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

This disclaimer does not purport to disclaim any warranties or liability which cannot be disclaimed by law.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven days after the date of lodgement of the Original Prospectus with ASIC (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If material deficiencies are detected, the Company may:

- return any Application Monies that the Company has received;
- provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within one month and be repaid their Application Monies; or
- issue to each Applicant the Shares applied for in the Application, provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within one month.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made generally available to Australian and New Zealand residents, without the Application Forms, at the Company's website, www.dglgroup.com/ipo.

Obtaining a copy of this Prospectus

A paper copy of the Prospectus is available free of charge to any person in Australia and New Zealand by calling the DGL Offer Information Line on 1800 134 068 (within Australia), on 0800 630 110 (within New Zealand) or +61 1800 134 068 (outside Australia and New Zealand) from 8.30am until 5.30pm (Melbourne time) Monday to Friday during the Offer Period.

This Prospectus is also available to Australian and New Zealand resident investors in electronic form at the Offer website, www.dglgroup.com/ipo. The Offer constituted by this Prospectus in electronic form is available only to Australian or New Zealand residents accessing the website within Australia or New Zealand. It is not available to persons in other jurisdictions (including the United States, except for Eligible US Fund Managers). Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus before deciding whether or not to apply for Shares.

Applications for Shares may only be made on the appropriate Application Form included in, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.dglgroup.com/ipo. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Important information

Photographs in this Prospectus may be used under licence. The downloading, republication, retransmission, reproduction or other use of those photographs other than in this Prospectus is prohibited.

Company website

Any references to documents included on the Company's website at www.dglgroup.com or the Offer website at www.dglgroup.com/ipo are for convenience only, and none of the documents or other information available on the Company's website is incorporated herein by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in Appendix B. Unless otherwise stated or implied, references to times in this Prospectus are to Melbourne, Australia time.

Privacy

By completing an Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Company's public register. The information must continue to be included in the Company's public register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed. The Company and the Share Registry on their behalf may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth) and the *Privacy Act 1993* (NZ):

- the Share Registry for ongoing administration of the Shareholder register;
- the Joint Lead Managers and the Company in order to assess your Application;
- other companies for the purpose of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry or the Company. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act and the Companies Act (as applicable), information on the Shareholder register will be accessible by members of the public. The information contained in the Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Shareholder register is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements.

An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory on the inside back cover of this Prospectus.

Information for New Zealand investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is Subpart 6 of Part 9 of the *Financial Markets Conduct Act 2013* (NZ) and Part 9 of the *Financial Markets Conduct Regulations 2014* (NZ) [collectively, the **NZ Financial Markets Law**].¹

This Offer and the content of the Offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and its Regulations (Australia) set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime. The rights, remedies and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about this Offer, please contact Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

If the financial products are able to be traded on a financial products market and you wish to trade the financial products through the market, you will need to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial products market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from financial products markets that operate in New Zealand.

The Offer Price is to be set in Australian dollars. The Offer may involve currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between Australian dollars and New Zealand dollars. These changes may be significant. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Important notice to Singapore investors

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures

1. This is the Part of the NZ Financial Markets Law providing for offers to New Zealand investors of financial products issued by an Australian offeror under the Corporations Act pursuant to the New Zealand Mutual Recognition Regime. This Prospectus is prepared under Chapter 6D of the Corporations Act.

Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Important notice to Hong Kong investors

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the SFO). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

Important notice to United Kingdom investors

Neither this Prospectus nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the United Kingdom by means of this Prospectus or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This Prospectus is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this Prospectus relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus.

Applications

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or included in, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Detailed instructions on completing the Application Form can be found on the back of the Application Form. The acceptance of an Application Form and the allocation of Shares are at the sole and absolute discretion of the Company.

No guarantee

The Shares to be issued or sold under this Prospectus carry no guarantee with respect to payment of dividends, returns of capital or the market value of those Shares.

Currency

References in this Prospectus to currency are to Australian dollars unless otherwise indicated.

Offer management and underwriting

The Joint Lead Managers and underwriters to the Offer are Bell Potter and Canaccord.

Investigating Accountant's Report on the Financial Information and financial services guide

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act. The Investigating Accountant's Report and accompanying financial services guide are provided in Section 8.

This document is important and should be read in its entirety.

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Key Offer statistics and important dates

Key Offer statistics¹

Offer Price	\$1.00
Total Proceeds of the Offer	\$100.0 million
Total number of Shares on issue at Completion of the Offer	257.0 million
Total number of New Shares available under the Offer (excluding the Vendor Offer)	100.0 million
Total number of New Shares available under the Vendor Offer	9.8 million
Total number of Shares held by the Existing Shareholder at Completion ²	147.2 million
Total number of Shares held by the Chem Pack Vendors at Completion ³	9.8 million
Indicative market capitalisation (at the Offer Price) ⁴	\$257.0 million
Pro forma Net Cash/(Net Debt) including leases ⁵ (as at 31 December 2020)	(\$4.3) million
Pro forma Net Cash excluding leases ⁵ (as at 31 December 2020)	\$22.9 million
Enterprise value as at Completion of the Offer (at Offer Price) ⁶	\$261.3 million
Pro forma net Tangible Assets as at Completion of the Offer ⁷	\$157.0 million
Enterprise Value/Pro Forma FY2022 forecast EBITDA	9.0x
Enterprise Value/Pro Forma FY2022 forecast EBIT	14.9x
Price/Earnings ratio at the Offer Price	24.6x

1. Key Offer statistics contain Forecast Financial Information set out in Section 4, prepared on the basis of the best estimate assumptions set out in Section 4.5 and should be read in conjunction with the discussion of the Pro Forma Financial Information in Section 4.3 including the sensitivities set out in Section 4.6, and the risk factors set out in Section 5. This table contains non-IFRS financial measures, which are discussed in Section 4.2.6.

2. Approximately 147.2 million of these Shares will be subject to voluntary escrow arrangements. See Section 7.6 for further details of these voluntary escrow arrangements.

3. Approximately 9.8 million of these Shares will be subject to voluntary escrow arrangements. See Section 7.6 for further details of these voluntary escrow arrangements.

4. Calculated as the total number of Shares on issue following Completion of the Offer multiplied by the Offer Price. Shares may not trade at the Offer Price after Listing.

5. Current lease liabilities of \$7.7 million and non-current lease liabilities of \$19.6 million (totalling \$27.3 million) recognised under AASB 16 *Leases* as set out in Section 4.12.

6. Enterprise Value is calculated as the sum of market capitalisation at the Offer Price less pro forma net cash (including leases) as at 31 December 2020.

7. Pro forma net tangible assets is a non-IFRS measure calculated including Lease Liabilities and Right of Use Assets post Offer.

Important dates

Prospectus Date	5 May 2021
Opening date of the Offer	6 May 2021
Closing date of the Offer	12 May 2021
Settlement of the Offer	17 May 2021
Issue and allotment of Shares (Completion of the Offer)	18 May 2021
Expected despatch of holding statements	19 May 2021
Shares expected to begin trading on a normal settlement basis on the ASX and NZX	24 May 2021

Dates may change

This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne, Australia time. The Company in consultation with the Joint Lead Managers, reserve the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. No cooling-off rights apply to the acquisition of Shares under the Offer. The admission of the Company to the Official List and the NZX Main Board and the commencement of quotation of the Shares are subject to confirmation from ASX and NZX.

How to invest

Applications for Shares can only be made by completing and lodging the Application Form included in or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

Chairman's letter

28 April 2021

Dear Investor,

On behalf of my fellow Directors, it gives me great pleasure to invite you to read this Prospectus and to become a shareholder of DGL Group Limited (**Company**).

DGL is a well-established specialty chemicals and dangerous goods business offering solutions from manufacturing to recycling. DGL employs over 280 people and operates a network of 26 sites in Australia and New Zealand with approximately 140,000 tonnes of manufacturing capacity, 126,000 tonnes of chemical storage, and 174,000 tonnes of waste processing capacity.

The DGL business was founded by Simon Henry in 1999 and has established itself as a leader in the sector through a combination of organic growth and targeted acquisitions of business, property and other assets. DGL's portfolio of assets and capabilities allows it to offer its customers a range of services across specialised chemical formulation and manufacturing, warehousing and distribution and waste management and recycling.

The Company's vision is to leverage its capabilities, asset base and customer relationships to establish and provide a full-service solution for its customers through the chemical lifecycle. With the ever increasing demands on businesses across OH&S, environmental standards, and compliance requirements, customers have shown an increased demand for a total solution and 'one-stop-shop' for their chemical logistics and manufacturing needs.

During 2020, DGL served more than 1,300 pro forma customers (including customers acquired as part of its recent Chem Pack acquisition), across Australia and New Zealand from industries including agriculture, water treatment, mining, construction, automotive, food, pharmaceutical, lead smelters, plastic recyclers, galvanisers, manufacturing, home and garden, and chemical suppliers. DGL integrates deeply into its customers' processes and workflows at multiple levels, resulting in loyal and long-tenured customer relationships.

DGL has delivered strong financial results over recent years. Total pro forma revenue was \$180.1 million in FY20 and is forecast to increase to \$209.7 million in FY22, representing a two-year CAGR of 7.9%. DGL's pro forma consolidated EBITDA was \$19.2 million in FY20 and is forecast to increase to \$29.0 million in FY22, representing a two year CAGR of 22.9%. This has been underpinned by revenue growth and ongoing improvements in EBITDA margins.

We are at an exciting time for the business with growing demand for our services. With our highly specialised workforce, asset base, portfolio of licences, intellectual property and industrial expertise, the Company expects to continue its growth in the coming years.

The Offer will raise \$100.0 million through the issue of 100.0 million new Shares at an Offer Price of \$1.00 per Share. 9.8 million Shares will also be issued to the Chem Pack Vendors (or their nominees) at the Offer Price under the Vendor Offer as part payment of the deferred consideration payable for the acquisition of Chem Pack, which will be subject to a voluntary escrow period of up to 12 months from the Listing Date. The Company's initial public offering and listing on the ASX will provide funding for ongoing growth and access to capital markets. DGL's Founder and major shareholder, Simon Henry, will retain his entire shareholding and will hold 57.3% on Completion of the Offer, which will be subject to a two year voluntary escrow period from the Listing Date.

Detailed information about the Offer and the financial and operating performance of DGL is set out in this Prospectus. It also includes a description of the key risks associated with an investment in the Company in Section 5 which include, among others, business operating risks; environmental and OHS risks; weather patterns, climatic conditions and climate change; commodity prices; supplier arrangements and lack of formal contracts; reliance on customers and customer concentration; increasing competition; activity in the waste treatment sector; inability to meet forecast financial performance; and information technology and potential data breaches.

I encourage you to read this Prospectus carefully and in its entirety before making your investment decision.

On behalf of the Board and senior management team, I look forward to welcoming you as a Shareholder.

Yours sincerely,




Peter Lowe

Chair

DGL Group Limited

For personal use only

A professional portrait of a middle-aged man with short, light-colored hair and glasses. He is wearing a dark navy blue suit jacket, a white dress shirt, and a blue and white striped tie. He is smiling slightly and looking directly at the camera. The background is plain white.

“DGL’s portfolio of assets and capabilities allows it to offer its customers a range of services across specialised chemical formulation and manufacturing, warehousing and distribution and waste management and recycling.”

Section 1

Investment overview



1.1 Introduction

Topic	Summary	For more information
Who is DGL?	<p>The DGL business was established in 1999 by current CEO and Founder, Simon Henry. Mr Henry’s vision for DGL was to address a gap in the market for a fully integrated, end-to-end specialty chemicals and dangerous goods business.</p> <p>DGL has now established itself as an integrated, trans-Tasman business that can offer a wide range of services to its diverse customer base. Its service offering includes chemical formulation and manufacturing, warehousing and distribution, and waste management and recycling. The Company’s vision is to leverage its asset base, customer relationships, and trusted brand to further expand services offered across the full chemical lifecycle and, ultimately, develop itself as a ‘one stop shop’ for its customers.</p>	Section 3.1
What industry and markets does DGL operate in?	<p>DGL operates in three interconnected industries including:</p> <p>Manufacturing of specialised chemicals in Australia and New Zealand</p> <ul style="list-style-type: none"> • The chemicals manufacturing industry is large and diverse. It provides materials and formulations to a range of industry sectors, as well as supplying products to end-use consumer and industrial companies. • The total basic chemical and chemical products manufacturing sector in Australia and New Zealand is projected to grow from \$37.26 billion in 2016 to \$40.82 billion in 2026. <p>Logistics and storage of dangerous goods and specialised chemicals</p> <ul style="list-style-type: none"> • Services include logistics, transportation and freight management, inventory management, packaging and warehousing. Dangerous goods, being substances that potentially pose a risk to life and health, require specialist skills and appropriate licences as incorrect storage and handling of dangerous goods and chemicals can result in spills, contamination, explosions, fires, burns, corrosive action and release of toxic fumes/gases. • The integrated general logistics (excluding postal and courier services) service market in Australia and New Zealand is projected to grow from \$90.39 billion in 2016 to \$111.65 billion in 2026. Within this market, it is estimated that dangerous goods logistics accounted for approximately \$880 million of the Australian and New Zealand market revenue in 2019 (approximately 10% of the total market) and that this will grow to \$1,238 million by 2026. <p>Hazardous waste management market in Australia</p> <ul style="list-style-type: none"> • The waste management industry provides services across multiple sectors including waste collection, waste transport, processing, recycling, recovery and disposal. • DGL currently processes used lead acid batteries and liquid waste. At the end of FY20 it is estimated that there was a total of 159,000 tonnes of lead acid batteries that reached end-of-life in Australia. • The total waste treatment and disposal services market in Australia and New Zealand is projected to grow from \$3.28 billion in 2016 to \$3.61 billion in 2026. Within this market, it is estimated that the treatment and disposal of hazardous liquids represented \$445 million in 2019, and is forecast to reach \$680 million by 2026. • Hazardous wastes comprise approximately 10% of the total \$15 billion waste management industry and are classified as wastes deemed to be potentially harmful to human health or the environment. 	Section 2

Section 1 Investment overview

Topic	Summary	For more information
What is the Offer?	<p>The Offer is an initial public offering to issue 100 million New Shares at a price of \$1.00 to raise \$100.0 million (before costs).</p> <p>All Shares issued pursuant to this Prospectus will, from the time that they are issued and allotted, rank equally with all other Shares on issue at the Prospectus Date.</p>	Section 7.1
What is the purpose of the Offer?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none">• provide additional capital to pursue growth opportunities including executing strategic M&A opportunities as well as investing in assets, plant and equipment;• pay the deferred consideration for the Chem Pack acquisition;• provide financial flexibility for the Company pursue growth opportunities and improve access to capital markets;• repay existing debt;• achieve a listing on the ASX and NZX to broaden the Company's shareholder base, improve access to capital markets and provide a liquid market for its Shares; and• provide an improved future capacity to attract and retain quality staff through potential short and long term employee incentives. <p>The purpose of the Vendor Offer is to remove the need for an additional disclosure document to be issued on the sale of any of Shares issued to the Chem Pack Vendors. The Vendor Offer is only made to the Chem Pack Vendors (or their nominees).</p>	Section 7.4

1.2 Key features of DGL's business model

Topic	Summary	For more information
<p>What are DGL's business divisions?</p>	<p>DGL's services are offered through three divisions:</p> <p>Chemical Manufacturing</p> <ul style="list-style-type: none"> DGL's Chemical Manufacturing division produces its own range of specialty chemicals and undertakes advanced formulation and contract manufacturing on behalf of third parties. The Company believes the division provides a versatile, end to end solution for its customers. Operations are focused on deriving chemicals from complex reactions in controlled environments. Using internally developed intellectual property, the division manufactures trademark brands including the <i>Hardman</i> water treatment range, <i>Alset</i> and <i>Chempro AdBlue</i>. <p>Warehousing and Distribution</p> <ul style="list-style-type: none"> DGL's Warehousing and Distribution division offers transport, logistics and warehousing services focusing on dangerous and hazardous goods across Australia and New Zealand. The division also manages logistics and distribution for other goods including food, pharmaceutical products, agricultural products, security sensitive goods and temperature-controlled products. Key components of the services provided by the Warehousing and Distribution division include freight forwarding, inventory management, warehousing, and transport. The Warehousing and Distribution division operates from a network of 18 facilities across Australia and New Zealand which are both owned and leased. <p>Environmental Solutions</p> <ul style="list-style-type: none"> DGL's Environmental Solutions division is focused on resource recovery and waste management. Its core activities comprise liquid waste treatment, end-of-life lead acid battery (ULAB) recycling and lead smelting, and refining. ULAB recycling is undertaken at two EPA licensed recycling facilities located in New South Wales and Victoria. The division relies on an established and mature collection network of suppliers located throughout Australia. ULABs are recycled in state-of-the-art recycling facilities which are highly automated. The primary outputs from the ULAB recycling process are lead products, scrap plastic and waste. DGL operates a wastewater treatment plant at its New South Wales ULAB recycling plant to process liquid waste generated from its own plant and from external customers. DGL's lead smelter in Laverton North, Victoria has lead smelting and refining capabilities which DGL plans to operate on a scaled basis from 2021. This will allow the conversion of intermediate lead material into valuable end products (e.g. lead bullion and ingots), which can be sold to a wider global market. 	<p>Sections 3.4.1, 3.4.2 and 3.4.3</p>
<p>Where are DGL's operations?</p>	<p>DGL operates a network of 26 sites, both owned and leased, across Australia and New Zealand. DGL's geographic coverage enables it to service national and trans-Tasman customers in a highly effective manner, avoiding the need for the customer to engage multiple service providers to achieve similar geographic coverage.</p>	<p>Section 3.8</p>

Section 1 Investment overview

Topic	Summary	For more information
Who are DGL's customers?	<p>DGL has a diverse customer base ranging from small and medium sized enterprises to multi-national corporations. During 2020, DGL serviced over 1,300 pro forma customers.</p> <p>DGL has customers across a range of sectors including agriculture, water treatment, mining, construction, automotive, food, pharmaceutical, lead smelters, plastic recyclers, galvanisers, manufacturing, home and garden, and chemical suppliers.</p> <p>In calendar year 2020, DGL's largest customer represented 19% of its total pro forma revenue and its top 10 customers represented 57%.</p>	Section 3.9
How does DGL generate revenue?	<p>Chemical Manufacturing</p> <ul style="list-style-type: none"> DGL's Chemical Manufacturing division contributed 51% of pro forma FY20 revenue. Revenue is generated through the manufacture and sale of chemicals. <p>Warehousing and Distribution</p> <ul style="list-style-type: none"> DGL's Warehousing and Distribution division contributed 15% of pro forma FY20 revenue. Revenue is generated through the transporting and warehousing of dangerous goods and chemicals. <p>Environmental Solutions</p> <ul style="list-style-type: none"> DGL's Environmental Solutions division contributed 34% of pro forma FY20 revenue. Revenue is generated through the collection, treatment, and disposal of liquid wastes as well as the sale of lead and plastic products. 	Section 3.4
What is DGL's competitive position?	<p>The Company believes its key competitive strengths include:</p> <ul style="list-style-type: none"> the significant capital invested in establishing the portfolio of assets and infrastructure; its broad portfolio of licences, accreditations, and regulatory approvals; the benefits and economies of scale it achieves from having large scale operations; its ability to offer customers a vertically integrated service; its trusted brand and track record in a high-risk industry; its highly skilled workforce; and its intellectual property and technical know-how. 	Section 3.3
Who are DGL's competitors?	<p>The Company does not consider that it has a competitor that competes across its full range of services. The industries that DGL operates in are considered large and relatively fragmented. Within each of its divisions, DGL has competitors that range from multinational and large national providers to small local operators.</p>	Sections 2.2.3, 2.3.4 and 2.4.2

Topic	Summary	For more information																																																
What is DGL's growth strategy?	<p>The Company has a range of future growth strategies, including;</p> <ul style="list-style-type: none"> • continuing to drive cross-selling amongst existing customers to increase its share of customer spend; • achieving further economies of scale and operating efficiencies; • investment in various capital projects to increase capacity and expand capabilities; and • potential strategic company and asset acquisitions. 	Section 3.15																																																
What is DGL's consolidated pro forma historical and forecast financial performance?	<table border="1"> <thead> <tr> <th rowspan="2">\$m</th> <th colspan="3">Pro forma historical</th> <th colspan="3">Pro forma forecast</th> </tr> <tr> <th>FY19</th> <th>FY20</th> <th>1H FY21</th> <th>2H FY21F</th> <th>FY21F</th> <th>FY22F</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>163.5</td> <td>180.1</td> <td>92.5</td> <td>97.4</td> <td>189.9</td> <td>209.7</td> </tr> <tr> <td>EBITDA</td> <td>14.8</td> <td>19.2</td> <td>12.9</td> <td>13.1</td> <td>26.0</td> <td>29.0</td> </tr> <tr> <td>EBIT</td> <td>4.0</td> <td>7.5</td> <td>8.2</td> <td>7.3</td> <td>15.5</td> <td>17.5</td> </tr> <tr> <td>Profit Before Tax</td> <td>2.3</td> <td>5.9</td> <td>7.1</td> <td>5.9</td> <td>13.0</td> <td>14.8</td> </tr> <tr> <td>NPAT</td> <td>2.2</td> <td>4.8</td> <td>5.0</td> <td>4.5</td> <td>9.5</td> <td>10.4</td> </tr> </tbody> </table>	\$m	Pro forma historical			Pro forma forecast			FY19	FY20	1H FY21	2H FY21F	FY21F	FY22F	Revenue	163.5	180.1	92.5	97.4	189.9	209.7	EBITDA	14.8	19.2	12.9	13.1	26.0	29.0	EBIT	4.0	7.5	8.2	7.3	15.5	17.5	Profit Before Tax	2.3	5.9	7.1	5.9	13.0	14.8	NPAT	2.2	4.8	5.0	4.5	9.5	10.4	Section 4.3
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What is DGL's consolidated pro forma net cash and pro forma net tangible asset position?	<table border="1"> <thead> <tr> <th>\$m</th> <th>Pro forma 31 December 2020</th> </tr> </thead> <tbody> <tr> <td>Net Cash/(Debt) (including lease liabilities)</td> <td>(4.3)</td> </tr> <tr> <td>Net Cash/(Debt) (excluding lease liabilities)</td> <td>22.9</td> </tr> <tr> <td>Pro forma net tangible assets post Completion of the Offer¹</td> <td>\$157.0</td> </tr> </tbody> </table>	\$m	Pro forma 31 December 2020	Net Cash/(Debt) (including lease liabilities)	(4.3)	Net Cash/(Debt) (excluding lease liabilities)	22.9	Pro forma net tangible assets post Completion of the Offer ¹	\$157.0	Section 4																																								
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What is the Company's dividend policy?	<p>The payment of dividends by the Company is at the absolute discretion of the Directors. The current dividend policy of the Company is to reinvest all cash flows into the business to maximise its growth. Accordingly, no dividends are expected to be paid in the near term following the Company's listing on the ASX.</p> <p>In determining whether to declare or pay future dividends, the Directors will have regard to the Company's earnings, overall financial condition, capital requirements and the level of franking credits available. There is no certainty that the Company will ever declare or pay a dividend.</p>	Section 4.11																																																

1. Pro forma net tangible assets is a non-IFRS measure calculated including Lease Liabilities and Right of Use Assets post Offer.

Section 1 Investment overview

1.3 Key strengths

Topic	Summary	For more information
Specialty chemicals provider	DGL has established itself as a specialty chemical formulation, manufacturing, logistics and waste management provider embedded within customer processes and offering services across full chemical value chain.	Sections 3.4.1, 3.4.2 and 3.4.3
Established assets and infrastructure	DGL has established assets and infrastructure targeting specialist markets with favourable regulatory and industry growth tailwinds. The Company's operations are underpinned by the significant investment made in property, plant and equipment since the DGL business was established in 1999. Approximately \$100 million has been invested by the Founder and by reinvestment of retained earnings to build and develop DGL's asset base and infrastructure across Australia and New Zealand.	Sections 2, 3.1 and 3.8
Barriers to entry	DGL has significant and proven barriers to entry due to specialised facilities, network infrastructure density and licensing and accreditation requirements. The highly regulated industries in which DGL operates require a wide range of specific operating licences, permits, and accreditations from multiple authorities across many jurisdictions. Many of these are difficult to obtain and often require a significant investment of time and money.	Sections 3.3 and 3.12
Blue chip and diverse customer base	DGL has a loyal and diverse blue chip customer base, serving more than 1,300 pro forma customers during 2020 which provides good revenue visibility. DGL's customers are located across Australia and New Zealand from industries including agriculture, water treatment, mining, construction, automotive, food, pharmaceutical, lead smelters, plastic recyclers, galvanisers, manufacturing, home and garden, and chemical suppliers.	Section 3.9
Financial performance	DGL has had a robust financial performance with a long track record of revenue and earnings growth. Total pro forma revenue was \$180.1 million in FY20 and is forecast to increase to \$209.7 million in FY22, representing a two-year CAGR of 7.9%. DGL's pro forma consolidated EBITDA was \$19.2 million in FY20 and is forecast to increase to \$29.0 million in FY22, representing a two year CAGR of 22.9%. This has been underpinned by revenue growth and ongoing improvements in EBITDA margins.	Section 4.3
Strong balance sheet	<p>DGL has a strong balance sheet with significant investible cash and assets to support non-dilutive growth. Post IPO DGL will have over \$157.0 million of net tangible assets and \$22.9 million of net cash (excluding lease liabilities).</p> <p>This strong balance sheet will provide DGL with the ability to execute its growth strategy and give it the flexibility to take advantage of opportunities as they arise.</p>	Section 4.7
High quality board and a highly experienced management team	<p>DGL's management team, led by Founder and CEO Simon Henry, Chief Financial Officer Brendan Lum, Chief Operating Officer Ryan Aisher and Executive Director and General Manager of Chem Pack Robert Sushames, have deep sector experience and tenure at DGL and are motivated to take DGL through its next phase of growth.</p> <p>Together, the management team has:</p> <ul style="list-style-type: none">• significant operational experience in the speciality chemicals sector and financial and corporate environments;• experience in executing acquisitions and integration of those businesses into DGL; and• a track record of driving significant growth via customer growth, contract wins and acquisitions.	Sections 6.1 and 6.2

1.4 Summary of key risks

Topic	Summary	For more information
Business operating risks	<p>The performance of DGL may be subject to conditions beyond the control of management, and these conditions may reduce sales of its services and/or increase costs of both current and future operations.</p> <p>Operating risks beyond the control of management include, but are not limited to changes in legislative requirements, variation in timing of regulatory approvals, abnormal or severe weather or climatic conditions, natural disasters, unexpected maintenance or technical problems, new technology failures, industrial disruption, failures in internal control and fraud.</p> <p>Furthermore, mechanical problems or other failures in manufacturing plant and equipment (including due to maintenance issues) may cause disruptions to business operations, higher operating costs or deterioration in the DGL's ability to manufacture products or provide transport solutions to an adequate standard that satisfies customer requirements.</p> <p>These circumstances may adversely affect DGL's reputation, profitability and growth.</p>	Section 5.1.1
Environmental and OHS risks	<p>DGL's operations are subject to significant environmental related regulation. Although DGL's key waste treatment activities and chemical manufacturing occurs in New South Wales and Victoria, it is required to comply with legislation relating to the environment and the protection of the environment throughout Australia.</p> <p>These regulations impact DGL both from a site planning/development perspective and also at an operational level, seeking to minimise the impact of waste treatment management activities on human health, the environment (including in relation to minimising the risk of hazardous materials and contamination, dust or other environmental impacts) and public transport infrastructure (such as roads).</p>	Section 5.1.2
Weather patterns, climatic conditions and climate change risks	<p>DGL's operating results may be adversely affected by weather conditions.</p> <p>DGL derives revenue from contract manufacturing of liquid and aerosol products which are sold and distributed in the agricultural, home and garden and industrial markets. Certain weather conditions and natural disasters may impact agricultural markets and reduce the level of demand for DGL's associated chemical products.</p>	Section 5.1.3
Commodity prices	<p>DGL processes recyclable materials such as lead acid batteries, metals, and liquids for sale to third parties. DGL's results of operations may be affected by changing prices or market requirements for recyclable materials (and the underlying commodity price) and fluctuations in the cost of tipping.</p> <p>In addition, the Company manufactures products using commodities such as aluminium. The Company's results of operations may be affected by changing prices for these commodities.</p> <p>The resale and purchase prices of, and market demand for commodities and recyclable materials fluctuate due to changes in economic conditions and numerous other factors beyond DGL's control. These fluctuations may adversely affect DGL's financial condition, results of operations, cash flows and the ability to dispose of recyclable materials at forecasted rates.</p>	Section 5.1.4

Section 1 Investment overview

Topic	Summary	For more information
Supplier arrangements and lack of formal contracts	<p>DGL does not have formal long term written contracts in place with a number of its key suppliers (including for key existing relationships), who may engage with DGL on an ad hoc basis. There is therefore a risk that DGL's existing suppliers may decide not to continue their business with DGL in the future or at the same level as in prior periods. As a result, DGL's operating performance may vary from period to period and may fluctuate significantly in the future.</p> <p>In relation to those business arrangements with suppliers which are not subject to fixed terms or are not the subject of a formal written contract, if they were to come to an end at the instigation of a counterparty, there may be a time lag until DGL has entered into new arrangements with an alternative supplier. An inability to secure ongoing supply of required stock, goods and/or services at prices assumed within DGL expectations or to maintain sufficient assets to operate its business could also potentially impact the results of DGL's operations and could result in volume constraints, loss of revenue, declining profitability including margin erosion, declining market share, inability to offer end-to-end solutions and reliance on third party vendors and impact on the sustainability of DGL's business model.</p>	Section 5.1.5
Reliance on existing relationships and customer concentration	<p>The success of DGL's business and its ability to grow relies on its ability to retain and grow existing customer relationships and develop new ones. There is no guarantee that these relationships will continue beyond the terms of contracts or if they do continue, that these relationships will be successful.</p> <p>DGL does not have formal long term written contracts in place with a number of its customers (including for key existing relationships), who may engage with DGL on an ad hoc basis. There is therefore a risk that DGL's existing customers may decide not to continue their business with DGL in the future or at the same level as in prior periods. As a result, DGL's operating performance may vary from period to period and may fluctuate significantly in the future.</p> <p>If DGL's customers vary, cease, or terminate their arrangements with DGL, this may have an adverse effect on the financial performance and/or financial position of DGL. There is also the potential that DGL will not receive payments for the provision of its goods or services if a customer becomes insolvent or fails to provide payment in accordance with its agreement with DGL.</p>	Section 5.1.6
Increasing competition	<p>A number of entities currently compete with DGL in Australia and New Zealand, and new competitors may enter the market in the future.</p> <p>The market share of DGL's competitors may increase or decrease as a result of various factors such as securing major new contracts, developing new technologies, adopting pricing strategies specifically designed to gain market share and the emergence of disruptors or disruptive behaviours. These competitive actions may reduce the prices DGL is able to charge for its services and products or reduce DGL's activity levels, both of which could negatively impact the financial performance of the Company.</p>	Section 5.1.7
Activity in the waste treatment sector	<p>The continued performance and future growth of the Company is dependent, in part, on continued activity and expansion in the Australian waste treatment sector.</p> <p>The level of activity in the waste treatment sector may vary and be affected by prevailing or predicted economic activity.</p> <p>There can be no assurance that the current levels of activity in the waste treatment sector will be maintained in the future or that customers of DGL will not reduce their activities or requirements for waste treatment services in the future. Any prolonged period of low growth in the waste treatment industry would be likely to have an adverse effect on the business, financial condition, and profitability of DGL.</p>	Section 5.1.8

Topic	Summary	For more information
Inability to meet forecast financial performance	<p>The forward looking statements, opinions and estimates provided in this Prospectus, including the Forecast Financial Information, rely on various assumptions, some of which are described in Section 4.</p> <p>Various factors, both known and unknown, may impact upon the performance of the Company and cause its actual performance to vary significantly from expected results. There can be no guarantee that the Company will achieve its stated objectives or that any forward looking statement or forecast will eventuate.</p> <p>Investors should note that past performance is not a reliable indicator of future performance.</p>	Section 5.1.9
Information technology and potential data breaches	<p>DGL has invested in the development of management information and information technology systems designed to maximise the efficiency of DGL's operations. Should these systems not be adequately maintained, secured or updated or, if DGL's disaster recovery plans do not adequately address an event that occurs, such as data breaches, hacking or similar malicious conduct, this may negatively impact on DGL's performance.</p> <p>Any damage to, or failure of, DGL's key systems can result in disruptions in DGL's ability to provide services. This in turn can reduce DGL's ability to generate revenue, impact customer service levels and damage the DGL brand. This could adversely affect the Company's ability to generate new business and cause it to suffer financial loss.</p>	Section 5.1.10
Other risks	<p>A number of other key risks relating specifically to an investment in the Company and generally to an investment in the Shares are included in Section 5.</p> <p>Other specific risks include:</p> <ul style="list-style-type: none"> • Intellectual property; • Acquisitions and integration of acquisitions; • Geographical concentration of operations for DGL's Chemical Manufacturing and Environmental Solutions divisions; • Other regulatory risks; • DGL may be unable to access capital markets or refinance debt on attractive terms; • Capital costs and planned capital projects; • Reliance on key personnel; • Industrial disputes; • Leases; and • Insurance risk. 	Section 5

Section 1 Investment overview

1.5 Directors and executive management

Topic	Summary	For more information
Who are the Directors of DGL?	<p>At the Listing Date, the Board will comprise five Directors, consisting of:</p> <ul style="list-style-type: none"> • Peter Lowe, Independent Chair and Non-Executive Director; • Simon Henry, Founder, Executive Director and CEO; • Denise Brotherton, Independent Non-Executive Director; • Robert McKinnon, Independent Non-Executive Director; and • Robert Sushames, Executive Director and General Manager, Chem Pack. <p>The Board brings relevant experience and skills including industry and business knowledge, financial management and corporate governance.</p>	Section 6.1
Who are the key members of DGL's management team?	<p>The Company's key senior executive managers are set out below:</p> <ul style="list-style-type: none"> • Simon Henry, Founder, Executive Director and CEO; • Brendan Lum, Chief Financial Officer; • Ryan Aisher, Chief Operating Officer; and • Robert Sushames, Executive Director and General Manager, Chem Pack. 	Section 6.2

1.6 Significant interests of key people and related party transactions

Topic	Summary	For more information																														
What significant benefits and interests are payable to Directors and other persons connected with the Company or Offer?	<p>See Section 6 for details of key management interests and remuneration.</p> <table border="1"> <thead> <tr> <th>Director</th> <th>Shares held immediately prior to Completion of the Offer (m)</th> <th>Shares acquired in the Offer* (m)</th> <th>Shares on Completion of the Offer (m)</th> <th>Shares held on Completion of the Offer (%)</th> </tr> </thead> <tbody> <tr> <td>Simon Henry</td> <td>147.2</td> <td>–</td> <td>147.2</td> <td>57.3%</td> </tr> <tr> <td>Peter Lowe</td> <td>Nil</td> <td>0.05</td> <td>0.05</td> <td>0.02%</td> </tr> <tr> <td>Denise Brotherton</td> <td>Nil</td> <td>0.025</td> <td>0.025</td> <td>0.01%</td> </tr> <tr> <td>Robert McKinnon</td> <td>Nil</td> <td>0.05</td> <td>0.05</td> <td>0.02%</td> </tr> <tr> <td>Robert Sushames</td> <td>Nil</td> <td>1.0</td> <td>1.0</td> <td>0.4%</td> </tr> </tbody> </table> <p>*The relevant Directors have committed to subscribe for the stated number of Shares through the Offer.</p> <p>The annual base Non-Executive Director fees currently agreed to be paid by the Company to each Non-Executive Director (except the Chair) are \$80,000 per year. The Chair, Peter Lowe, will receive an annual base fee of \$110,000 per year.</p>	Director	Shares held immediately prior to Completion of the Offer (m)	Shares acquired in the Offer* (m)	Shares on Completion of the Offer (m)	Shares held on Completion of the Offer (%)	Simon Henry	147.2	–	147.2	57.3%	Peter Lowe	Nil	0.05	0.05	0.02%	Denise Brotherton	Nil	0.025	0.025	0.01%	Robert McKinnon	Nil	0.05	0.05	0.02%	Robert Sushames	Nil	1.0	1.0	0.4%	Section 6.3
Director	Shares held immediately prior to Completion of the Offer (m)	Shares acquired in the Offer* (m)	Shares on Completion of the Offer (m)	Shares held on Completion of the Offer (%)																												
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Robert McKinnon	Nil	0.05	0.05	0.02%																												
Robert Sushames	Nil	1.0	1.0	0.4%																												

Topic	Summary					For more information
What will the Existing Shareholder's and Chem Pack Vendors' interests be on Completion of the Offer?		Ownership of the Company at Prospectus Date		At Completion of the Offer		Section 7.5
		%	Shares (m)	%	Shares escrow	
	Simon Henry	100%	147.2	57.3%	147.2	
	Chem Pack Vendors	-	9.8	3.8%	9.8	
	New Shareholders	-	100.0	38.9%	-	
Total	100%	257.0	100%	157.0		

1.7 Overview of the Offer

Topic	Summary	For more information
Who is the issuer of this Prospectus?	DGL Group Limited ACN 002 802 646, a company registered in New South Wales, Australia.	Section 9.1
What is the Offer?	<p>This Offer is an initial public offering issue of 100 million New Shares at a price of \$1.00 to raise \$100.0 million (before costs) by the Company. The Shares being offered will represent approximately 38.9% of the total Shares on issue following the Listing.</p> <p>9.8 million New Shares will also be offered to the Chem Pack Vendors (or their nominees) at the Offer Price under the Vendor Offer as part payment of the deferred consideration payable for the acquisition of Chem Pack. The Shares being issued to the Chem Pack Vendors represent approximately 3.8% of the total Shares on issue following the Listing.</p> <p>All Shares issued pursuant to this Prospectus will, from the time that they are issued and allotted, rank equally with all other Shares on issue at the Prospectus Date.</p>	Section 7.1

Section 1 Investment overview

Topic	Summary	For more information																																
What is the proposed use of funds raised under the Offer?	<p>The Offer is expected to raise approximately \$100.0 million before the costs of the Offer. The table below sets out in detail the use of proceeds raised under the Offer.</p> <table border="1"> <thead> <tr> <th>Sources of Funds</th> <th>A\$(m)</th> <th>Uses of Funds</th> <th>A\$(m)</th> </tr> </thead> <tbody> <tr> <td>Offer proceeds</td> <td>100.0</td> <td>Chem Pack acquisition deferred consideration</td> <td>23.6</td> </tr> <tr> <td></td> <td></td> <td>Repayment of short term debt</td> <td>10.0</td> </tr> <tr> <td></td> <td></td> <td>Capital expenditure for new plant and equipment, warehouse construction, IT systems, transport fleet expansion</td> <td>10.0</td> </tr> <tr> <td></td> <td></td> <td>Future capital expenditure, property investment and strategic business acquisitions in Australia and NZ</td> <td>39.3</td> </tr> <tr> <td></td> <td></td> <td>Working capital</td> <td>10.0</td> </tr> <tr> <td></td> <td></td> <td>Costs of the Offer</td> <td>7.1</td> </tr> <tr> <td>Total</td> <td>\$100.0</td> <td>Total</td> <td>\$100.0</td> </tr> </tbody> </table> <p>There are no funds being raised under the Vendor Offer.</p>	Sources of Funds	A\$(m)	Uses of Funds	A\$(m)	Offer proceeds	100.0	Chem Pack acquisition deferred consideration	23.6			Repayment of short term debt	10.0			Capital expenditure for new plant and equipment, warehouse construction, IT systems, transport fleet expansion	10.0			Future capital expenditure, property investment and strategic business acquisitions in Australia and NZ	39.3			Working capital	10.0			Costs of the Offer	7.1	Total	\$100.0	Total	\$100.0	Section 7.4
Sources of Funds	A\$(m)	Uses of Funds	A\$(m)																															
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		Working capital	10.0																															
		Costs of the Offer	7.1																															
Total	\$100.0	Total	\$100.0																															
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Lead Managers.	Section 9.4																																
Will any Shares be subject to escrow?	<p>The Existing Shareholder and the Chem Pack Vendors (or their nominees) will be subject to certain voluntary escrow arrangements for their Shares.</p> <p>In total, 157.0 million Shares held by Escrowed Shareholders will be subject to the following escrow periods:</p> <ul style="list-style-type: none"> • 147.2 million Shares until two years from the Listing Date; • 4.9 million Shares until one year from the Listing Date; and • 4.9 million Shares until six months from the Listing Date. <p>During the escrow period, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of their Shares in a timely manner or for an appropriate value.</p> <p>The Company expects its Free Float immediately after the issue of the Shares offered under this Prospectus to be approximately 38.9%.</p>	Section 7.6																																
Will the Shares be listed on ASX?	<p>Yes. The Company has applied to ASX for admission to the Official List and quotation of Shares on ASX under the code 'DGL'.</p> <p>Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after the date of the Original Prospectus (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7.8																																

Topic	Summary	For more information
Will the Shares be listed on NZX?	<p>Yes. The Company has applied to NZX for admission as a foreign exempt issuer and quotation of Shares on the NZX Main Board, which is expected to be under the code 'DGC'.</p> <p>Completion of the Offer is conditional on NZX approving this application. If approval is not given within three months after the date of the Original Prospectus (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable.</p>	Section 7.8
How is the Offer structured?	<p>The Offer comprises the:</p> <ul style="list-style-type: none"> • Broker Firm Offer, which is only open to Australian and New Zealand resident investors who are not Institutional Investors and who have received a firm allocation of Shares from a Broker; • Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and certain overseas jurisdictions; • Priority Offer, which is open to selected investors in Australia and New Zealand who have received an invitation under the Priority Offer; and • Vendor Offer, which is only open to the Chem Pack Vendors (or their nominees) as part payment of the deferred consideration payable for the acquisition of all of the shares in Chem Pack. <p>There is no general public offer of Shares under the Offer.</p> <p>The Offer is being extended to New Zealand investors under the New Zealand Mutual Recognition Regime applicable to public offers of securities in Australia and New Zealand.</p>	Section 7.2
How can I apply?	<p>Applicants under the Broker Firm Offer may apply for Shares by completing an Application Form and lodging it with the Broker who invited them to participate in the Broker Firm Offer.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p> <p>For further information on the Institutional Offer, the Priority Offer and the Vendor Offer refer to Sections 7.10, 7.11 and 7.12 respectively.</p>	Sections 7.9, 7.10, 7.11 and 7.12
When will I receive confirmation that my application has been successful?	<p>It is expected that initial holding statements will be dispatched by standard post on or about 19 May 2021.</p>	Section 7.8

Section 1 Investment overview

Topic	Summary	For more information
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, the Institutional Offer and the Priority Offer will be determined by the Joint Lead Managers with the agreement of the Company, having regard to the allocation policy outlined in Sections 7.9.3, 7.10.2 and 7.11.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among eligible retail clients. For further information on the Broker Firm Offer, refer to Section 7.9.</p> <p>The allocation of Shares among applicants in the Institutional Offer will be determined by the Joint Lead Managers with the agreement of the Company subject to the terms of the Underwriting Agreement. For further information on the Institutional Offer, refer to Section 7.10.</p> <p>Invitations to participate in the Priority Offer will be made by the Company in its sole and absolute discretion. For further information on the Priority Offer, refer to Section 7.11.</p> <p>The Vendor Offer is only available to the Chem Pack Vendors (or their nominees), in the allocation previously agreed between the parties. For further information on the Vendor Offer, refer to Section 7.12.</p>	Sections 7.9.3, 7.10.2, 7.11 and 7.12
Is there any brokerage, commission or stamp duty payable by applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.	Section 7.8
Where can I find more information about this Prospectus or the Offer?	<p>For more information, please call the DGL Offer Information Line 1800 134 068 (within Australia), on 0800 630 110 (within New Zealand) or +61 1800 134 068 (outside Australia and New Zealand) from 8.30am until 5.30pm (Melbourne time) Monday to Friday during the Offer Peri-od.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether DGL is a suitable investment for you, you should seek pro-fessional guidance from your solicitor, stockbroker, accountant or oth-er independent and qualified professional adviser before deciding whether to invest.</p>	Corporate Directory
Can the Offer be withdrawn?	<p>The Company may withdraw the Offer at any time before the issue and transfer of Shares to successful applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.</p> <p>The Company reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late applications or bids either generally or in particular cases, reject any application or bid, or allocate to any applicant or bidder fewer Shares than the amount applied or bid for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.</p>	Section 7.14

Section 2

Industry overview



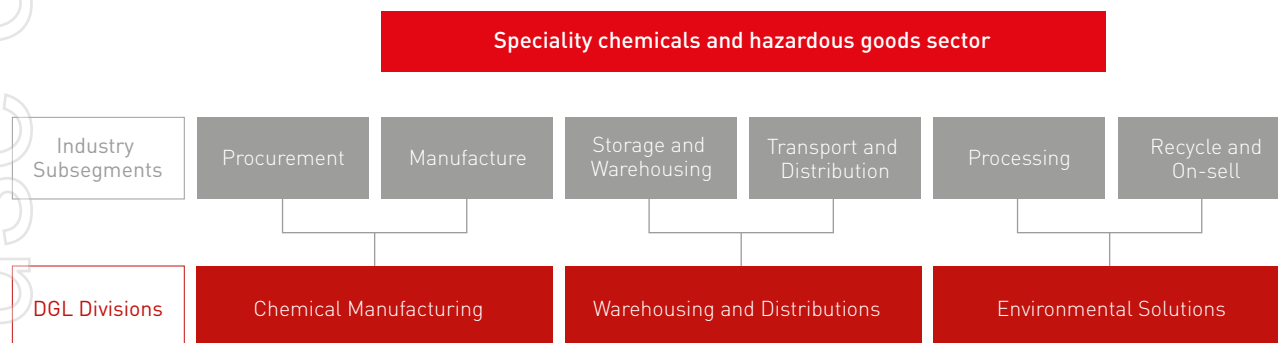
Section 2 Industry overview

2.1 The specialty chemicals and hazardous goods sector in Australia and New Zealand

DGL provides an integrated suite of services to businesses which operate within the chemicals and hazardous goods industry. The services offered include chemical formulation and manufacturing, warehousing and distribution, as well as liquid and battery waste processing and recycling.

Figure 2.1 summarises the areas of the specialty chemicals value chain in which DGL operates.

Figure 2.1: Specialty chemicals and hazardous goods sector



This Section 2 provides a summary of the three core industry sectors in which DGL operates.

2.2 Manufacturing of specialised chemicals in Australia and New Zealand

2.2.1 Overview

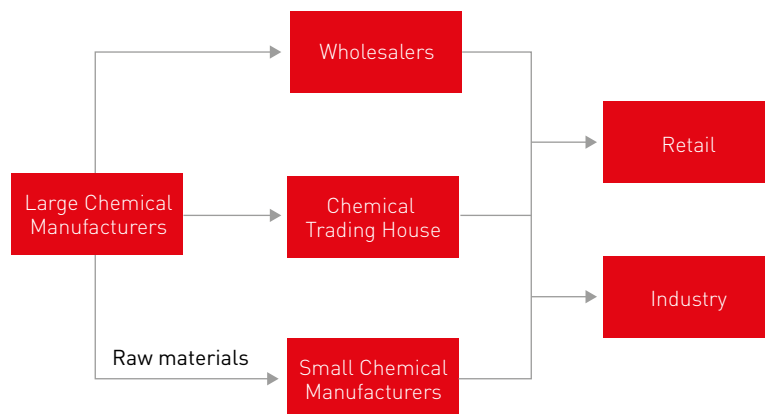
The chemicals manufacturing industry is large and diverse. It provides materials and formulations to a range of industry sectors, as well as supplying products to end-use consumer and industrial companies.

DGL manufactures its own products but also undertakes contract manufacturing of specialised chemicals for third parties.

Figure 2.2 below outlines a simplified view of the chemicals manufacturing value chain. The larger chemical manufacturers in the industry, including DGL, procure raw materials and manufacture end products. These products are then supplied to wholesalers (smaller companies that service specialised markets), chemical trading houses (companies which cover multiple sectors, buying in bulk to consolidate and on-sell) and small chemical manufacturers.

Ultimate end markets are usually retail or industrial consumers.

Figure 2.2 : Chemicals manufacturing value chain




Source: Frost & Sullivan, Market report on Dangerous Goods Logistics, Contract Manufacturing of Chemicals and Hazardous Waste Management/Recycling Services Markets in Australia and New Zealand. 29 March 2021, commissioned by the Company

Contract manufacturing is an important component of the chemicals manufacturing industry and refers to the outsourcing of manufacturing (either partially or wholly) to a specialised third-party manufacturing firm with relevant capacity and expertise.

It is common for chemical suppliers to outsource manufacturing for reasons including to reduce risk, minimise capital expenditure and focus on their core activities such as innovation and marketing. Specialised manufacturers can offer procurement, formulation, compliance, production, labelling, packaging and logistics services.

DGL considers there are three main types of contract manufacturer ranging in capability from basic to advanced, as set out in Table 2.1. DGL believes its services are in the specialty product and process development category as it provides a full suite of design, formulation, and manufacturing activities for its customers.

Table 2.1: Types of chemical contract manufacturing



Type of Contract Manufacturing	Description	Capabilities
Specialty product and process development	Designs and formulates processes and products to meet customers specialty requirements	<ul style="list-style-type: none"> • Holds a high level of process and product intellectual property • Often processes involve reaction chemistry of dangerous raw materials • Often processes are highly automated according to individual customer requirements
Fast moving consumer goods (FMCG)	Commodity products generally made to customers formulation design and process	<ul style="list-style-type: none"> • Minimal formulation capabilities • IP normally held by customer • Often competes with similar overseas manufacturers
Blending and Packaging	Simple mixing of raw materials	<ul style="list-style-type: none"> • No formulation or intellectual property • Basic mixing equipment • Basic packaging equipment or hand filling

Market drivers

DGL manufactures chemicals for the agriculture, home and garden, water treatment, construction and mining industries. Market drivers for these chemical types are set out below.

Growing ANZ agriculture sector driving demand for pesticides, herbicides and fertilisers

Both Australia and New Zealand are among the world’s top 20 agricultural producers and the industry is a significant component of export revenues for both countries. To maintain global competitiveness as a reliable exporter of high quality and safe agricultural commodities, Australian and New Zealand farmers use a range of agricultural chemicals as part of their farm management practices.

Following rainfall deficiencies that affected Australia between early 2017 and 2020, the return to favourable seasonal rainfall conditions across many parts of Australia (forecast to be above average over most cropping regions in Australia over the near term) has increased soil moisture levels. As a result, winter crop production in Australia is forecast to rise by 76% in 2020–21 to 51.5 million tonnes (second only to the record high of 56.7 million tonnes in 2016–17). Summer crop production is projected to grow by 322% to 3.7 million tonnes, supported by the increase in planted area and return to average yields from the historically low yields in 2019–20. This crop production growth is expected to drive demand for agricultural chemicals.

Section 2 **Industry overview**

Trend towards home and garden DIY requiring domestic chemical usage

The marked household trend towards do-it-yourself gardening and home maintenance, combined with the strong fundamentals supporting household wealth are expected to underpin demand for home and garden chemicals.

Strong housing market conditions also support demand for home and garden chemicals. In terms of garden chemicals in particular, the demand for detached dwelling construction directly impacts the total garden area that is maintained and, consequently, the demand for garden chemicals.

Growing requirement for chemically treated and compliant potable water

Growth in household numbers contributes to high demand for safe and chemically treated potable water. Power plants, mining, agrichemicals, food and beverage, pharmaceuticals and personal care industries are also large consumers of water and require chemicals to both process water and for wastewater treatment.

Stringent discharge regulations and high trade-waste discharge costs in Australia and New Zealand are prompting the use of effective treatment chemicals to ensure compliance at industrial sites.

In the mining sector in particular, the water that is discharged from mine sites into natural water systems needs to comply with local, state, and federal regulations. The chemical content requirements for discharged water have become increasingly stringent which has increased the demand for water treatment chemicals.

Coagulants and flocculants, which are produced by DGL, are an effective solution to remove solids in water treatment processes.¹ Their use is expected to grow at the highest CAGR both by value and volume amongst all major water treatment chemical categories. These chemicals have a simple mode of action, are cost effective and are beneficial for both water and effluent treatment processes.

Significant investment in construction and infrastructure industry requiring admixtures

Admixtures are specialty chemicals added to concrete to enhance the properties of traditional concrete, including speed of setting (accelerator or retarder) and pumpability strength.

Across both Australia and New Zealand, Government-supported infrastructure projects are expected to support overall construction activity. In Australia, the Government expects to spend \$100 billion over ten years on infrastructure projects as part of its Infrastructure Investment Program announced in 2019.

In particular, the increase in tunnelling projects is projected to drive demand for admixture and shotcrete. At the end of 2019, nine of the twelve largest infrastructure projects in Australia were tunnelling projects with the value of planned underground projects in Sydney and Melbourne alone at over \$40 billion.

Construction of high-rise buildings drives the demand for waterproofing, sealing, refurbishment and repair, roofing solutions and high-quality advanced concrete (with admixture), increasing the demand for construction chemicals.

Mining industry trends increasing chemical dosage requirements

Strong mining commodity prices and consequent support for mining exploration and production is the biggest driver of demand for mining chemicals including admixtures.

There are around 70 underground mines in operation in Australia, engaged in mining of coal, gold, nickel, copper, zinc, lead, tin, uranium and diamonds. With declining ore grades and surface deposits reaching maturity, underground mining is expected to gain greater importance at greater depths. This is expected to drive demand for shotcrete² as a means to provide roof/ground support.

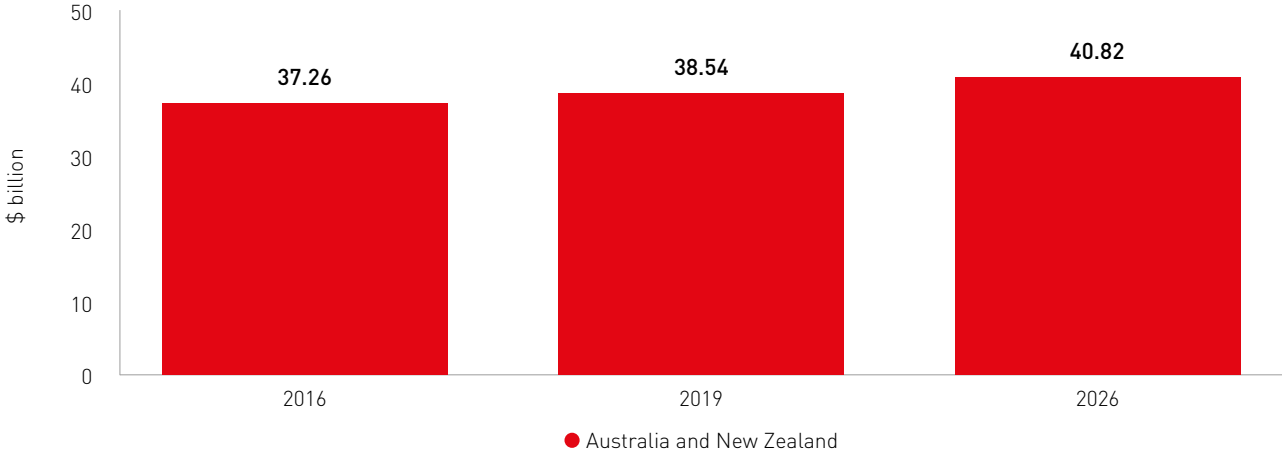
The Company believes mining companies are motivated to increase the extraction rate of minerals to maintain or improve profitability. The extraction rate in flotation processes can be improved in various ways, one being the efficient application of flotation chemicals. Chemical suppliers and mining companies work together to improve the relevant chemistries and application measurements for attaining optimal results. These include changing chemicals or increasing dosages of certain chemicals, increasing the demand for flotation chemicals.

New application areas for chemicals are continuously being explored by suppliers and miners to realise cost savings, improve working environments, or to comply with regulations. One of the new applications for chemicals is in dust suppression. Dust suppression is typically undertaken through sprinkling water drops on the dust which can be a high cost for Australian mines located in areas with severe water shortages. When a dust suppressant chemical (magnesium chloride being the most popular for road dust spray and polymer being the most widely used dust depressant for stockpile protection) is added, considerably less water is consumed with a much longer lasting result.

2.2.2 Market size and growth

The total basic chemical and chemical products manufacturing sector in Australia and New Zealand is projected to grow from \$37.26 billion in 2016 to \$40.82 billion in 2026.

Figure 2.3: Chemical and chemical products manufacturing sector, Australia and New Zealand, 2016 and 2026



Source: Frost & Sullivan, Market report on Dangerous Goods Logistics, Contract Manufacturing of Chemicals and Hazardous Waste Management/Recycling Services Markets in Australia and New Zealand. 29 March 2021, commissioned by the Company.

2.2.3 Competitive landscape

The key factors offering competitive advantage in chemical contract manufacturing include:

- a diverse range of manufacturing equipment for manufacturing and processing including automated repacking and relabelling facilities;
- experienced and skilled staff such as chemicals engineers;
- intellectual property relating to chemical formulation and manufacturing processes;
- hazardous material handling capabilities including WHS and licensing;
- accreditations such as onsite accredited laboratories for analytical testing; and
- bulk chemical storage and distribution capabilities.

DGL considers Accensi, OPAL, Tri-Tech Chemical and Ixom to be competitors active in this market.

Section 2 Industry overview

2.3 Logistics and storage of dangerous goods and specialised chemicals

2.3.1 Overview

Due to their geographic size and the importance of trade in their economies, both Australia and New Zealand have large and sophisticated logistics industries.

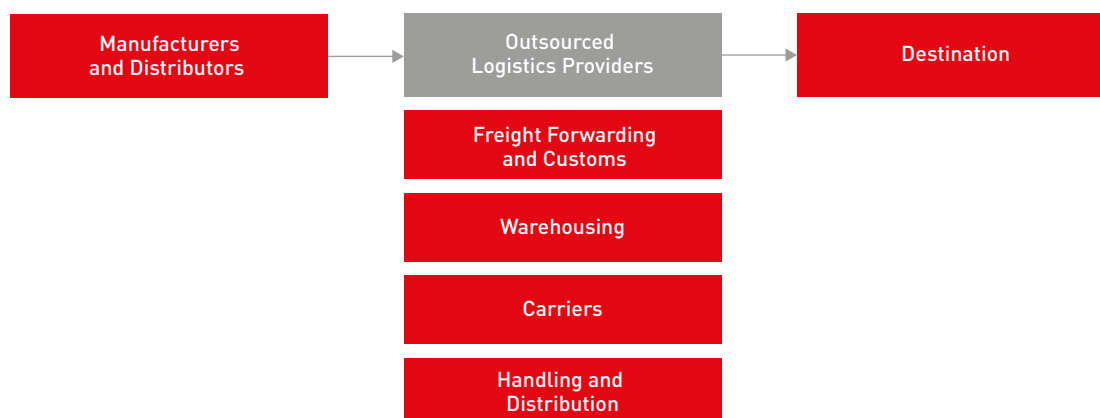
Strong economic fundamentals, a mature regulatory environment and well-established infrastructure (supported by prioritised transport infrastructure projects) have helped Australia and New Zealand remain among the top performing logistics markets globally.

DGL primarily performs outsourced logistics services for dangerous, hazardous, and specialised goods which require operating licences, software capabilities and highly trained staff. In addition, other services offered include transportation and freight management, inventory management, packaging and warehousing and distribution on behalf of its customers.

Dangerous goods are substances that pose a potential risk to life and health and including materials that are corrosive, flammable, explosive, spontaneously combustible, toxic, oxidising or water-reactive. Examples include petrol, LPG, paints, pesticides and acids. These services require specialist skills and appropriate licences as incorrect storage and handling of dangerous goods and chemicals can result in spills, contamination, explosions, fires, burns, corrosive action and release of toxic fumes/gases.

Figure 2.4 outlines a simplified view of the outsourced logistics value chain.

Figure 2.4: Outsourced logistics value chain



Source: Frost & Sullivan, Market report on Dangerous Goods Logistics, Contract Manufacturing of Chemicals and Hazardous Waste Management/Recycling Services Markets in Australia and New Zealand. 29 March 2021, commissioned by the Company

2.3.2 Market drivers

The key trends supporting growth in the dangerous goods and specialised logistics sector in Australia and New Zealand include the following:

Increased trade activity and globalisation of supply chains

Ongoing trade activity is a key driver of the broader logistics industry and dangerous goods logistics specifically.

The general trend towards the globalisation of supply chains increases the range of products and services offered across international markets. The use of global sourcing models and increased outsourcing/subcontracting across regions supports this trend.

Supply chain disruption causing a structural shift towards reliable providers

The need to mitigate the operational risk of supply chain disruptions (resulting in extended lead times) supports demand for reliable outsourced logistics services. This priority has been underlined by the disruption to supply chains resulting from the COVID-19 pandemic.

Significant investment planned in transportation and logistics infrastructure

The Australian Government's 2020-21 Federal Budget announced \$7.5 billion investment in land transport infrastructure. In total, approximately \$36 billion has been allocated for roads and \$10.5 billion for rail projects over the four-year horizon.

Similarly, the New Zealand Government's COVID Response and Recovery Fund established in the New Zealand Government's 2020-21 Budget included \$662 million for transport projects. The resulting capacity expansion and efficiency improvements are expected to support growth of logistics services.

Increasingly stringent regulatory standards in the handling of dangerous goods and chemicals

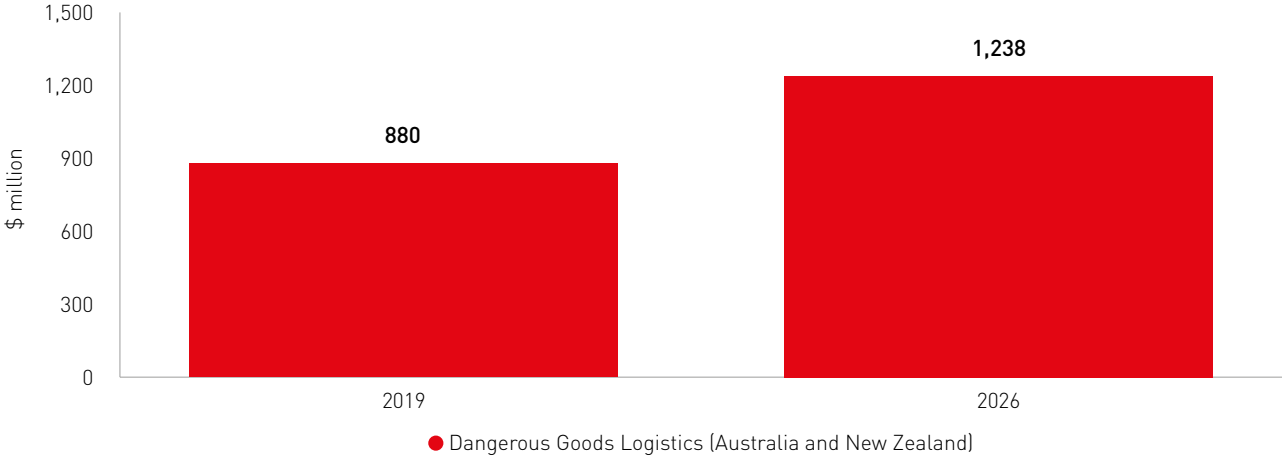
Many businesses handle chemicals (for example, there are approximately 2,500 businesses in Australia engaged in industrial and agricultural chemical wholesaling). Businesses are seeking ways to reduce the risk of incidents involving these goods impacting people, property and the environment as well as fines/penalties and workers compensation claims from non-compliance. The use of expert logistics service providers can reduce this risk for businesses operating in this sector.

The need to exercise due diligence when handling or storing these dangerous goods is demonstrated by industrial accidents such as the explosion at a warehouse storing ammonium nitrate at the port of Beirut, Lebanon, on 4 August 2020. In Australia, the State of Victoria is currently reviewing its dangerous goods laws to address unsafe chemical stockpiling that resulted in fires in West Footscray (2018) and Campbellfield (2019).

2.3.3 Market size and growth

The integrated general logistics (excluding postal and courier services) service market in Australia and New Zealand is projected to grow from \$90.39 billion in 2016 to \$111.65 billion in 2026. Within this, Frost & Sullivan have estimated that dangerous goods logistics accounted for approximately \$880 million of the Australian and New Zealand market revenue in 2019 (approximately 10% of the total market) and that this will grow to \$1,238 million by 2026, representing a 7-year CAGR of 5.0%.

Figure 2.5: Dangerous goods logistics market, Australia and New Zealand, 2019 and 2026



Source: Frost & Sullivan, Market report on Dangerous Goods Logistics, Contract Manufacturing of Chemicals and Hazardous Waste Management/Recycling Services Markets in Australia and New Zealand. 29 March 2021, commissioned by the Company.

Section 2 Industry overview

2.3.4 Competitive landscape

Key factors providing competitive advantage in the dangerous goods and specialist logistics sector include:

- appropriate skills and licensing in the transportation and storage of dangerous and hazardous goods (including compliance and licences as required e.g. the Australian Dangerous Goods Code);
- geographic footprint and the ability to deliver trans-Tasman and other international services;
- vertical integration, end-to-end supply chain logistics services and economies of scale;
- integrated IT solutions (including mobile app, customer portal, warehouse management systems, etc) to provide transparency, traceability and adequate reporting; and
- flexibility in services and pricing.

DGL considers examples of its competitors active in this sector include Mainfreight, Toll, Nem Australia, Linfox, Silk Contract Logistics, Freight Assist, Ron Crouch Transport, Chemical Care & Storage and Booth's Group. There are also a significant number of smaller competitors who operate in this sector.

2.4 Hazardous waste management market in Australia

2.4.1 Overview

The waste management industry provides services across multiple sectors including waste collection, waste transport, processing, recycling, recovery and disposal. Hazardous wastes comprise approximately 10% of the total \$15 billion waste management industry and are classified as wastes deemed to be harmful to human health or the environment.

State and territory government regulations, licensing requirements and policies set the parameters for how waste services are to be provided and which operators are permitted to provide them. Operators need to meet stringent environmental standards and occupational health and safety requirements before local and state government bodies provide licences to operate.

There has been a clear policy push towards recycling and reducing waste. The Australian Government has a national target of reducing waste by 80% by 2030 and, since 2007, has reduced commercial and industrial waste by 15%. In 2019, Australia produced approximately 74 million tonnes of waste (up from approximately 69 million tonnes in 2017) with a 63% resource recovery rate.

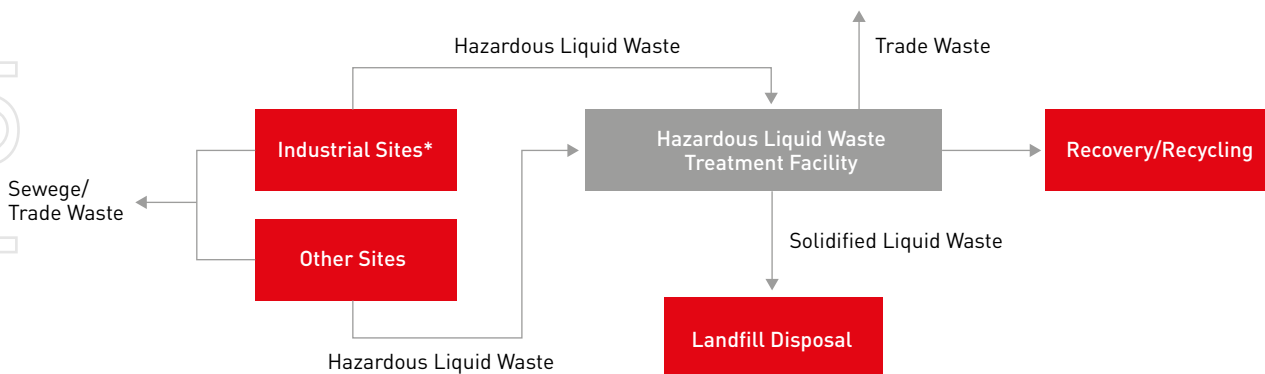
DGL specialises in the management of hazardous liquid waste and end-of-life ULABs.

a. Hazardous liquid waste management

While there are a wide range of liquid waste streams, hazardous liquid waste requires skills in handling, storage, transport, treatment and disposal to minimise safety risks, environmental harm and to comply with stringent regulatory obligations.

Figure 2.6 outlines a simplified view of the liquid waste treatment and disposal value chain focused on hazardous liquids.

Figure 2.6: Hazardous liquid waste value chain



Source: Frost & Sullivan, Market report on Dangerous Goods Logistics, Contract Manufacturing of Chemicals and Hazardous Waste Management/Recycling Services Markets in Australia and New Zealand. 29 March 2021, commissioned by the Company

* Industrial sectors in which DGL operates include: Galvanising, plating and aluminium extrusions industries.

i. Market drivers

The key trends supporting growth in the liquid waste treatment and disposal market in Australia and New Zealand include the following:

High health and environmental risks from toxic and hazardous industrial liquid waste

The risks of harmful health and environmental impacts from hazardous liquid waste are significant. For example, the aluminium extrusion process results in the discharge of a considerable volume of hazardous liquid waste. Similarly, effluents from the electroplating process are contaminated with heavy metals. Due to the dangerous nature of the materials discharged from these processes, the waste cannot be disposed of without treatment by a licensed operator.

Stringent regulatory and compliance obligations

Federal, state and local government regulation over the collection, transport, treatment and disposal of liquid waste is extensive and has been increasing. This has resulted in industrial firms increasing their reliance on licensed, highly specialised hazardous liquid waste processors that can comply with the required legislative guidelines, waste tracking and documentation.

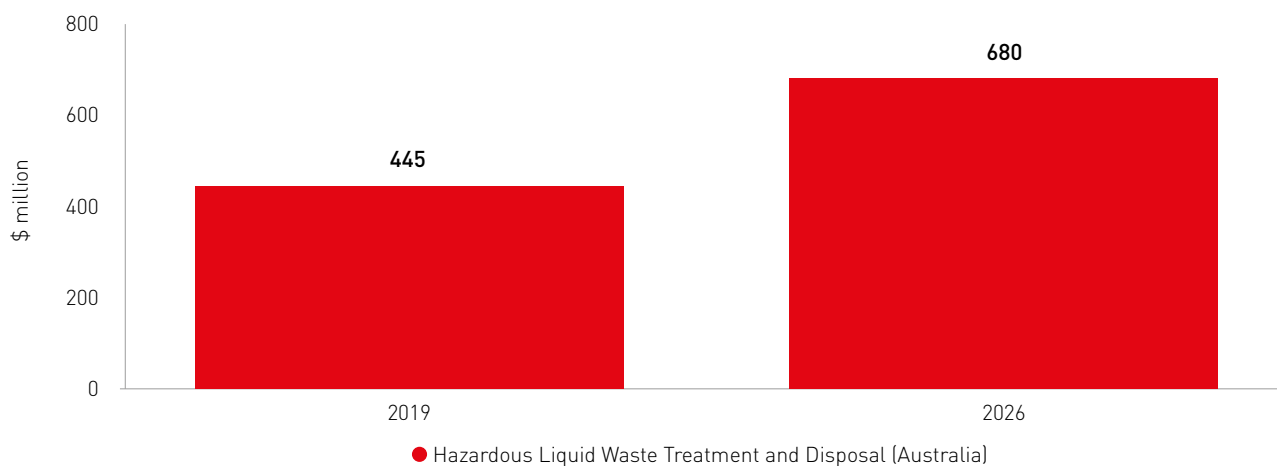
Growth in the generation of hazardous liquid wastes

Industrial sites that generate hazardous liquid waste often manufacture products that enjoy strong long-term demand, therefore increasing waste volume. For example, aluminium extrusion and galvanised steel are typically supplied to the construction sector where activity is underpinned by continued population growth, urbanisation, as well as government funded infrastructure projects.³

ii. Market size

The total waste treatment and disposal services market⁴ in Australia and New Zealand is projected to grow from \$3.28 billion in 2016 to \$3.61 billion in 2026, representing a 10-year CAGR of 1.0%. Within this, Frost & Sullivan estimates that the treatment and disposal of hazardous liquid represented \$445 million in 2019, and forecast it to reach \$680 million by 2026, a 7-year CAGR of 6.2%.

Figure 2.7: Hazardous liquid waste treatment and disposal market, Australia, 2019 and 2026



Source: Frost & Sullivan, Market report on Dangerous Goods Logistics, Contract Manufacturing of Chemicals and Hazardous Waste Management/Recycling Services Markets in Australia and New Zealand. 29 March 2021, commissioned by the Company.

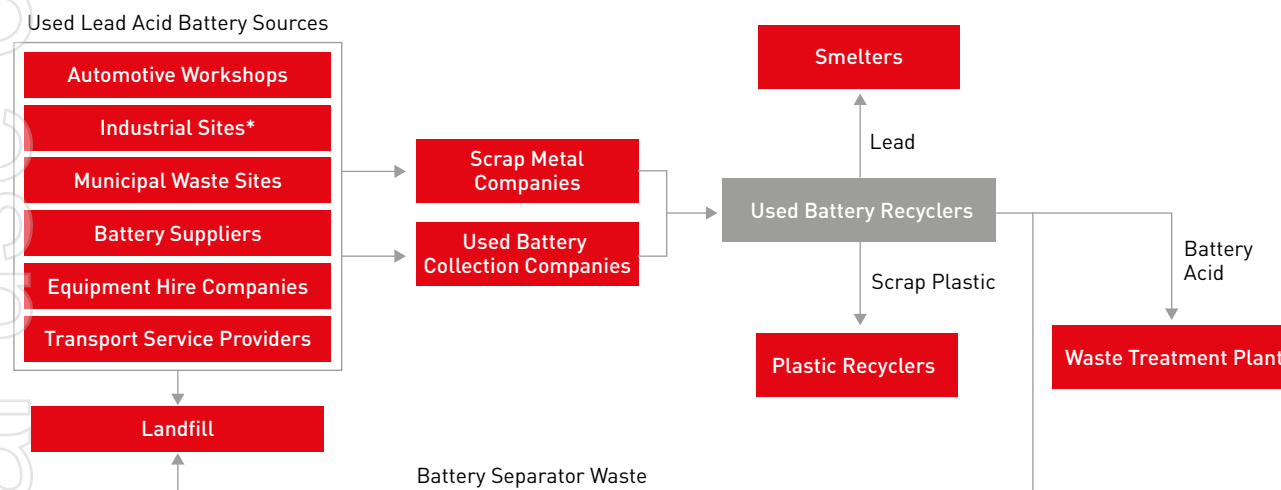
Section 2 Industry overview

b. Used lead acid battery (ULAB) recycling overview

Batteries, which are used across a wide range of sectors, contain materials that can be harmful to humans and the environment. At the end of FY20 it is estimated that there was a total of 159,000 tonnes of lead acid batteries that reached End-of-life (EoL)⁵ in Australia. Lead acid batteries make up a high proportion of batteries imported into Australia. This battery chemistry is the only type where a high proportion of EoL batteries are collected and recycled.

Figure 2.8 below outlines a simplified view of the ULAB recycling value chain.

Figure 2.8: Used Lead Acid Battery Recycling Value Chain



Source: Frost & Sullivan, Market report on Dangerous Goods Logistics, Contract Manufacturing of Chemicals and Hazardous Waste Management/Recycling Services Markets in Australia and New Zealand. 29 March 2021, commissioned by the Company.

* Industrial sites includes those in manufacturing, mining, oil and gas, and other industrial activities.

i. Market drivers

The key trends supporting growth in the ULAB recycling market in Australia are described below.

Continued growth in the automotive vehicle fleet

The single largest source of ULABs is the automotive sector and so the growth in the vehicle fleet is a significant driver of ULAB units generated and available for reprocessing. The number of motor vehicles in use in Australia and New Zealand has grown 21% over the period 2012 to 2020, to over 24 million.

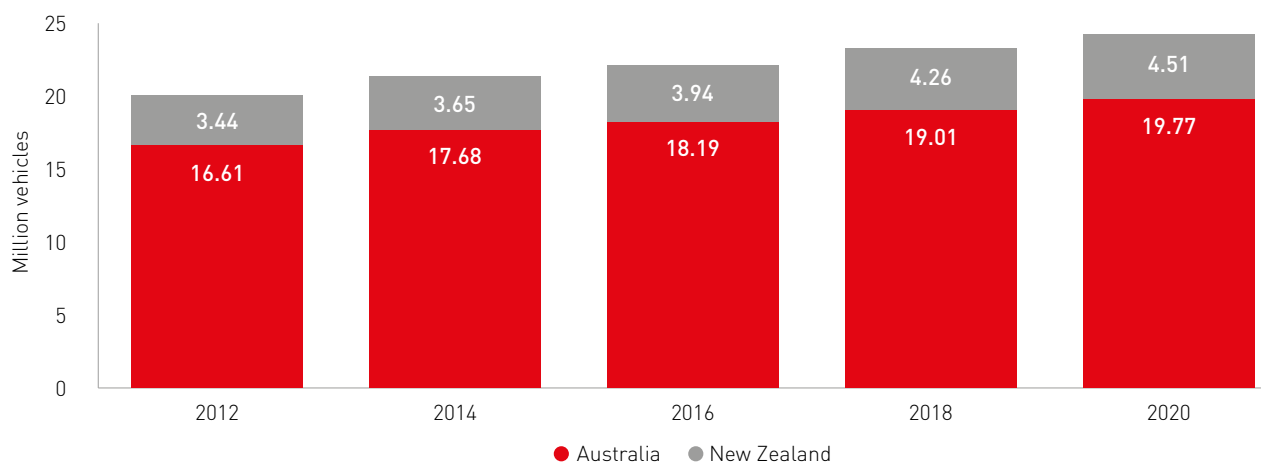
Lead acid battery chemistry is a mature and accepted technology

Lead acid is the most suitable battery chemistry for deep-cycle applications.⁶ This chemistry has proven its performance, reliability and safe operation over many decades. In addition, affordable pricing keeps the technology attractive despite the entry of a number of newer battery technologies.

High ULAB recovery rates

In Australia, ULABs are classified as both hazardous waste and as a dangerous good under the Australian Dangerous Goods Code (ADG Code) and collection and recycling is established practice, with well-established infrastructure in place for recycling of all major components of ULABs.⁷

Figure 2.9: Motor vehicles in use, Australia & New Zealand



Source: ABS Survey of Motor Vehicle Use, Ministry of Transport (New Zealand) and NZ Transport Agency (Includes light passenger vehicles, light commercial vehicles, motorcycles, trucks and buses. Excludes caravans, trailers, tractors, specialised vehicles such as defence vehicles).

ii. Market size

The volume of lead acid batteries (≥ 5 kg) that have been recycled in Australia has grown from approximately 119,700 tonnes in 2008-09 to 147,020 tonnes in 2017-18.

Figure 2.10: Lead acid battery (≥ 5 kg) sales, EoL arisings, collection to recovery, Australia, 2008-09 and 2017-18

	2008-09	2017-18
Battery sales (tonnes)	137,350	153,660
Battery sales ('000 units)	7,590	8,480
EoL arisings (tonnes)	123,050	148,980
Collection (tonnes)	119,700	147,020
Collection rate (%)	97%	99%

Of the 148,980 tonnes of lead acid (≥ 5 kg) batteries that reached EoL in 2017-18, 82% came from vehicles, 17% from storage, emergency and standby applications and 1% from other areas.

Reprocessing accounted for 91% of the total Australian EoL arisings in 2017-18.

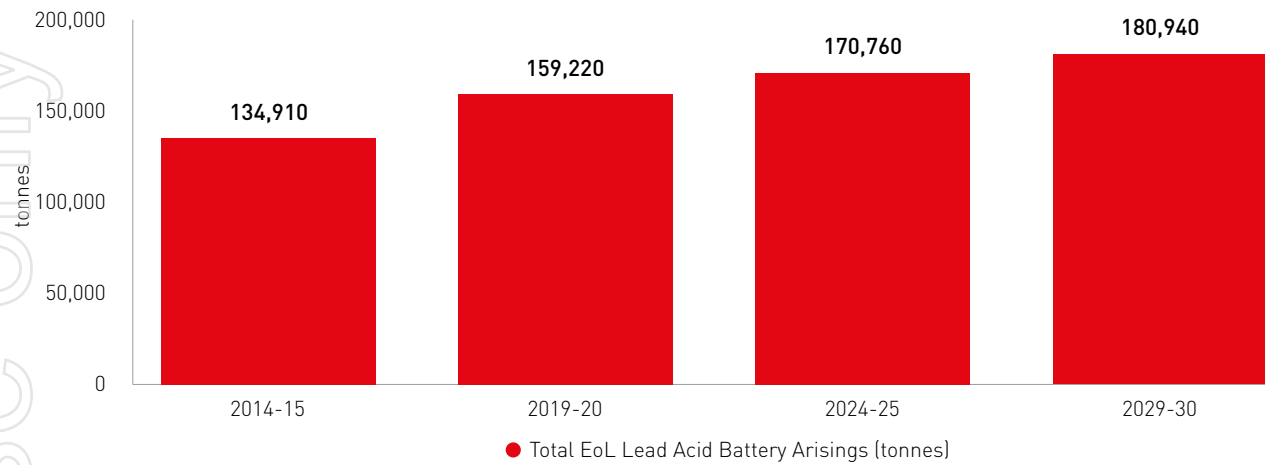
Figure 2.11: Lead acid (≥ 5 kg) battery fates, Australia, 2017-18

	Tonnes	%
Australian reprocessing	135,020	91%
Illegal overseas reprocessing	11,990	8%
Landfill	1,960	1%
Storage	430	0%

Total EoL arisings are projected to grow to 180,940 tonnes by 2029-30, a 14% increase over 2019-20.

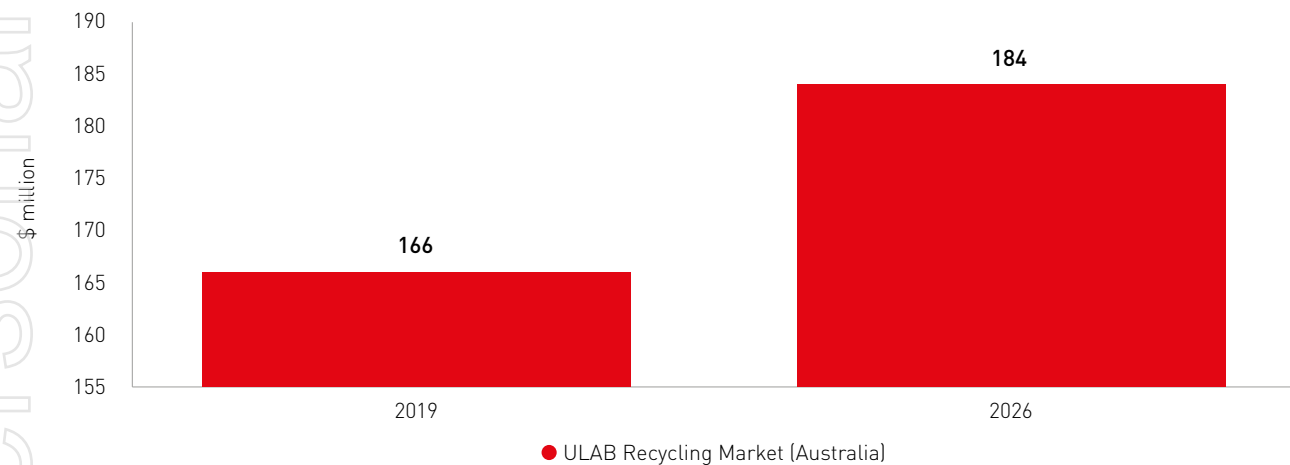
Section 2 Industry overview

Figure 2.12: Total EoL lead acid battery (>5kg) arisings, Australia, 2014-15 to 2029-30



Estimated revenues for ULAB (>5kg) recycling in Australia totalled \$166 million in 2019 and is expected to reach \$184 million by 2026⁸ representing a 7-year CAGR of 1.5%.

Figure 2.13: ULAB (>5kg) recycling market, Australia, 2019 and 2026



Source: Frost & Sullivan, Market report on Dangerous Goods Logistics, Contract Manufacturing of Chemicals and Hazardous Waste Management/Recycling Services Markets in Australia and New Zealand. 29 March 2021, commissioned by the Company.

2.4.2 Competitive landscape

The key factors offering competitive advantage in the hazardous liquid waste and ULAB sectors in which DGL operates include:

- technical expertise and compliance with government regulations;
- appropriate licensing to handle wastes such as hazardous liquids and ULABs;
- regulatory compliance which can be costly;
- sourcing and offtake arrangements which often require scale;
- specialist and valuable plant and equipment;
- cost to process;
- service quality;
- standards/accreditation (e.g. ISO 9001 for quality management, NATA); and
- proximity and access to waste sources.

DGL considers examples of its competitors active in the treatment of hazardous liquid waste include Cleanaway, JJ Richards, Remondis, Veolia and other major waste management companies. ULAB recycling is a specialist activity with a limited number of competitors (such as DGL and Enirgi Power Storage).

2.5 Appendix

Relevant codes, certifications and licences across the logistics and warehousing, manufacturing and waste segments that DGL operates within include:

- Australian Code for the Transport of Dangerous Goods by Road & Rail (ADG Code);
- National Heavy Vehicle Accreditation Scheme (NHVAS);
- Major Hazard Facilities (MHF) compliance under Work Health and Safety (WHS) Regulations;
- ISO9001 Quality Assurance;
- National Association of Testing Authorities (NATA) accredited laboratory;
- Australian Pesticides and Veterinary Medicines Authority (APVMA);
- Hazard Analysis and Critical Control Point (HACCP) system by the Codex Alimentarius;
- State Environment Protection Authority (EPA) waste transport regulation;
- State EPA Environment Protection Licenses;
- Poisons Licenses by state;
- Biosecurity approved by Australian Quarantine and Inspection Service (AQIS);
- Customs NZ;
- MHF NZ guidelines; and
- Ministry of Primary Industries (MPI) NZ approved transitional areas for import and export containers.

Section 3

Company overview



3.1 Introduction to DGL

The DGL business was established in 1999 by current CEO and Founder, Simon Henry. Mr Henry’s vision for DGL was to address a gap in the market for a fully integrated, end-to-end specialty chemicals and dangerous goods business. Mr Henry believes there is a clear and increasing customer demand for an end-to-end solutions provider equipped to handle services on behalf of customers across the speciality chemicals and dangerous goods value chain. Mr Henry believes there are few competitors who currently have the ability to fulfil this demand.

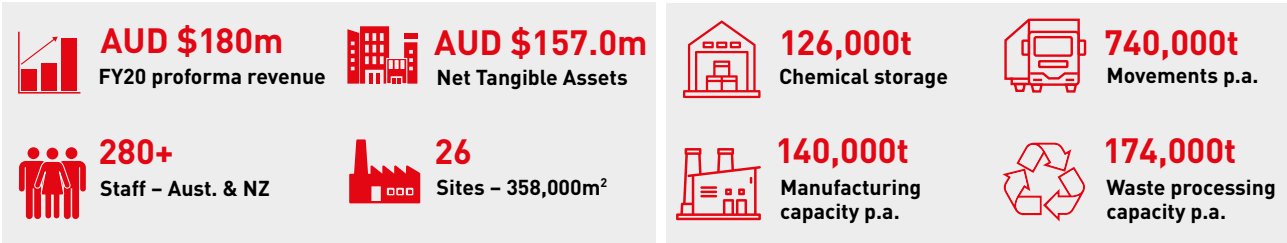
Chemical and dangerous good production, logistics and disposal are regulated and capital intensive and Mr Henry believes that DGL provides the opportunity for its customers to focus on their core businesses while DGL manages these specialist activities on their behalf.

The DGL business has grown over the past 22 years through a combination of organic growth and strategic acquisitions of businesses, specialised vehicles and equipment, freehold properties, depots, and other facilities. Approximately \$100 million has been invested by Mr Henry and by reinvestment of retained earnings to build and develop DGL’s asset base and infrastructure across Australia and New Zealand. DGL’s fixed assets are complemented by its expansive licence portfolio, its highly skilled staff, its compliance and risk management procedures, and its logistics network.

DGL has now established itself as an integrated, trans-Tasman business that can offer a wide range of services to its diverse and global customer base. Its service offering includes chemical formulation and manufacturing, warehousing and distribution and waste management and recycling. The Company’s vision is to leverage its asset base, customer relationships and trusted brand to further expand services offered across the full chemical lifecycle and, ultimately, develop itself as a ‘one stop shop’ for its customers.

Today, DGL employs over 280 staff and operates a network of 26 sites across Australia and New Zealand with approximately 140,000 tonnes of manufacturing capacity, 126,000 tonnes of chemical storage, and 174,000 tonnes of waste processing capacity. DGL has recently commenced implementing a framework called *Total Product Management* which reflects its objective to provide its customers with an end-to-end service, outsourcing their activities across the chemical supply chain and allowing them to focus on their core competencies.

Figure 3.1: Snapshot of DGL

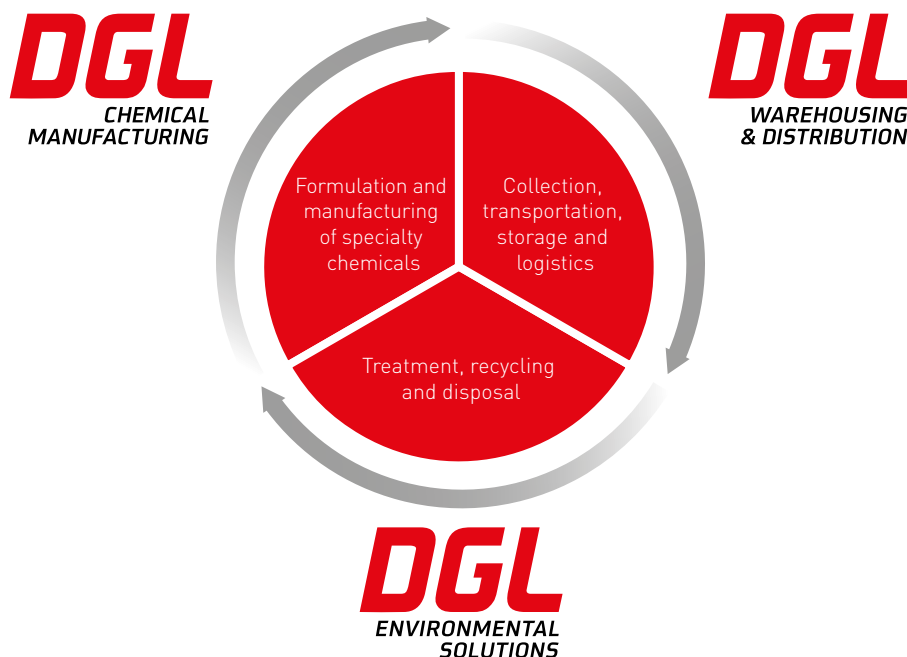


During 2020, DGL serviced more than 1,300 customers (including those acquired as part of the Chem Pack acquisition) from industries including agriculture, water treatment, mining, construction, automotive, food, pharmaceutical, lead smelters, plastic recyclers, galvanisers, manufacturing, home and garden, and chemical suppliers. These customers included an established network of international customers for the Company’s unique formulations, chemicals and lead concentrates. DGL believes that many of its customers have been consolidating their suppliers and DGL’s breadth of service positions it well to capitalise on this trend.

DGL delivers its products and services through three operating divisions which address the three key stages of the chemical lifecycle, as shown in Figure 3.2.

Section 3 Company overview

Figure 3.2: The DGL business across the chemical lifecycle



Having established a strong position in the trans-Tasman market, the Company is excited to embark on the next phase of growth as a public company. Specific initiatives that the Company believes will deliver value to Shareholders include ongoing customer cross-selling to increase its share of customer spend, leveraging its network of assets to drive efficiencies and economies of scale, a range of identified capital projects to expand and provide new services, and acquisition opportunities in relatively fragmented industries.

3.2 History of DGL

The DGL business was established with Mr Henry's acquisition of a 3.6-hectare, purpose-built chemical logistics facility in Wellington, New Zealand in 1999. This was the foundation asset used to service customers requiring the specialist provision of safe and compliant chemical supply chain management. In 2012, after the achievement of a number of key milestones including securing marquee customers Ixom and Shell, the business acquired the Australian listed Hydromet Corporation Limited in an off-market takeover to add recycling and treatment capabilities to its range of services.

Over the next five years, the DGL business expanded its transport and treatment capabilities with further investment in its logistics network, smelter, and recycling facilities. This investment included a lead smelter in Victoria which is being recommissioned at a cost of approximately \$1.3 million together with significant processing capability and licences.

The acquisition of chemicals manufacturer Hardman Chemicals Pty Ltd (now DGL Manufacturing Pty Ltd) in 2014 provided DGL with broader capabilities to service customers and contributed valuable intellectual property. In addition to this, the land and facilities acquired enabled DGL to increase its chemical supply into the Sydney metropolitan market.

Throughout this period, DGL continued to increase the number of licences and accreditations held, which enabled it to perform more regulated services for customers wanting to outsource those specialised services in order to focus exclusively on their core operations.

In 2017, the acquisition of the *ChemSAFE* business by DGL expanded DGL's national transport network in New Zealand. In the years following, DGL obtained additional environmental licences allowing it to transport waste materials in three states in Australia, commissioned a new battery recycling plant in Victoria in 2018, and continued to establish itself as a key partner with its customers across the range of services offered.

In 2018, DGL acquired the Dangerous Goods Logistics business in Australia and the Group's name and branding was changed to 'DGL'. This acquisition expanded DGL's trans-Tasman transport network which allowed DGL to service larger customers with greater logistics requirements.

In October 2020, a Group Member entered into a binding agreement to acquire Chem Pack to further develop DGL's manufacturing capabilities and expand the number of industries served through providing a broader transport and procurement offering. This acquisition completed in January 2021.

The Group is now in a strong position to leverage its market position, infrastructure, and network to continue to deliver significant and sustainable profitable growth.

Key milestones in DGL's history are set out in Figure 3.3.

Figure 3.3: DGL history



- Key growth milestone
- Acquisition

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Section 3 **Company overview**

3.3 Company strengths

Given the breadth of specialised products and regulated services DGL is able to provide, the Company does not consider that it has a primary competitor across its full service offering. DGL has competitors in specific market segments, but these competitors are typically limited in the breadth and scope of services they can offer. For instance, the large waste management competitors generally do not offer storage and logistics of waste chemicals on behalf of third parties.

DGL believes its key competitive strengths include:

Significant capital invested in establishing the portfolio of assets and infrastructure

The Company's operations are underpinned by the significant investment made in property, plant and equipment since the DGL business was established in 1999. Approximately \$100 million has been invested by the Founder and by reinvestment of retained earnings to build and develop DGL's asset base and infrastructure across Australia and New Zealand (see Section 3.8 for further detail).

Broad portfolio of licences, accreditations, and regulatory approvals

DGL operates in highly regulated industries, which require a wide range of specific operating licences, permits, and accreditations from multiple authorities across many jurisdictions. Many of these are difficult to achieve and often require a significant investment of time and money to obtain (see Section 3.12 for further detail).

Benefits and economies of scale from its extensive operations

DGL's scale of operations and trans-Tasman network of assets provides significant operating leverage to DGL (see Section 3.8 for further detail). DGL believes this includes purchasing power, network density of its transport and storage network, volume based offtake arrangements and reduced production costs.

Ability to offer customers a vertically integrated service

DGL provides services across many stages of the chemical lifecycle, from procurement and manufacture to distribution and logistics and recycling and disposal. As customers look to consolidate suppliers, DGL believes its broad service offering positions it well to benefit from this trend (see Section 3.5 for further detail).

A trusted brand and track record in a high-risk industry

DGL believes that it has established a strong reputation as a specialist chemical manufacturing, logistics and recycling provider. This is evidenced by the broad range of customers it services and the number of longstanding relationships it enjoys (see Section 3.9.1 for further detail).

Highly skilled workforce

DGL has a workforce comprised of staff with diverse skill sets and a significant level of technical expertise and know-how (see Section 3.10 for further detail).

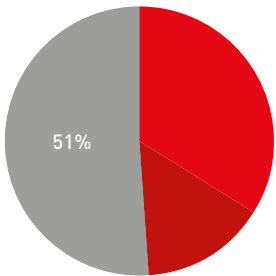
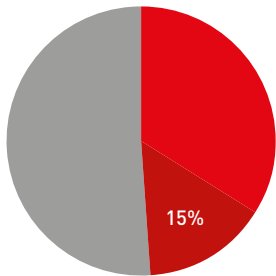
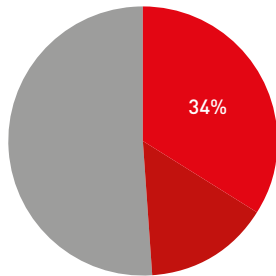
Intellectual property and technical know-how

Across its three divisions, DGL has developed significant expertise in highly specialised areas such as carrying out complex chemical formulations. Its chemical formulation experience dates back more than 70 years, during which the companies that are now part of the Group have developed in-house brands and trademarks. Waste treatment technology that DGL has and continues to develop enables it to treat hazardous wastes making them safe for recycling or disposal (see Section 3.11 for further detail).

3.4 Divisional structure overview

A summary of DGL's three divisions is set out in Table 3.1.

Table 3.1: Divisional overview

	Chemical Manufacturing	Warehousing and Distribution	Environmental Solutions
FY20 pro forma revenue contribution			
Description	<ul style="list-style-type: none"> • Chemical procurement, formulation and process design • Manufacturing of industrial chemicals including contract manufacturing and in-house chemical brands 	<ul style="list-style-type: none"> • Efficient, compliant, and transparent suite of specialist dangerous goods licensed logistics services • Trans-Tasman portfolio of warehouses provides the opportunity to service customers across Australia and New Zealand • Specialised facilities capable of storing the most toxic and dangerous of chemicals through to food and pharmaceutical goods • Company owned fleets conducting wharf cartage, local intra and interstate, road tanker transport • In-house freight forwarding and clearance of import and export containers 	<ul style="list-style-type: none"> • Licensed to manage and recycle difficult waste streams: <ul style="list-style-type: none"> • end-of-life lead-acid batteries • hazardous liquid waste • Provides solutions to difficult waste problems with commercially viable recovery and recycling options
Facilities	<ul style="list-style-type: none"> • Four manufacturing facilities in Derrimut, (VIC) • One manufacturing facility in Seven Hills (NSW) • Three manufacturing facilities in Tauranga, Christchurch and Wellington, New Zealand 	<ul style="list-style-type: none"> • Nine warehouse and distribution centres in Australia • Seven warehouse and distribution centres in New Zealand 	<ul style="list-style-type: none"> • Two wholly owned EPA licensed processing facilities in Unanderra (NSW) and Laverton North (VIC)

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Section 3 Company overview

	Chemical Manufacturing	Warehousing and Distribution	Environmental Solutions
Typical customer type	<ul style="list-style-type: none"> Direct customers span industrial chemical users such as trading houses, manufacturers and municipal councils Agricultural, home and garden, water treatment, mining and construction 	<ul style="list-style-type: none"> Chemical manufacturers and distributors 	<ul style="list-style-type: none"> Battery manufacturers, plastic recyclers, local councils, galvanisers, aluminium extruders, mining and resource companies and environmental service providers
Revenue model	<ul style="list-style-type: none"> Sale of chemicals 	<ul style="list-style-type: none"> Transport and warehousing services 	<ul style="list-style-type: none"> Collection, treatment and disposal of liquid wastes Revenue from sale of lead and plastic products
Divisional management	<ul style="list-style-type: none"> Isaac Gatt heads the Chemical Manufacturing division and reports to the CEO Isaac joined DGL in 2013. Isaac has more than 15 years' experience in operations and business management in the food, chemical and recycling sectors. He has wide-ranging understanding of all aspects of business from operations to executive. Prior to DGL, Isaac established a beverage production and distribution company, Fulla Industries in the developing nation of South Sudan. Isaac has also worked for Hydromet Corporation Limited in the late 2000's prior to it being acquired by DGL 	<ul style="list-style-type: none"> Aaron Bardell heads the Warehousing and Distribution division and reports to the CEO Aaron joined DGL in 2008. Aaron has more than 20 years' industry experience managing 3PL warehouse and distribution operations. He has diverse industry understanding and knowledge specialising in dangerous and hazardous, agriculture, food and pharmaceutical, FMCG, and general goods 	<ul style="list-style-type: none"> Jeremy Perera heads the Environmental Solutions division and reports to the CEO Jeremy has worked with entities within the Group for 18 years. Jeremy has more than 18 years' management experience in the waste management and recycling industry. Jeremy is a results and outcomes-focused manager with a proven track record of business execution

3.4.1 Chemical Manufacturing

The Chemical Manufacturing division produces its own range of specialty chemicals and undertakes advanced formulation and contract manufacturing on behalf of third parties. DGL believes that the division provides a versatile, end to end solution for its customers.

Operations are focused on deriving chemicals from complex reactions in controlled environments. Using internally developed intellectual property, the Chemical Manufacturing division manufactures trademark brands including the *Hardman* water treatment range, *Alset* and *Chempro AdBlue*.

DGL develops and retains intellectual property for products in its own range and also for some of its customers. The Company believes this differentiates the operations of DGL from some of its competitors and assists in ongoing customer retention. Retaining product formulation and other intellectual property allows DGL to innovate and develop new products for different applications.

The acquisition of Chem Pack in January 2021 expanded the Chemical Manufacturing division’s manufacturing capabilities. With the knowledge, experience and intellectual property gained, the division is now able to offer a turn-key solution across more industries and markets. Chem Pack itself has a long history in chemicals manufacturing, having been established in 1993, and holds strong relationships with many customers across several market segments.

Quality control and assurance is a critical aspect of manufacturing for DGL and it has processes in place to maintain consistently high-quality manufacturing operations. DGL is National Association of Testing Authorities (**NATA**) accredited. With its experience and unique processes, DGL prides itself on being able to provide consistently high-quality products which it believes is a significant competitive advantage.

Key components of the division’s manufacturing services include:

Procurement services

Utilising its global connections, market position and scale, DGL can identify competitive buying opportunities for its own purposes or on behalf of its customers. Procurement is typically a significant challenge for companies that lack the required infrastructure or expertise. Procurement is critical to DGL’s customers and, if executed optimally, can result in substantial benefits for the customer.

DGL believes its expertise in procurement is a significant competitive advantage and a driver of customer loyalty.

Chemical formulation

DGL has accumulated (organically and through acquisitions) over 70 years of chemical development, testing and analytic experience. DGL owns and operates onsite laboratories, employing highly skilled and qualified industrial chemists to provide formulation development across a wide variety of chemicals and compounds with ongoing testing and analysis. Advanced formulation of products such as polymers are developed through laboratory innovation and controlled experimentation utilising advanced scientific equipment.

Contract manufacturing

DGL provides customised manufacturing and packaging to suit individual customer requirements. Specialised production facilities and hazardous material handling capabilities allow for both small and large production runs catering for seasonal demands, pilot production trials and just in time manufacturing. The Chemical Manufacturing division’s capabilities include the formulation of acids involving controlled exothermic reactions between metals, acids, and stabilising agents.

DGL believes that the manufacturing flexibility, ability to undertake short production runs and a variety of packaging options provides a strong competitive advantage versus offshore producers.

Figure 3.4: Chemical Manufacturing sites and assets



Section 3 Company overview

3.4.2 Warehousing and Distribution

The Warehousing and Distribution division offers transport, logistics and warehousing services focusing on dangerous and hazardous goods across Australia and New Zealand. The division also manages logistics and distribution of other goods including food, pharmaceutical products, agricultural products, security sensitive goods and temperature-controlled products.

The Warehousing and Distribution division was established with the acquisition of a 3.6-hectare, purpose-built chemical logistics facility in Wellington in 1999 and grew significantly with the acquisition of the *Dangerous Goods Logistics* business in 2018. This acquisition enabled a true trans-Tasman capability.

DGL has developed an in-house stock management system that is tailored to customer requirements. This system enables full or partial integration with customer supply chain systems, creating a one-stop-shop management system for dangerous goods through to food-grade products.

The division has multiple accreditations, licences and permits which allow it to address specific customer needs.

Key components of the services provided by DGL's Warehousing and Distribution division include freight forwarding, inventory management, warehousing, and transport.

Freight forwarding

International freight forwarding services are provided by an in-house team across Australia, New Zealand and with an established China based freight forwarding partner. The Warehousing and Distribution division seeks to provide competitive rates while offering a tailored, dedicated service.

Technology/inventory management

DGL's logistics management system employs handheld mobile devices, GPS positioning, geo-fencing, online customer portals, electronic data interchange, complete or partial interfacing and customised reporting capabilities. The Company's software system can manage inventory on a batch, expiry date or FIFO basis.

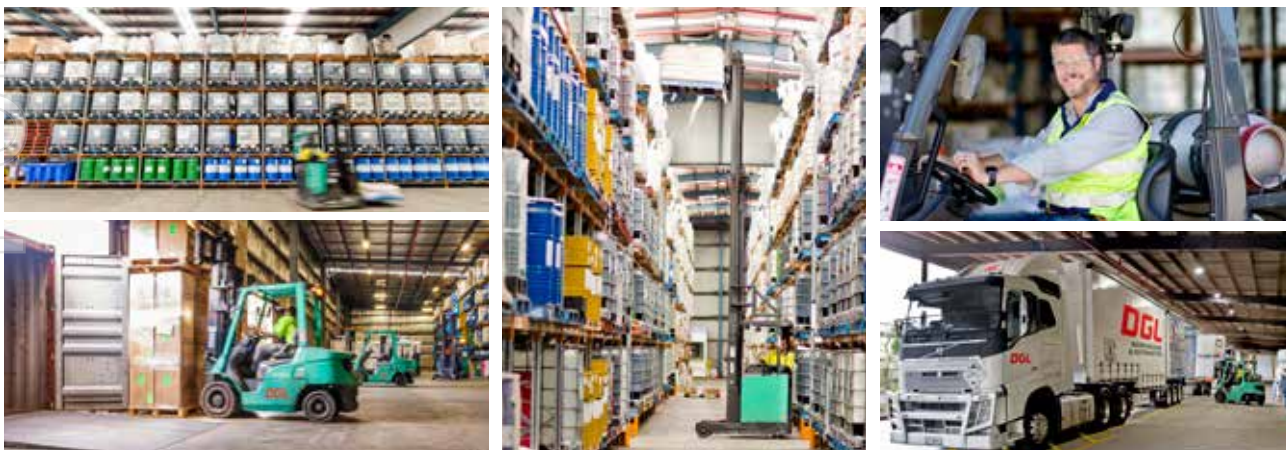
Warehousing

DGL group has over 126,000 tonnes of storage capacity across Australia and New Zealand. It employs specially trained staff and fully accredited processes to provide safe and secure handling and storage of goods across multiple product types. All sites cater for racked, and/or block stacked pallet storage. DGL also caters for toxic gases with its upper and lower tier major hazard facility (MHF) licences.

Transport

DGL provides national and international logistics through its own fleet and transport via partners across Australia and New Zealand. The division's fleet includes more than 40 trucks, trailers and road tankers across Australia and New Zealand, licensed to carry dangerous goods. The division can provide solutions for wharf cartage, bulk tankers, local, interstate and line haul transport.

Figure 3.5: Warehousing and Distribution sites and assets



3.4.3 Environmental Solutions

The Environmental Solutions division undertakes resource recovery and hazardous waste management activities. Its core activities comprise liquid waste treatment, ULAB recycling, lead smelting and refining.

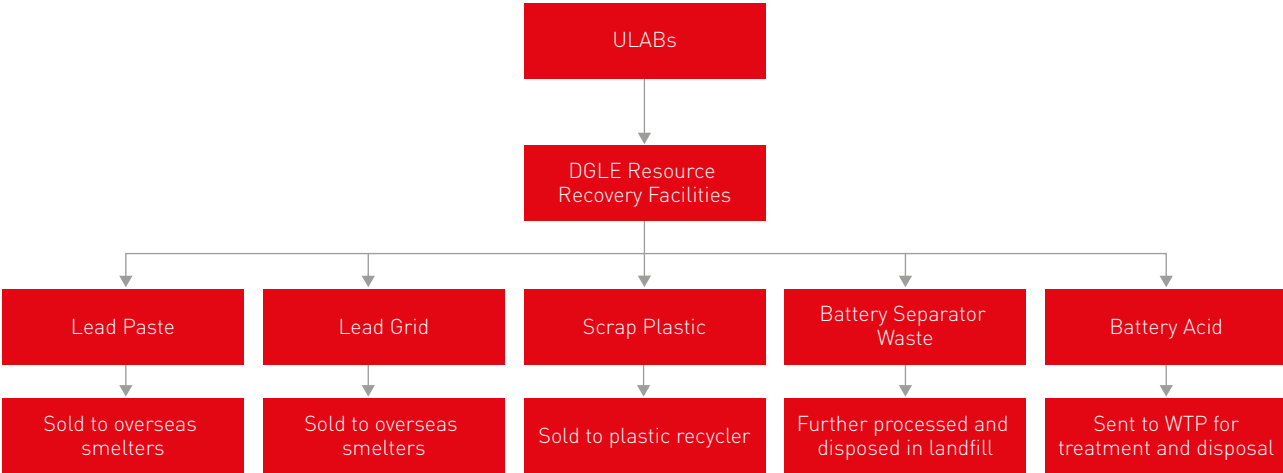
Liquid waste treatment

DGL operates a wastewater treatment plant to process liquid waste generated from its end-of-life lead acid batteries (ULABs) recycling plant in New South Wales. In FY17, a decision was made to extend the service offering to industrial customers for liquid waste from other applications, such as aluminium extruders and galvanisers and wastewater customers. In FY21, the wastewater treatment plant is expected to treat approximately 50,000m³ of liquid waste, with 61% of the volume sourced from external industrial customers. Plans are underway to construct a state-of-the-art liquid waste treatment plant on the same site capable of treating significantly greater volumes of liquid waste.

ULAB recycling

ULAB recycling is undertaken at two EPA licensed recycling facilities located in New South Wales and Victoria. ULABs are recycled in state-of-the-art recycling highly automated facilities. The primary outputs from the ULAB recycling process are lead products, scrap plastic and waste. Lead products are sold to overseas smelters, primarily in Europe and South Korea, scrap plastic is sold to a local recycler and the waste streams are further processed and disposed in landfill. A summary of this process is provided in Figure 3.6.

Figure 3.6: ULAB recycling process



Lead smelting and refining

DGL's resource recovery facility in Victoria, located in Laverton North, has lead smelting and refining capabilities which were in operation from 2013 to 2018. A decision was made in 2018 to curtail operations and prioritise the sale of intermediate lead products. The Company plans to restart the smelter on a scaled basis during the period between April 2021 and June 2021 which will result in the conversion of intermediate lead material into valuable end products (e.g. lead bullion and ingots), which can be sold to a wider global market.

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Figure 3.7: Environmental Solutions sites and assets



3.5 Total Product Management

DGL believes that, because it can manage services from procurement to customer delivery, it provides an important solution for its customers wanting to focus on their core businesses. Managing back-end operations is often not part of a customer's core activities, but it is where DGL has its experience and expertise.

Utilising DGL's resources across procurement, manufacturing, logistics and waste management provides customers with a one-stop-solution which can also satisfy onerous corporate governance obligations where hazardous goods are involved.

DGL's integrated operations enable customers to engage with a single DGL representative and point of contact to access the entirety of DGL's services, and manage invoicing in a consolidated manner. Many of DGL's competitors require multiple contact points and typically invoice on a divisional basis, creating additional administration for customers.

DGL's aim is to offer its customers a full suite of services by offering a *Total Product Management* solution, becoming a true integrated partner for their business, not simply an isolated service provider.

3.6 Case studies

Table 3.2 provides a selected number of customer case studies.

Table 3.2: Select customer case studies

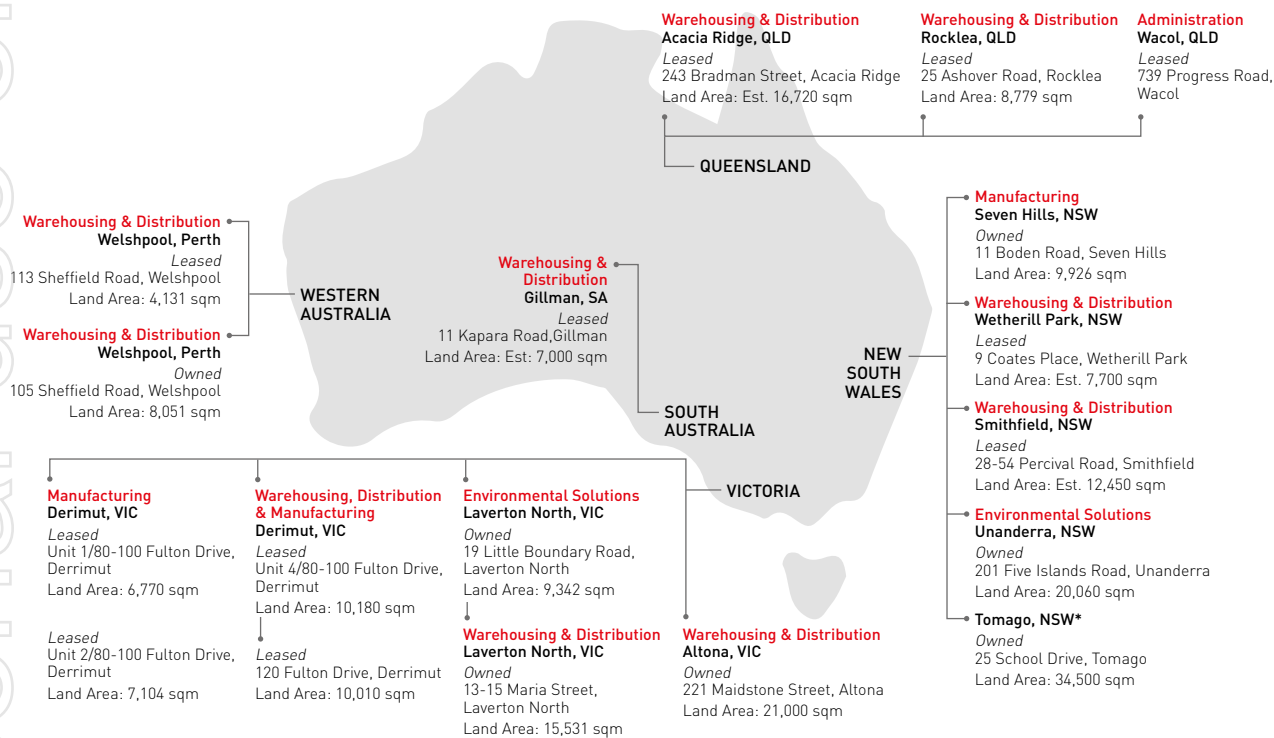
Sector	Agriculture	Gardening and Consumer Products	Industrial Services
Nature of business	A subsidiary of an ASX200 company, a member-based buying and marketing group with a large range of branded agricultural products.	Large formerly listed ASX company now owned privately, providing a wide range of gardening products in Australia and New Zealand.	An international engineering technology company that specialises in dust control, soil stabilisation, erosion control and water management.
DGL's service offering	DGL has worked with the company for over 15 years to establish product development and registration, manufacturing and packaging processes for over 200 different product lines.	DGL has worked with the company for over 20 years to establish product development and registration, manufacturing and packaging processes for over 140 different product lines.	DGL manages the procurement, importation, clearance, unpacking and storage of key raw materials. DGL manufactures a range of finished products to the company's specifications and distributes directly to their customers.
Potential benefits for the Customer	The versatility of DGL's specialised processing facilities and hazardous material handling capabilities allow for small and large production runs catering for seasonal demands, pilot production trials and just in time manufacturing.	Reduced manufacturing overheads by utilising DGL's manufacturing facilities. Reduced liability as DGL manages the compliance and regulation associated with manufacturing of dangerous chemicals. Reduced cost of raw materials via leveraging DGL's global supply networks.	DGL provides the customer with an ability to reduce their overheads by shutting down under utilised warehousing and manufacturing facilities. Reduced cost of raw materials via leveraging DGL's global supply networks. DGL provides a national footprint for distribution of the customer's products.
DGL's strength	DGL allows the customer to focus on its strengths in sales and product support, while DGL infrastructure and network provides a cost effective <i>Total Product Management</i> solution.	DGL believes that the customer has diverse and growing needs, which encompass a vast product portfolio. DGL specialises in turn-key operations, with the objective of delivering greater manufacturing capacity to the customer.	Greater efficiency, driven by DGL's ability to deliver a range of additional services without the need to relocate product between multiple sites.

Section 3 Company overview

3.7 Trans-Tasman asset network

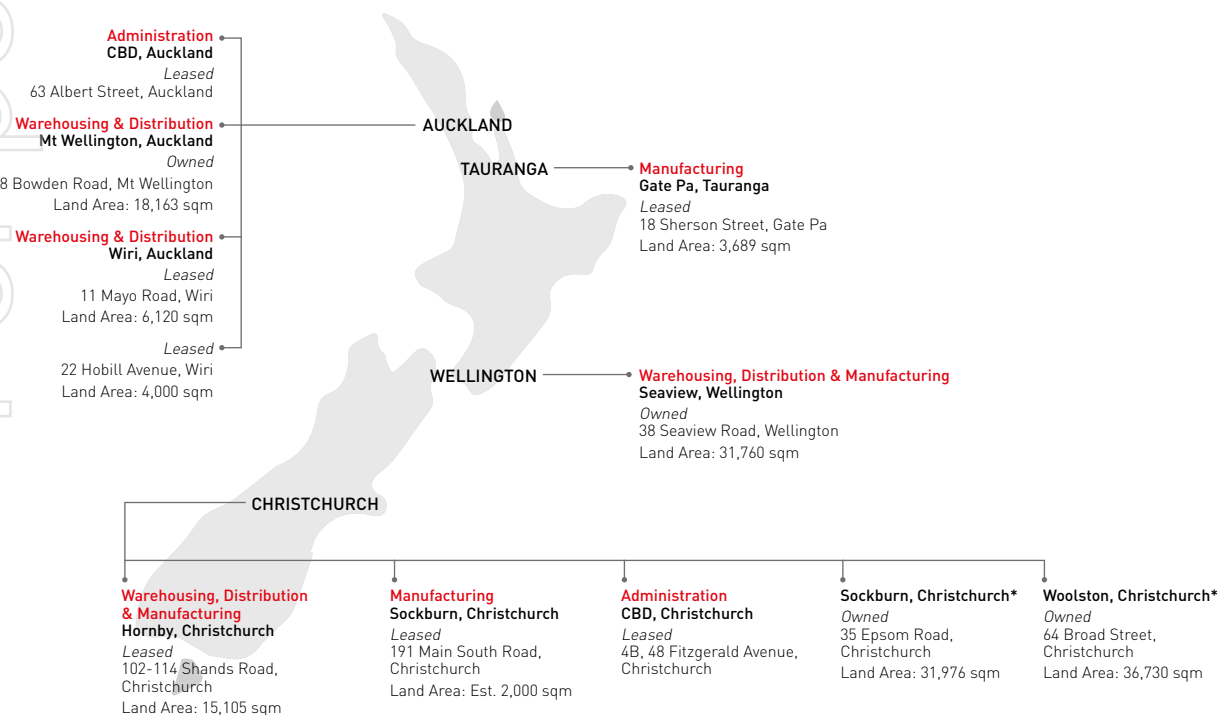
DGL operates a network of 26 sites, both owned and leased, across Australia and New Zealand. DGL's geographic coverage enables it to service national and trans-Tasman customers in a highly effective manner, avoiding the need for the customer to engage multiple service providers to achieve similar geographic coverage. A summary of DGL's network is set out in Figures 3.8 and 3.9.

Figure 3.8: Geographic footprint, Australia



* Site owned by the Company and partly leased to a third party.

Figure 3.9: Geographic footprint, New Zealand



* Site owned by the Company and partly leased to a third party.

3.8 Valuable and strategic site portfolio

Since founding, DGL has completed the acquisition of 11 sites and has leased another 15 sites. The carrying value of the portfolio of owned sites is approximately \$92 million.

The assets and infrastructure across DGL's various sites underpin the Group's wide range of technical services with site facilities and capabilities including:

- hazardous liquid waste treatment facilities;
- battery recycling facilities;
- purpose-built reaction equipment (reactors to manufacture chemicals);
- bulk chemical tank farms;
- warehouses and storage tanks; and
- automated packing lines.

The scale of DGL's sites and infrastructure affords DGL substantial operating leverage. DGL is able to meet customer needs across multiple disciplines and services while offering competitive pricing. DGL believes this scale is a competitive advantage and contributes to the retention of key customers

DGL currently has expansion capacity within its assets, with the utilisation of assets attributable to each division being:

- Chemical Manufacturing: 55% utilisation of manufacturing capacity for the 12 months ended 30 June 2020;
- Warehouse and Distribution: 81% utilisation for the 12 months to December 2020; and
- Environmental Solutions: 64% utilisation for the 12 months to June 2020.

It is DGL's intention to continue to acquire and lease strategically located and value accretive sites in Australia and New Zealand consistent with its growth strategy. Table 3.3 provides an overview of DGL's current site portfolio.

Table 3.3: DGL site portfolio summary¹

Location	Use	Capacity	Portfolio holding
Welshpool, WA, Aus	Warehousing & Distribution	2,250 tonnes	Leased
Welshpool, WA, Aus	Warehousing & Distribution	3,250 tonnes	Owned
Gillman, SA, Aus.	Warehousing & Distribution	3,000 tonnes	Leased
Altona, VIC, Aus.	Warehousing & Distribution	10,000 tonnes	Owned
Derrimut, VIC, Aus.	Warehousing, Distribution & Manufacturing	2,650 tonnes	Leased
Derrimut, VIC, Aus.	Warehousing, Distribution & Manufacturing	25,450 tonnes	Leased
Derrimut, VIC, Aus.	Warehousing, Distribution & Manufacturing	37,520 tonnes	Leased
Derrimut, VIC, Aus.	Warehousing, Distribution & Manufacturing	32,150 tonnes	Leased
Laverton, VIC, Aus.	Warehousing & Distribution	4,200 tonnes	Owned
Laverton, VIC, Aus.	E-waste recycling	50,000 tonnes	Owned
Unanderra, NSW, Aus.	E-waste recycling	86,000 tonnes	Owned
Seven Hills, NSW, Aus.	Chemical Formulation	28,500 tonnes	Owned
Smithfield, NSW, Aus.	Warehousing & Distribution	12,000 tonnes	Leased
Wetherill Park, NSW, Aus.	Warehousing & Distribution	3,000 tonnes	Leased
Acacia Ridge, QLD, Aus.	Warehousing & Distribution	10,000 tonnes	Leased
Rocklea, QLD, Aus.	Warehousing & Distribution	1,800 tonnes	Leased

Section 3 Company overview

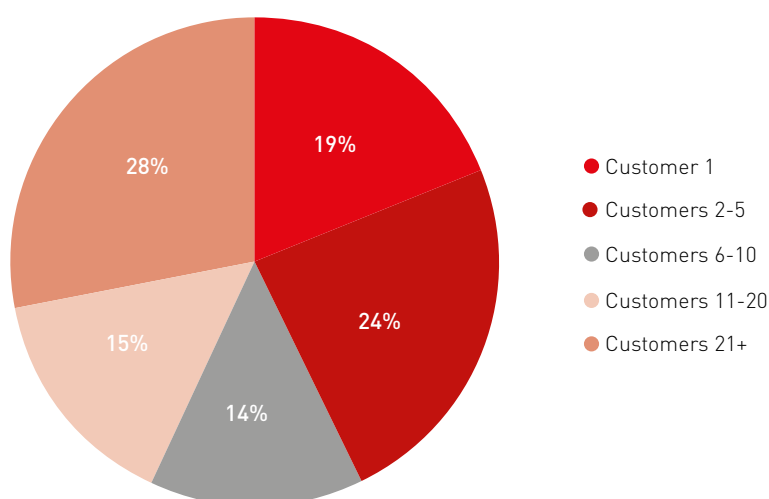
Location	Use	Capacity	Portfolio holding
Mt Wellington, Auckland, NZ	Warehousing & Distribution	7,500 tonnes	Owned
Wiri, Auckland, NZ	Warehousing & Distribution	2,000 tonnes	Leased
Wiri, Auckland, NZ	Warehousing & Distribution	2,000 tonnes	Leased
Tauranga, NZ	Chemical Formulation	12,630 tonnes	Leased
Lower Hutt, Wellington, NZ	Warehousing, Distribution & Manufacturing	45,800 tonnes	Owned
Hornby, Christchurch, NZ	Warehousing & Distribution	5,000 tonnes	Leased
Sockburn, Christchurch, NZ	Chemical Formulation	8,200 tonnes	Leased

3.9 DGL customers

DGL seeks to maintain a diverse pool of both customers and suppliers to the business to help mitigate risks associated with excessive reliance on any one or few key customers or suppliers.

In particular, DGL has a diverse customer base ranging from small and medium sized enterprises to multi-national corporations across a range of sectors. During 2020, DGL serviced over 1,300 pro forma customers.² In calendar year 2020, 10 customers represented approximately 57% of DGL's pro forma revenue.

Figure 3.10: Pro forma customer concentration – 12 months ended 31 December 2020³



DGL services customers from a wide range of industries, as set out in Table 3.4. One of the Company's key growth strategies is to increase the share of its existing customers' spend by cross-selling the broad range of solutions offered by DGL (see Section 3.15.1 for further detail).

Table 3.4: Key customer industries by division

Chemical Manufacturing	Warehousing and Distribution	Environmental Solutions
<ul style="list-style-type: none"> • Agricultural • Home and Garden • Water treatment • Construction and mining • Automotive 	<ul style="list-style-type: none"> • Manufacturers • Chemical suppliers • Agricultural • Water treatment • Construction & Mining • Automotive • Food & Pharmaceutical 	<ul style="list-style-type: none"> • Lead smelters • Plastics recyclers • Aluminium extrusion • Construction • Galvanisers

Many of DGL's customers have been with DGL, including the businesses it has acquired, for an extended period. The Group's top 20 customers, which represent approximately 72% of pro forma revenue to 31 December 2020, have an average tenure with the Group (or businesses acquired by the Group) of approximately nine years. The Group's top 5 customers which represent approximately 43% of pro forma revenue to 31 December 2020, have an average tenure with the Group of over 10 years. In addition to this, the Group has experienced a pro forma⁴ customer retention rate of 96% in the last 12 month period. As DGL is able to service its customers at more touch points along the value chain, and expand cross-sell of its services, management aims to further increase customer acquisition and retention.

Table 3.5: Top 5 customer summary

Customer description	Member-based buying and marketing group	Multinational Subsidiary		Large Corporation	Multinational
DGL division	Chemical Manufacturing	Chemical Manufacturing	Environmental Solutions	Chemical Manufacturing	Environmental Solutions
Revenue contribution growth (3-year CAGR to FY20)	41%	5%	106%	12%	656%
Tenure	13 years	20 years	3 years	9 years	10 years
Services offered	Product development and registration, manufacturing, and packaging processes for 200+ product lines	Product development and registration, manufacturing, and packaging processes for 200+ product lines	Sale of lead products, packaging, and freight forwarding	Product development and registration, manufacturing, and packaging processes for 70+ product lines	Sale of lead products, packaging, and freight forwarding

Section 3 Company overview

3.9.1 Customer relationships

DGL has a number of key customer relationships by virtue of the proportion of the Group's total revenue collectively contributed by these customers. It does not have formal, long term written contracts in place with many clients but instead engages with them on an as needed basis. DGL believes this is the standard practice for its industries.

DGL has historically enjoyed high levels of customer retention as noted in Table 3.5. This is because its services are often integrated into the customer's internal operational and administrative processes. DGL believes that any transition away from DGL, would require a significant transition period. This level of integration is a substantial contributor to DGL's successful level of customer retention.

Examples of the integration between DGL and its customers include:

- Install of Electronic Data Interchange which is a direct system interface of planning and logistics which provides customers real time access to inventory held and an ability for customers to invoice direct to the receiving customer once goods have been received on the same day
- Manufacturing requirements being fully outsourced to DGL to avoid the fixed cost base of a manufacturing facility;
- Compliance activities and regulation requirements outsourced to DGL for the manufacture of dangerous chemicals to manage a customer's own liability and exposure;
- Sourcing their raw material inputs and other procurement being outsourced to DGL allowing the customer to reduce cost of sales;
- Regulatory data reporting requirements to the EPA handled by DGL on behalf of the customer;
- Holding licences and intellectual property for the formulation of products (DGL has developed more than 200+ product lines for a single customer); and
- Performing a range of geographically diverse services across multiple customer locations such as container cartage, down packing, storage and distribution. DGL can invoice once for all services, reducing administration overhead for the customer.

Further, customer loyalty is encouraged because DGL provides local manufacturing which is critical to customers who value:

- the security and flexibility associated with a local partner;
- reduced transport (shipping) costs;
- reduced production lead times;
- smaller minimum order quantities; and
- flexibility in packaging options.

3.10 People

DGL employs over 280 full time and casual staff across its three divisions, with approximately 86% of staff employed in Australia and 14% in New Zealand.

Divisions management assist and report to the key management personnel, being the CEO and the executive management team, who have authority and responsibility for planning, directing and controlling the activities of DGL.

DGL's workforce brings together a wide range of staff with diverse skill sets in areas such as dangerous goods carting and handling, production planning and scheduling, chemical engineering, processing and manufacturing plant operation, industrial chemistry, quality control and audit, and a corporate team with specialists in sales, marketing, communications, information technology, systems, finance, human resources and health, safety, environment and quality (HSEQ).

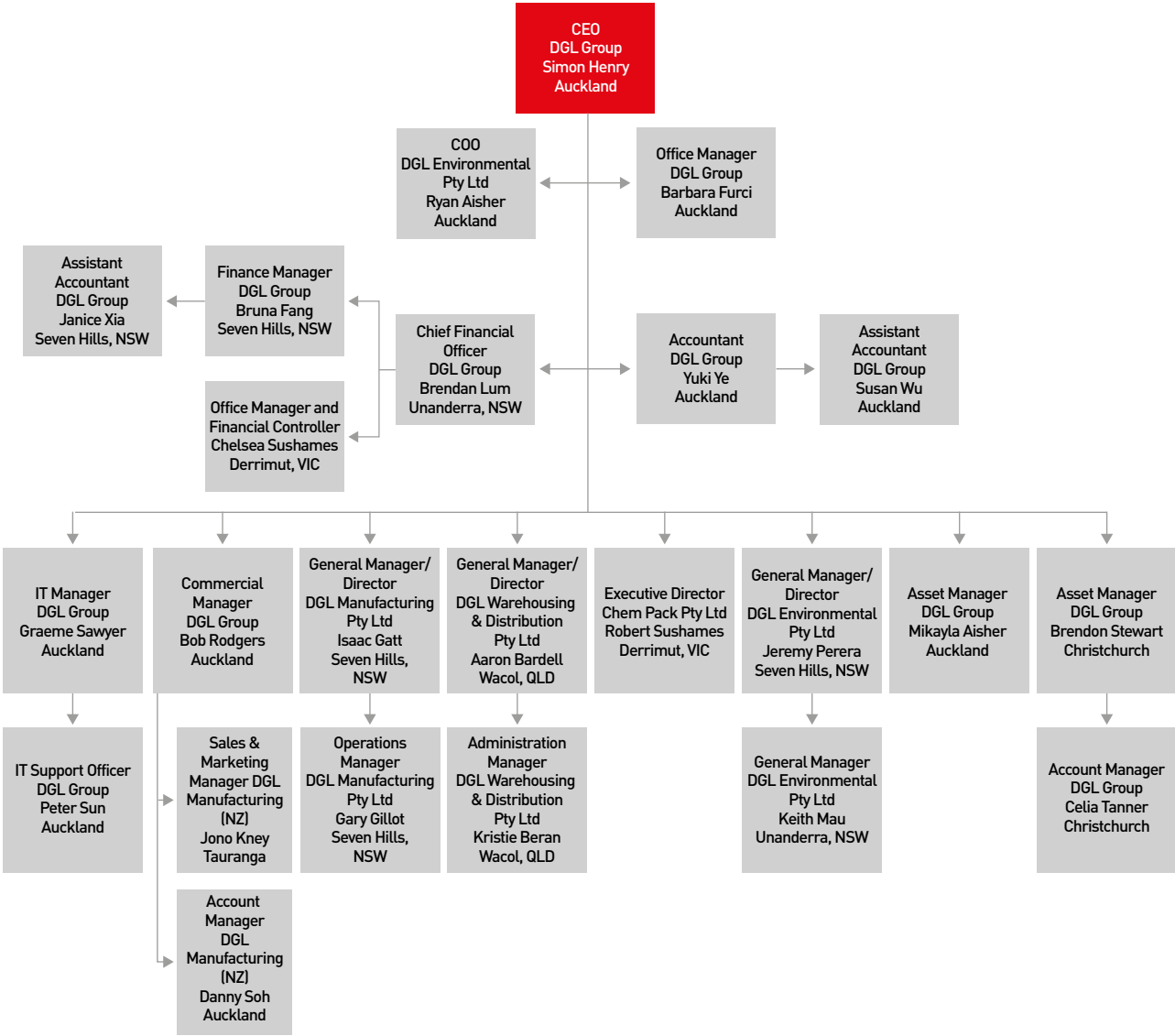
Investment in staff development is important to DGL's ongoing success. DGL invests significant time and resources in maintaining and building the skills, knowledge, and experience of staff to build and maintain institutional knowledge and know-how within DGL.

In key roles, DGL has low levels of skilled staff turnover (defined as those with salaries of over \$100,000 per annum and with management responsibilities. Over FY19 and FY20, the skilled staff turnover rate was 8.4%.

3.10.1 Organisational overview

Figure 3.11 details DGL’s current organisational structure.

Figure 3.11: Organisational chart



3.11 Intellectual property

DGL has developed in-house manufacturing and waste treatment technologies and processes that are utilised extensively across its business operations. Technical know-how and product formulations are protected as trade secrets.

DGL has invested substantial capital into the research and development of innovative and unique product formulations. Some processes have facilitated the ability to treat waste streams that were previously difficult to dispose of safely and without environmental impact.

An example of patented processes held by DGL includes the HYDROPROC process which is a waste treatment technology applied to hazardous waste to render many of the hazardous contaminants present in industrial residues inert so that waste can be safely disposed in landfill without causing any environmental harm.

DGL holds domain name registrations and over 60 registered trademarks which are used for its products in Australia and New Zealand such as *Alchlor* and *Chempro Adblue*.

Section 3 Company overview

3.12 Licence and accreditation portfolio

DGL operates in highly regulated industries where there are stringent regulatory and compliance measures in place to ensure safety in operations, and environmental and quality standards. DGL has established a portfolio of licences, developed over more than a decade, which enables each of the divisions to operate in their respective specialised markets. A considerable amount of time and money has been invested to build out this portfolio. DGL views this as a significant competitive advantage and barrier to entry.

A summary of DGL's current portfolio of licences and accreditations is given in Table 3.6.

Table 3.6: Licence and accreditation portfolio

Licence or Accreditation	Summary
Chemical Manufacturing	
ISO 9001:2015 quality management system	ensures products and services are consistently maintained at the high level of quality
NATA accredited laboratory	ensures the analysis of products are consistently accurate
EPA Environmental Protection Licenses	required under Australian regulations
Dangerous Goods Storage Licenses	required under Australian regulations
VDA AdBlue Brand Certification	ensures products and services are consistently maintained at the high level of quality
Trade Waste Discharge Consents	enables discharge of treated wastewater from site
Australian Pesticides and Veterinary Medicines Authority	Australian law requires veterinary chemical products to be registered by APVMA
Poisons Licenses	licence to sell or supply by wholesale schedule 7 Poisons
AgSafe Premises Accreditation	ensures that stores are compliant with all jurisdictional regulations
Australian Organic Certified Operation	licence to supply or direct the application of the Australian Organic trademark
Australian Pesticides and Veterinary Medicines Authority Registrations (APVMA)	The Australian Pesticides and Veterinary Medicines Authority has a defined role as the regulator of agricultural and veterinary chemicals in Australia. APVMA are the independent statutory authority responsible for assessing and registering pesticides and veterinary medicines proposed for supply in Australia.
Warehousing and Distribution	
ISO 9001:2015 quality management system	ensures products and services are consistently maintained at the high level of quality
Dangerous Goods Storage Licenses	required under Australian regulations
National Heavy Vehicle Accreditation Scheme	demonstrates compliance with general duty requirements under road transport law
HACCP CODEX: 2003	customers who store food grade products at warehouses require this quality accreditation
Biosecurity Approved	required under Australian regulations to handle quarantined goods
Major Hazard Facility, Upper and Lower tier	required under New Zealand regulations to store high risk dangerous goods

Licence or Accreditation	Summary
<i>MPI NZ (Storage and handling of dangerous goods)</i>	<i>required under New Zealand regulations to store and handle dangerous goods</i>
<i>Poisons Licenses</i>	<i>required under Australian regulations to store poisonous goods</i>
<i>EPA Waste Management & Transport Licenses</i>	<i>required under Australian regulations to transport waste products</i>
<i>Bulk Dangerous Goods Transport</i>	<i>required under Australian regulations to transport dangerous goods</i>
<i>MPI NZ</i>	<i>required under New Zealand regulations to unpack imported sea containers</i>
<i>VDA approval</i>	<i>allows for the diesel exhaust fluid produced to be sold under the AdBlue brand</i>
Environmental Solutions	
<i>EPA Environmental Protection Licenses</i>	<i>waste management and recycling authorisation</i>
<i>Dangerous Goods Storage Licenses</i>	<i>required under Australian regulations to store dangerous goods</i>
<i>Environmental Export Licenses</i>	<i>required under Australian regulations to export certain products</i>
<i>Trade Waste Discharge Consents</i>	<i>permits discharge of wastewater generated into the sewer network</i>

3.13 Health, Safety, Environment and Quality (HSEQ)

DGL has adopted a series of guidelines in HSEQ with ISO accredited facilities. DGL’s commitment to HSEQ has led to the development of a comprehensive suite of management systems, regular training in key competencies being undertaken with employees and a focus on continual improvement.

Effective risk management is important to DGL’s ability to operate and to protect the health and safety of its customers, employees, and the environment. DGL has implemented comprehensive safety plans, systems and procedures in order to comply with the range of regulations that apply to the sectors in which it operates. DGL’s processes include the requirement for its employees to complete compulsory on-the-job training.

DGL has a reporting process which requires employees to log all potential hazards and incidents. These reports are provided to management on an ongoing basis, which enables the divisional heads to respond promptly and effectively to any unsafe working conditions. In addition to this, DGL conducts annual independent external audits and ad-hoc inspections to ensure employees are following the Company’s rules and processes and complying with regulations.

Section 3 Company overview

Figure 3.12: Risk management framework



3.14 Community support

DGL is proud to support Hohepa, a New Zealand based disability service provider, catering for special needs children, and adults with an intellectual disability, where respect, personal development and caring go hand-in-hand. DGL supports Hohepa's LEAP programme, which stands for learning, exploring and activating potential. The LEAP programme centres around enjoyment, discovering interests and developing skills. At its core is an ethos of nurturing the body, soul and spirit and the activities in the programme are designed to make people feel good and have enjoyment, identify new skills and interests. Hohepa provides multiple residential communities in New Zealand.

3.15 Growth strategy and major initiatives

The Company has a range of future growth strategies, including those set out below:

3.15.1 Continuing to drive cross-selling amongst existing customers to increase share of customer spend

DGL's *Total Product Management* framework has the objective of creating greater cross usage of services by customers across DGL's three divisions.

Having assembled a portfolio of assets and specialist skills that encompass all stages of the chemical and hazardous goods lifecycle, DGL sees the opportunity to provide a significant level of cross-sell across its customer base. DGL believes that this is supported by the desire of a number of its key customers to consolidate their suppliers, and that it is well positioned to take advantage of this trend. DGL has experienced a strong level of interest from customers in broadening the range of services they source from DGL.

3.15.2 Achieving further economies of scale and drive operating efficiencies

DGL's size and scale means it is well positioned to achieve economies of scale across its businesses. Opportunities range from increased buying power, leveraging DGL's transport network density and increased utilisation of infrastructure within waste treatment to lower unit processing costs.

DGL has experienced significant margin improvement in recent years through operating efficiencies and more effective utilisation of assets. Examples of how this has been achieved include increasing the level of intra-divisional services within DGL such as:

- DGL's Chemical Manufacturing and Environmental Solutions divisions utilising the Warehousing and Distribution division's logistics network;
- DGL's Warehousing and Distribution division packing and transporting products for the Chemical Manufacturing division for export to offshore markets; and
- more effective utilisation of DGL's extensive workforce between the divisions to remove capacity constraints.

3.15.3 Investment in capital projects to expand services provided to customers

DGL intends to deploy capital from the Offer to expand its network and services. For example, the Environmental Solutions division plans to be an industry leader in lead smelting by expanding its smelter capacity to double bullion output to 50,000 tonnes of lead equivalent per annum. The planned expansion is expected to be a driver of top line growth in the Company. It is also expected to decrease the reliance on export permits for the sale of intermediate lead products to overseas customers. The capacity expansion is not anticipated to require extensive environmental planning assessments since the Victorian facility is EPA licenced to undertake lead recycling and smelting activities.

Other examples of existing capital projects include:

- an expansion of its liquid waste capacity in Unanderra;
- extracting metals from industrial waste residues for the manufacture of chemical products such as zinc sulphate and lead nitrate;
- installation of an Ester reactor in Victoria; and
- increasing chemical storage capacity in Auckland, Wellington, Hawkes Bay and Christchurch.

DGL will continue to explore opportunities to expand its product and service range, driven by customer need. For example, DGL is exploring opportunities to recycle different battery chemistries as well as investigating ways to add value to a broader range of waste streams than are currently managed by DGL.

3.15.4 Potential acquisitions

DGL has undertaken a number of successful business acquisitions since its formation. The Company sees significant consolidation opportunities in Australia and New Zealand in each of its divisions, with opportunities to add capabilities and customers. Following the Offer, the Company believes it will have the balance sheet flexibility to undertake targeted, strategic acquisitions that can create Shareholder value.

Although the Company sees significant scope for growth within its current primary geographies of Australia and New Zealand, consideration will also be given to future expansion into the west coast of the United States of America to leverage the opportunities to create a pacific focused specialty chemicals manufacturing, transport and logistics hub. No specific plans in this regard have been made at the Prospectus Date.

Section 4

Financial information



4.1 Introduction

The financial information for the Group contained in this Section 4 comprises of the following:

Statutory Historical Financial Information

- Statutory historical financial information, being the:
 - Statutory historical statement of financial position as at 31 December 2020 (**Statutory Historical Statement of Financial Position**);
 - Statutory historical income statement for the years ended 30 June 2019 and 30 June 2020 and the half-years ended 31 December 2019 and 31 December 2020 (**Statutory Historical Income Statement**); and
 - Statutory historical statement of cash flow for the years ended 30 June 2019 and 30 June 2020 and the half-years ended 31 December 2019 and 31 December 2020 (**Statutory Historical Statement of Cash Flows**),

(together, the **Statutory Historical Financial Information**).

Pro Forma Historical Financial Information

- Pro forma historical financial information, being the:
 - Pro Forma historical income statement for the years ended 30 June 2019 and 2020 and the half-year ended 31 December 2020 (**Pro Forma Historical Results**);
 - Pro Forma historical statement of cash flows for the years ended 30 June 2019 and 2020 and the half-year ended 31 December 2020 (**Pro Forma Statement of Cash Flows**); and
 - Pro Forma historical statement of financial position as at 31 December 2020 (**Pro Forma Historical Statement of Financial Position**),

(together, the **Pro Forma Historical Financial Information**).

Forecast Financial Information

- Forecast financial information, being the:
 - Pro Forma forecast income statement for the period 1 January 2021 to 30 June 2021 and year ending 30 June 2022 (**Pro Forma Forecast Results**); and
 - Pro Forma forecast net cash flows for the period 1 January 2021 to 30 June 2021 and year ending 30 June 2022 (**Pro Forma Forecast Cash Flows**),

(together, the **Forecast Financial Information**).

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information together comprise the **Historical Financial Information**.

The Historical Financial Information and the Forecast Financial Information together comprise the Financial Information.

Financial Information

The Financial Information has been reviewed and reported upon by the Investigating Accountant, whose Investigating Accountant's Report is set out in Section 8. Investors should note the scope and limitations of that report.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (refer to Section 4.2);
- discussion of Group and divisional historical and forecast financial performance (refer to Section 4.3.1);
- Management discussion and analysis of the Pro Forma Statement of Cash Flows (refer to Section 4.4.1);
- Management discussion and analysis of the Forecast Financial Information (refer to Section 4.5);
- general and specific assumptions underlying the Forecast Financial Information (refer to Sections 4.5.1 and 4.5.2);
- sensitivity analysis of the Forecast Financial Information (refer to Section 4.6);
- a summary of the Company's dividend policy (refer to Section 4.11); and
- a summary of indebtedness before and after Completion of the Offer (refer to Section 4.12).

All amounts disclosed in this Section 4 are presented in Australian dollars.

Section 4 Financial information

4.2 Basis of preparation and presentation of the financial information

4.2.1 Overview

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations) and the significant accounting policies adopted by the Group (refer to Appendix A – Significant accounting policies). Compliance with the Australian Accounting Standards ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB).

This Prospectus includes the Forecast Financial Information based on the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information unless stated otherwise.

The Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.2.2 Preparation of the Historical Financial Information

The Statutory Historical Financial Information has been prepared based on the separate financial statements of each of the DGL Entities and Chem Pack. For the purposes of this Prospectus and the disclosure in this Section 4 and to reflect the functional and presentational currency that the Company will report in going forward as an ASX listed company, the Historical Financial Information has been converted to Australian dollars (AUD).

The Historical and Pro-forma Financial Information presented in this Section 4.2.2 includes a consolidation of the historical financial performance of the following entities:

- DGL Group Limited (Australia);
 - DGL Manufacturing Pty Ltd (Australia);
 - DGL Warehousing & Distribution Pty Ltd and its controlled entity (Australia);
 - DGL (NZ) Limited (New Zealand);
 - DGL Manufacturing Limited (New Zealand); and
 - DGL Warehousing NZ Limited (New Zealand)
- (together the **DGL Entities**); and
- Chem Pack Pty Ltd (Australia).

4.2.3 Basis of preparation of Historical and Pro-forma Financial Information

The Statutory Historical Financial Information has been prepared by consolidating the audited FY19 and FY20 and the reviewed results for 1H21 of all DGL Entities with Chem Pack, which is disclosed separately. The Company acquired Chem Pack on 1 January 2021 and became the parent entity to the Group on 30 March 2021.

The Group's historical financial performance has been audited by the following auditors for FY19 and FY20 with a review provided for the financial results for 1H21. All of the underlying financial statements were audited/reviewed as summarised below:

Table 4.1: FY19 and FY20 – Audit/Review

Company	Auditor	Audit Opinion
DGL Group Limited	HLB Mann Judd (Wollongong) Pty Ltd	Unmodified
DGL Manufacturing Pty Ltd	HLB Mann Judd (Wollongong) Pty Ltd	Qualified as auditors were not appointed until after completion of inventory counts
DGL Warehousing & Distribution Pty Ltd and its controlled entity	HLB Mann Judd (Wollongong) Pty Ltd	Unmodified
DGL Manufacturing Limited	BDO Christchurch	Qualified as auditors were not appointed until after completion of inventory counts
DGL Warehousing NZ Limited	BDO Christchurch	Unmodified
DGL NZ Limited	BDO Christchurch	Unmodified
Chem Pack Pty Ltd	Frederik R.L. Eksteen of Collins & Co Audit Pty Ltd	Unmodified

Table 4.2: 1H21 – Audit/Review

Company	Auditor	Review Opinion
DGL Group Limited	HLB Mann Judd (Wollongong) Pty Ltd	Unmodified
DGL Manufacturing Pty Ltd	HLB Mann Judd (Wollongong) Pty Ltd	Unmodified
DGL Warehousing & Distribution Pty Ltd and its controlled entity	HLB Mann Judd (Wollongong) Pty Ltd	Unmodified
DGL Manufacturing Limited	BDO Christchurch	Qualified as auditors were not appointed until after completion of opening inventory counts
DGL Warehousing NZ Limited	BDO Christchurch	Unmodified, however prior period income statement was not reviewed
DGL NZ Limited	BDO Christchurch	Unmodified, however prior period income statement was not reviewed
Chem Pack Pty Ltd	Frederik R.L. Eksteen of Collins & Co Audit Pty Ltd	Unmodified

The Historical and Pro-forma Financial Information has been reviewed by PKF, whose Investigating Accountant's Report is set out in Section 8 of this Prospectus. Investors should note the scope and limitations of that report. The information in this Section 4.2.3 should also be read in conjunction with the risk factors set out in Section 5 and other information contained within this Prospectus.

4.2.4 Foreign exchange rates applied to the Historical Financial Information

The spot and average exchange rates used for the conversion of the Historical Financial Information over the historical periods have been set out below:

Table 4.3: Foreign exchange rates

NZD	Spot	Average
FY19	1.046	1.067
FY20	1.070	1.055
1H21	1.067	1.073

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Section 4 **Financial information**

4.2.5 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Forecast Financial Information is presented on a pro forma basis.

The 2H21 and FY22 Pro Forma Forecast Results and the Pro Forma Forecast Cash Flows have been derived from the forecast results and the forecast cash flows respectively, after adjusting for pro forma transactions and other adjustments to reflect the Group's operations following Completion and to eliminate one-off, non-recurring items. Both the 2H21 and FY22 Pro Forma Forecast Results and the Pro Forma Forecast Cash Flows reflect the Directors' best estimate forecasts for the period from 1 January 2021 to 30 June 2021 and the year ending 30 June 2022.

The Forecast Financial Information has been prepared by the Company based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions as set out in Sections 4.5.1 to 4.5.14. The Directors believe the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus.

Presentation of the best estimate assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Forecast Financial Information presented in this Prospectus has been reviewed by PKF but has not been audited. Investors should note the limitations of the Investigating Accountant's Report in Section 8.

The Forecast Financial Information is not fact and investors are cautioned not to place undue reliance on it. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on the Company's actual financial performance, cash flows or financial position. Investors are advised to review the Forecast Financial Information and best estimate assumptions set out in Sections 4.5.1 to 4.5.14, in conjunction with the sensitivity analysis set out in Section 4.6, the risk factors set out in Section 5 and other information set out in this Prospectus.

The Company has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.6 Non IFRS financial measures

Investors should be aware that certain financial data included in this Section 4 is 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The Company believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Group. As non-IFRS measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which the Group calculates these measures may be different to the way other companies calculate similarly titled measures.

Investors are cautioned not to place undue reliance on any non-IFRS financial information and ratios. In particular the following non-IFRS financial measures are included:

- EBITDA: earnings before interest, tax, depreciation and amortisation; and
- EBIT: earnings before interest and tax.

4.3 Historical and forecast pro forma income statements

Table 4.4: Pro Forma Historical Results and Pro Forma Forecast Results

	FY19 \$'000	FY20 \$'000	1H21 \$'000	2H21 (Forecast) \$'000	FY21 Note 1 \$'000	FY22 (Forecast) \$'000
Sales revenue	163,501	180,050	92,518	97,398	189,916	209,657
Cost of sales	(114,338)	(124,180)	(59,526)	(63,965)	(123,491)	(137,259)
	49,163	55,870	32,992	33,433	66,425	72,398
Other income	628	429	556	419	975	838
Employee benefits expense	(23,411)	(24,130)	(13,678)	(14,105)	(27,783)	(30,294)
Administration and general expenses**	(6,983)	(7,341)	(4,301)	(3,823)	(8,124)	(7,513)
Legal and professional fees	(1,390)	(1,704)	(1,092)	(694)	(1,786)	(1,596)
Occupancy expense	(3,247)	(3,966)	(1,554)	(2,115)	(3,669)	(4,793)
EBITDA from continuing operations	14,760	19,158	12,923	13,115	26,038	29,040
EBITDA	14,760	19,158	12,923	13,115	26,038	29,040
Depreciation and amortisation expense*	(10,751)	(11,624)	(4,719)	(5,808)	(10,527)	(11,552)
EBIT	4,009	7,534	8,204	7,307	15,511	17,488
Finance costs	(1,757)	(1,638)	(1,105)	(1,364)	(2,469)	(2,650)
Profit/(loss) before tax	2,252	5,896	7,099	5,943	13,042	14,838
Income tax expense	(93)	(1,063)	(2,062)	(1,483)	(3,545)	(4,391)
Net profit after tax	2,159	4,833	5,037	4,460	9,497	10,447

Note 1: The FY21 column is the sum of the actual results for 1H21 and the forecast results for 2H21.

* The acquisition of Chem Pack includes intangible assets provisionally estimated at \$23.911 million. The individual intangible assets that contribute to the estimation are yet to be identified which is in accordance with AASB 3 – Business Combinations, whereby a measurement period of 12 months is allowed. A number of these intangible assets will have a finite life and will be amortised in the future. The dollar value of this amortisation has not yet been established and has not been included in the Forecast Financial Information.

** The 2H21 forecasts do not include the expensing of the Offer costs, as the forecast results are presented on a pro-forma basis. Refer to Section 4.7.1.

Section 4 Financial information

Reconciliation

Pro Forma Adjustments

Set out below are the pro forma adjustments to the historical statutory EBITDA to adjust the historical results for additional costs associated with an ASX listing and historical compliance with current accounting standards.

Table 4.5: Pro forma adjustments

	FY19 \$'000	FY20 \$'000	1H21 \$'000
AASB 16 lease adjustments (Note 1)			
- Right of use depreciation	7,498	-	-
- Finance lease interest	902	-	-
- Rental expense	(7,935)	-	-
Listed company costs (Note 2)			
- Employee benefits expense	851	873	437
- Legal and professional fees	678	695	348
- Administration and general expenses	272	279	139
Adjustments before tax	2,266	1,847	924
- Tax effect on pro forma adjustments	(680)	(554)	(277)
Net adjustments	1,586	1,293	647
Net profit after tax (Table 4.4)	2,159	4,833	5,037
Total comprehensive income for the year (Statutory)	3,745	6,126	5,684
DGL entities statutory profit after tax (Refer to Table 4.22)	1,773	2,918	2,999
Chem Pack statutory profit after tax (refer to Table 4.22)	1,972	3,208	2,685
	3,745	6,126	5,684

Note 1: AASB 16 lease adjustments reflects the impact of adopting AASB 16 Leases in order to show comparability between reporting periods. Statutory historical results for reporting periods FY20 and 1H21 were prepared in accordance with AASB 16 however FY19 was not. This adjustment reflects the impact on the financial performance had this standard been applied during FY19. Appendix A (Significant accounting policies) includes the accounting policy adopted by DGL Group in relation to leases.

Note 2: Listed company costs reflects an estimate of additional costs associated with being a listed entity. These costs include estimated non-executive director fees, chairman fees, increases in CEO and COO costs, company secretary costs and the compliance and regulatory costs that would have been incurred had the Company's shares been listed on the ASX from 1 July 2018.

Reflected in the tables below are the historical and forecast revenues of each division of DGL and growth and profitability metrics.

Table 4.6: Historical and forecast divisional revenue

	Environmental Solutions \$'000	Chemical Manufacturing \$'000	Warehousing and Distribution \$'000	Inter-company eliminations \$'000	Total \$'000
FY19 Actuals	64,137	75,382	25,436	(1,454)	163,501
FY20 Actuals	61,926	94,172	27,629	(3,677)	180,050
FY21 (Actuals/Forecast)	59,211	104,031	31,822	(5,148)	189,916
FY22 (Forecast)	66,705	112,831	35,082	(4,961)	209,657

Table 4.7: Pro Forma growth metrics

	FY20	FY21 (FORECAST)	FY22 (FORECAST)
Total revenue growth* (\$m)	16,549	9,866	19,741
(%) change	10%	5%	10%
Gross profit growth (\$m)	6,707	10,555	5,973
(%) change	14%	19%	9%
EBIT growth (\$m)	3,525	7,977	1,977
(%) change	88%	106%	13%
EBITDA growth (\$m)	4,398	6,880	3,002
(%) change	30%	36%	12%
Net profit after tax growth (\$m)	2,674	4,664	950
(%) change	124%	97%	10%

* Total revenue growth represents the growth in total revenue excluding Other revenue and Other gains and losses.

Table 4.8: Pro forma profitability metrics

	FY19	FY20	FY21 (FORECAST)	FY22 (FORECAST)
Gross profit margin	30%	31%	35%	35%
EBITDA margin	9%	11%	14%	14%
EBIT margin	2%	4%	8%	8%
Net profit after tax margin	1%	3%	5%	5%
Operating cash flow as % of pro forma EBITDA	61%	92%	119%	89%

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4.3.1 Discussion of Group and divisional historical and forecast financial performances

Group revenue grew by 10% in FY20 and is forecast to grow by 5% in FY21 and 10% in FY22.

EBITDA increased by 30% in FY20 and is forecast to increase by 36% in FY21 and 12% in FY22 (in relation to the forecast for FY21 and FY22, primarily driven by forecast revenue increases during the corresponding period). The best estimate assumptions underpinning the revenue, gross profit and EBITDA changes in FY21 and FY22 are set out in the divisional summaries within this Section 4.3.1 and in Sections 4.5.1 to 4.5.14.

Group revenue growth of 10% in FY20 was driven by the Chemical Manufacturing, and Warehousing and Distribution divisions. Improved agricultural conditions in FY20 drove demand for chemicals in 2HFY20 and facility capacity expansion completed in FY19 enabled the processing of more volume. Warehousing and distribution revenues were driven by further investment in plant and equipment.

Revenue growth of 5% is forecast in FY21, consolidating achieved 1H21 revenue growth and forecast 2H21 revenue. The slower rate of revenue growth in FY21 (compared to 10% in FY20) reflects an expected and temporary moderation in revenues from Environmental Solutions (referred to below) as well as a return to normal trading conditions in the Chemical Manufacturing division. Management expects to achieve revenue growth of 10% in FY22. The key drivers of the forecast FY22 revenue growth are; improvements to customer demand (primarily based on communications with existing customers, resulting in 6% increase to forecast FY22 revenue), increased production throughput (resulting in 3% increase to forecast FY22 revenue) and recommissioning of the smelter (resulting in 1% increase to forecast FY22 revenue).

In FY20 Group gross profit grew from \$49.2 million to \$55.9 million (growth of 13.6% year-on-year (yoy); gross margin expansion from 30.1% to 31.0%) and EBITDA grew from \$14.8 million to \$19.2 million (growth of 30% yoy). EBITDA growth was a result of higher revenue and gross margins but a less than proportionate increase in operating expenses.

In 1H21, the Group has achieved a gross margin of 36% and an EBITDA margin of 14%. In the full year FY21 results, Group gross profit is expected to reach \$66.4 million (growth of 19.0% yoy; gross margin of 35%). EBITDA is forecast to increase to \$26.0 million (growth of 36%) in FY21 as a result of the forecast increase in revenue in FY21, due to increased customer demand in the Chemical Manufacturing division (primarily based on communications with existing customers) and increased ULAB throughput from planned increases in plant operating hours in the Environmental Solutions division, and a maintenance of the EBITDA margin currently being achieved in 1H21.

In FY22, the Group has forecast new revenue initiatives (outlined above in respect of increases to customer demand, production throughput and recommissioning of the smelter) along with an increase to operating expenses (\$3.0 million driven largely by an anticipated investment in human resources across the Group). Consistent with FY21 performance, Management expects to maintain the gross profit margin at 35%, EBITDA margin at 14%, EBIT margin at 8% and net profit margin at 5% in FY22. Based on maintaining these key margins and in combination with the forecast FY22 revenue increases outlined above, Management expects to achieve forecast gross profit of \$72.4 million, EBITDA of \$29.0 million, EBIT of \$17.5 million and net profit after tax of \$10.4 million in FY22. .

Divisional summary

Chemical Manufacturing

The Chemical Manufacturing division revenue grew from \$75.3 million to \$94.2 million in FY20, or growth of 24.9% yoy.

Growth in FY20 was driven by a return to normal seasonal conditions emerging from the drought which impacted financials in FY19 (drought began to impact the agricultural broadacre chemical markets negatively in FY19). During FY19 demand was reduced and pressure on margins prevailed. Drought breaking rains were experienced in 2H20 resulting in an improvement in growth in that year. In addition, the lack of confidence in international supply chains that were disrupted with the onset of COVID-19 contributed to increased demand for DGL's trans-Tasman services. COVID-19 also increased demand for DIY gardening and related home and garden products.

In FY19 and FY20 manufacturing capacity was expanded in New Zealand via the acquisition of two chemical formulation plants. Following these acquisitions, pre-existing business units were able to utilise capacity and expand throughput in New Zealand. The distribution tank network across New Zealand continues to expand into FY22 bringing greater efficiencies within the business to business network.

In FY21, Chemicals Manufacturing divisional revenue is forecast to increase by 10.5% to \$104.0 million driven by increased volumes enabled by investment in infrastructure and plant capacity. Ongoing reinvestment continues to increase the range of chemicals manufactured and customers served. DGL's strong balance sheet allows it to hold more raw materials to stand by customer commitments and stay ahead of any future supply chain disruptions (in defiance of just-in-time delivery).

In FY22, Management have forecast that the Chemical Manufacturing division will deliver divisional revenues of \$112.8 million (growth of \$8.8 million and 8.5% yoy). Management have forecast the increase in revenue coming as the result of increased customer demand (primarily from communications with existing customers, who have provided written indication of their expected future demand during the forecast period).

Environmental Solutions

The Environmental Solutions division delivered revenue of \$61.9 million in FY20 compared to \$64.1 million in FY19 (a decline of 3.4% yoy).

In FY20 the Victorian facility began recommissioning and ULAB procurement activities were diverted from NSW to Victoria. Feedstock of ULABs in Victoria increased by 6,300mt while it decreased by 8,900mt in NSW. Higher initial volumes through the NSW plant had higher lead recovery rates compared to Victoria's rate. The overall production of finished goods reduced consequently.

The commissioning process in Victoria increased expenses associated with handling and transport of materials shipped to NSW. DGL's strength is that it was able to divert materials to NSW while the Victorian plant was being commissioned demonstrating some of the operational diversity of the business.

The Victorian facility is expected to be fully operational in quarter four FY21 following the successful optimisation of the plant. This is expected to result in a revenue increase for the Environmental Solutions division of 12.7% in FY22. Results will also be driven the commissioning of the new liquid waste treatment facility in NSW.

Warehousing and Distribution

In FY20, the Warehousing and Distribution division grew revenue from \$25.4 million to \$27.6 million (growth of 8.6% yoy).

Growth in FY20 was driven by a higher utilisation of the warehousing network in Australia and New Zealand. This includes the redevelopment of a warehouse facility in Christchurch. The redevelopment has so far resulted in expanded storage capacity to meet the requirements of new customers.

Also commenced was a program to expand the inter-state transport and bulk tanker network in Australia.

The drive to achieve Total Product Management for customers and divisional cross-sell of all services was introduced during FY20 and resulted in increased referrals and servicing of inter-divisional customers. During FY20, there was an increased focus on providing customers bundled freight forwarding, warehousing and transport which increased revenue.

Demand from customers looking to outsource dangerous goods storage and logistics increased because of compliance costs associated with a tighter regulatory environment. Overnight line haul services were established on the east coast of Australia.

The initiatives outlined above are anticipated to contribute to forecast revenues of \$31.8 million in FY21 (growth of 15.2% vs FY20) and \$35.1 million in FY22 (growth of 10.2% vs FY20).

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4.4 Historical and Pro Forma Statement of Cash Flows

Table 4.9: Pro Forma Historical Statement of Cash Flows and Pro Forma Forecast Cash Flows

	FY19 \$'000	FY20 \$'000	1H21 \$'000	2H21 (Forecast) \$'000	FY21 Note 1 \$'000	FY22 (Forecast) \$'000
Cash Flows from Operating Activities						
Receipts from customers	165,622	188,090	101,463	109,407	210,870	224,150
Payments to suppliers and employees*	(155,061)	(169,475)	(85,137)	(93,424)	(178,561)	(194,941)
Interest received/other income**	33	573	239	90	329	192
Income tax (paid)/refunded	(648)	(175)	137	(468)	(331)	(1,658)
Finance costs	(944)	(1,416)	(266)	(938)	(1,204)	(1,940)
Net cash generated by operating activities	9,002	17,597	16,436	14,667	31,103	25,803
Cash Flows from Investing Activities						
Purchase of property, plant and equipment	(10,540)	(25,595)	(4,255)	(11,987)	(16,242)	(8,904)
Receipt from disposal of property, plant and equipment	104	63	157	-	157	-
Purchase of intangibles	(95)	-	(33)	(330)	(363)	(150)
Part payment for Chem Pack***	-	-	(5,050)	-	(5,050)	-
Net cash (used in)/ generated by investing activities	(10,531)	(25,532)	(9,181)	(12,317)	(21,498)	(9,054)
Cash Flows from Financing Activities						
Payment of finance lease liabilities	(8,964)	(7,887)	(4,048)	(4,261)	(8,309)	(8,269)
Bond paid	(1,166)	-	-	-	-	-
Loans from related parties - net amount collected/(granted)	3,930	8,682	2,520	-	2,520	-
Dividends paid****	(3,000)	-	(8,700)	-	(8,700)	-
Proceeds from/ (repayment of) borrowings	5,893	9,004	(100)	1,398	1,298	95
Net cash provided by/ (used in) financing activities	(3,307)	9,799	(10,328)	(2,863)	(13,191)	(8,174)
Net increase/(decrease) in cash held	(4,836)	1,864	(3,073)	(513)	(3,586)	8,575

Note 1: The FY21 column is the sum of the actual cash flows for 1H21 and the forecast cash flows for 2H21.

* The 2H21 forecast cash flows do not include the payment of the Offer costs, as the forecast cash flows are presented on a pro forma basis. Refer to Section 4.7.4

** Forecast interest does not include any interest on investment of the proceeds from the Offer.

*** The amount shown represents deposits paid prior to acquisition in accordance with the Chem Pack Contract. The final cash consideration of \$23.59 million has not been included in 2H21 (forecast) as it would be paid out from the proceeds of the Offer. Refer to Section 4.8.1 for further information.

**** Dividends paid in FY19 and 1H21 were paid to Chem Pack Vendors prior to the settlement of the acquisition.

Reconciliation

Set out below are the pro forma adjustments to the historical statutory cash flows to adjust the historical results for additional costs associated with an ASX listing and historical compliance with current accounting standards.

Pro Forma Adjustments

Table 4.10: Pro forma adjustments

	FY19 \$'000	FY20 \$'000	1H21 \$'000
Net increase/(decrease) in cash held (Table 4.9)	(4,836)	1,864	(3,073)
AASB 16 lease adjustments (Note 1)			
Cash flows from Operating Activities	(8,729)	-	-
Cash flows from Financing Activities	8,729	-	-
Listed company costs adjustments (Note 2)			
Cash flows from Operating Activities	1,893	2,031	923
Tax effect of listed company costs	(540)	(554)	(277)
Statutory Net increase/(decrease) in cash held	(3,483)	3,341	(2,427)
Reconciled back to statutory accounts			
Net increase/(decrease) in cash held by DGL Entities	(98)	2,020	(176)
Net increase/(decrease) in cash held by Chem Pack	(3,385)	1,321	(2,251)
Net (decrease) in cash held	(3,483)	3,341	(2,427)

Note 1: AASB 16 lease adjustments reflects the impact of adopting AASB 16 Leases in order to show comparability between reporting periods. Statutory historical cash flows for reporting periods FY20 and 1H21 were prepared in accordance with AASB 16 however FY19 was not. This adjustment reflects the impact to the cash flows had this standard been applied during FY19. Appendix A (Significant accounting policies) includes the accounting policy adopted by the Group in relation to leases.

Note 2: Listed company costs reflects the estimated cash impact of additional costs associated with being a listed entity. These costs include estimated non-executive director fees, chairman fees, increases in CEO and COO costs, company secretary costs and the compliance and regulatory costs that would have been paid had the Company's shares been listed on the ASX from 1 July 2018.

4.4.1 Management discussion and analysis of the Pro Forma Statement of Cash Flows

a. Operating cash flows

Operating cash flows are predominantly made up from operating activities including the sales and payments to suppliers and employees used to generate the relevant sales. Positive cash flows from operating activities have been recorded for FY19, FY20 and 1H21 for both the DGL Entities and Chem Pack.

b. Investing cash flows

Outflows from investing activities predominately covers the acquisition of property for the warehousing division, the expansion of the transport fleet and the acquisition of businesses. Net outflows from investing activities have been recorded in FY19, FY20 and 1H21 which was in-line with budgeted expectations.

c. Financing cash flows

Inflows from financing activities are predominately generated from entering into new financing agreements for the acquisition of property and the expansion of the transport fleet. Cashflows used in financing activities is predominately covered by the repayment of finance lease liabilities and is largely attributable to rental payments to third parties.

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4.5 Management discussion and analysis of the Forecast Financial information

The Forecast Financial Information is based on various best estimate assumptions, including those set out below. In preparing the Forecast Financial Information, the Group has undertaken an analysis of its historical performance and applied assumptions where appropriate.

However, actual results are likely to vary from those forecast and any variation may be materially positive or negative. The assumptions on which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are beyond the control of the Company, the Directors and Management and are not reliably predictable.

Accordingly, none of DGL, the Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

In preparing the Forecast Financial Information, the Group has undertaken an analysis of the historical performance of the DGL business units and applied assumptions in order to predict future performance for periods to 30 June 2021 and 30 June 2022. The analysis of the Group's historical performance covered historical operational and financial information including, but not limited to, management accounts and audited accounts for the years ended 30 June 2019 and 30 June 2020 and reviewed half-year accounts for 31 December 2020.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.6, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8.

4.5.1 General assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted in respect of the forecast period:

- no material change in the competitive operating environment in which the Group operates;
- no significant deviation from current market expectations of global economic conditions relevant to the Group on the financial performance or cash flows, financial position, accounting policies, or licensing requirements of the Group, or its ability to earn income;
- no material changes in key personnel and the Group maintains its ability to recruit and retain the personnel required to support future growth;
- no significant interruptions are experienced in relation to technology, platform or data utilised by the Group;
- no change to the Corporations Act or the Companies Act which has a material effect on the Group's financial performance, financial position, accounting policies, financial reporting or disclosure;
- no material industry disturbances, environmental costs, contingent liabilities or legal claims will arise or be settled to the detriment of the Group;
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus;
- no material changes to the Group's corporate or funding structure other than as set out in, or contemplated by, this Prospectus;
- no material disruptions to the continuity of operations of the Group nor other material changes in its business activities;
- no material amendment to or termination of any material agreement, contract or arrangement other than set out in, or contemplated by, this Prospectus;
- none of the key risks listed in Section 5 eventuates, or, if they do, none of them have a material adverse impact on the operations of the Group;
- the Offer proceeds in accordance with the timetable set out in this Prospectus; and
- no adverse impact on the Group's trading conditions as a result of COVID-19.

4.5.2 Specific assumptions

Alongside the general assumptions, the Forecast Financial Information is also based on various specific assumptions, of which the key assumptions are set out in Sections 4.5.3 to 4.5.14 below. The assumptions below are a summary only and do not represent all factors that will affect the Group's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The assumptions apply to 2H21 and FY22.

4.5.3 Revenue

Revenue has been forecast by product group, market or service based on Management's best estimates of future demand for products and services, including with reference to actual sales volumes in the 18 month period to 31 December 2020, after taking into account Management's expectations with respect to future customer demand (primarily based on communications with existing customers who have provided written indication of their expected future demand during the forecast period) for products and services and volume changes attributable to the addition of new products and services.

The Forecast Financial Information is based on the following key revenue assumptions:

- revenue from existing customers from the manufacture and sale of products (including lead sales) and the provision of services: revenue is forecast to be derived from the existing customer base (active customers), primarily based on the historical volume of product sold or the historical quantum of services provided, adjusted as necessary for any expected changes in underlying customer demand (primarily based on communications with existing customers who have provided written indication of their expected future demand during the forecast period);
- product mix: the Forecast Financial Information assumes that the Group, with the exception of new products and services, (for example lead bullion sales) will sell a product mix that is broadly consistent with that of FY20;
- pricing: pricing has been forecast broadly consistent with FY20 with Management using a pricing increase percentage metric which factors the impact of inflation, rent and wage increases to determine forecast annual price increases. Where appropriate for the product, service, or industry, pricing increases have been factored into the forecast revenue based on Management's, and the customers', expectations which result from annual pricing reviews with customers and in some cases based on fixed term contracts that contain annual pricing reviews (pricing increases vary from no increase to 3% depending on division and product);
- new revenue from lead bullion sales: plant and equipment are currently being recommissioned and are due to be on stream again in FY22. Revenue is forecast based on Management's assumptions regarding conversion ratios of waste to lead bullion (the conversion ratio assumptions range from 20% to 60% depending on the type of waste), and timing of factory recommissioning (forecast to be on stream and operating from 1 July 2021). Lead prices have been forecast based on current pricing (USD1,972/tonne) and AUD:USD exchange rates (0.77) and are not forecast to fluctuate. No contracted future sales or forward orders have been received in relation to lead bullion sales; and
- incremental revenue growth from increased lead production: Management have been optimising plant productivity and reliability in Victoria over the past 3 years. Management have forecast increased operating hours from the 10 hours a day for which it currently operates to 16 hours a day as a result of the plant improvements. This is forecast to increase ULAB throughput which is then expected to generate material increases in lead production and drive revenue growth in Victoria.

4.5.4 Cost of goods sold

Cost of goods sold includes the cost of materials (input materials and packaging), consumables, waste disposal, and direct freight costs relating to product manufacturing and sales. Cost of goods sold also includes fleet costs and subcontractor costs used to derive service revenue. Cost of goods sold has been forecast based on Management's best estimates of the future cost of goods sold, including reference to historical production volumes, costs and ratios to sales revenue from the 18-month period to 31 December 2020. Management have adjusted the volumes, costs and ratios where necessary for known future changes.

The Forecast Financial Information is based on the following key assumptions in respect of cost of goods sold:

- Cost of goods sold from existing products and services: Customer specific or product specific cost of sales ratios are applied to customer or product specific revenue to derive cost of sales. These ratios are based on the 12 month period to 31 December 2020, adjusted by Management where necessary for known future changes;
- Lead inputs: Cost of goods sold for lead products incorporate a lead input. The lead input costs are forecast using cost ratios which are formed using historical costs and the market lead price. These cost ratios are based on the 6 month period to 31 December 2020, adjusted by Management where necessary for known future changes. A strategic decision

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was made by the division to purchase fewer ULABs in FY21 which increased supply in the ULAB market. This resulted in downward pressure on lead input costs in the 6 months to December 2020 (1H21) which were materially lower than FY20 actual lead input costs. Therefore actual lead input costs for 1H21 were used as a basis for deriving the conversion ratios for forecast FY21 and FY22. Input costs directly relating to the lead price are forecast based on current pricing (USD1,972 per tonne) and AUD:USD exchange rates (0.77) and are not forecast to fluctuate;

- Cost of goods sold relating to lead bullion sales: Costs are forecast based on Management's throughput assumptions (referred to in the revenue section above) and lead input ratios (outlined above);
- Process improvement or efficiency gains: no material process improvement or efficiency gains have been incorporated into the forecast. The cost of goods sold ratios applied remain relatively fixed during the forecast period; and
- Product and service mix: the Forecast Financial Information assumes that the Group, with the exception of new products and services, will sell a product and service mix that is broadly consistent with that of FY20.

4.5.5 Employees

Salaries and wages, along with the associated costs of being an employer such as superannuation, are forecast based on salaries associated with headcount as at 31 December 2020 as adjusted for changes in operational staffing requirements, and are forecast to increase based on Management's estimate of wage inflation rates.

4.5.6 Administration and general expenses and legal and professional fees

The administration and general expenses and legal and professional fees have been forecast based on Management's expectations of the level of cost required to support the business in light of existing costs and the levels of activity, including the introduction of additional costs of being a publicly listed company.

4.5.7 Occupancy expense

Occupancy expenses include power, security, water rates, land rates and taxes. Occupancy expenses in the forecast period are forecast to be consistent with the 12 months to December 2020. The forecast applies AASB 16 *Leases* when recognising, measuring and presenting occupancy leases and is consistent with the statutory reporting of the prior periods to December 2020.

4.5.8 Depreciation, amortisation and capital expenditure

Depreciation and amortisation is based on the current depreciation and amortisation rates and estimated useful lives applied to property, plant and equipment, leasehold improvements, computer equipment and intangible assets, adjusted for planned capital expenditure and disposals.

New or planned capital expenditure, are depreciated at rates consistent with the Group's current accounting policies. There are no material disposals of property, plant and equipment.

4.5.9 Financing

Net finance expense includes:

- interest costs on banking facilities with interest rates based on the current rates; and
- non-cash interest expenses representing the time value of money on the discounting of finance leases;
- long term liabilities; and
- amortisation of borrowing costs are based on the profiles of these liabilities.

4.5.10 Income taxes

Tax credit/(expense) assumes an effective corporate tax rate of 30% in Australia and 28% in New Zealand in the forecast period.

4.5.11 Working capital and cash flow

The Forecast Financial Information is based on trading terms in line with historical trading for trade receivables and trade payables. Cash receipts are typically received on an invoice basis, which is usually on 30-60 day payment terms. Cash payments to suppliers are typically on 30-45 day payment terms. Other payments for recurring costs or capital expenditure are paid for as they fall due. There are no material changes in payment terms forecast. Inventories are forecast based on historical levels which are expected to be sufficient to support forecasts of sales revenue

4.5.12 Capital expenditure

The Forecast Financial Information is based on the following capital expenditure assumptions:

- capital expenditure is based on known and committed projects; and
- projects are delivered on time and within expected costs.

4.5.13 Foreign exchange

The forecast has been modelled using the following assumed FX rates:

- AUD: USD – 0.77; and
- AUD: NZD – 1.09

4.5.14 Liquidity and capital resources

Following Completion of the Offer, the Group's principal sources of liquidity will consist of cash resources and cash flows from operations. The Group expects that it will have sufficient cash flow from operations to meet its operational requirements and business needs during the forecast period to 30 June 2021 and 30 June 2022.

The Directors believe that the Group will have sufficient working capital to carry out its stated objectives in the forecast period to 30 June 2022.

4.6 Sensitivity analysis of the Forecast Financial Information

The Forecast Financial Information is based on a number of estimates and assumptions, which are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of DGL, the Directors and Management, and assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity to changes of the Forecast Financial Information in a number of key variables. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown, and these variances may be substantial.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and it is likely that Management would respond to any changes in one item by seeking to minimise the net effect on the Group's EBITDA and cash flow.

Table 4.11: Sensitivity analysis on the Pro Forma Forecast EBITDA (2H21 and FY22)

\$'000s	Assumption	Variance	2H21		FY22	
			+ve	-ve	+ve	-ve
	Sales volume % increase (decrease)	+/- 5%	1,469	(1,469)	3,054	(3,054)
	Sales price % increase (decrease) (excl. rental income)	+/- 5%	4,763	(4,763)	10,187	(10,187)
	Storage capacity utilisation increase (decrease)	+/- 5%	401	(401)	814	(814)
	AUD lead price % increase (decrease)	+/- 5%	529	(529)	1,223	(1,223)
	Cost of Sales % decrease (increase)	+/- 5%	3,198	(3,198)	6,863	(6,863)
	Overhead expenses % decrease (increase)	+/- 5%	1,037	(1,037)	2,210	(2,210)
	NZD/AUD exchange rate increase (decrease)	+/- 5 c	101	(101)	215	(215)

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4.6.1 Sales volume

The sensitivity analysis shows the estimated impact of a 5% change in sales volumes (applied to all forecast sales). There is an accompanying change to cost of goods sold for the increased volume of products and services sold but for the purposes of the sensitivity. It is assumed that there are no changes to overhead resources (i.e. employee resources or warehouse space) to better service the increased volumes (or to minimise the impact of decreased volumes on EBITDA). It is assumed there is no change to the forecast product mix or forecast sales price.

4.6.2 Sales prices

The sensitivity analysis shows the estimated impact of a 5% change in the sales price in the forecast. This sensitivity is applied to the entire forecast product mix. It is assumed there is no accompanying change in forecast cost of goods sold.

4.6.3 Storage capacity

The sensitivity analysis shows the estimated impact of a 5% increase or decrease to the utilisation rates of the storage facilities. The increase (or decrease) results in a change in sales revenue but it is assumed there is no accompanying change in forecast cost of goods sold or forecast overhead expenses. The analysis does not allow the capacity utilisation rate to exceed 95% at any of the sites.

4.6.4 AUD lead price

The sensitivity analysis shows the estimated impact of a 5% change in the AUD lead price used in the forecast. A change in lead price affects both the sales revenue derived from lead and lead bullion sales and input cost of raw materials. The sensitivity analysis assumes a simple relationship between sales revenue and input prices (i.e. they are forecast to move up and down at the same rate) but, in reality, the correlation between sales price and input costs can deviate at times. There are no other assumed changes to revenue or costs inputs.

The only explicit assumption in the forecast which is sensitive to AUD:USD exchange rate fluctuations is the lead price. The lead price in the forecast is based on the London Metal Exchange's USD price per tonne for lead which is then converted to AUD using the current AUD:USD exchange rate (0.77). A sensitivity has been applied to the AUD lead price; a 5% increase to the AUD lead price has the same effect as increasing the USD lead price by 5% or increasing the USD/AUD exchange rate by 5%. On this basis the impact of AUD:USD exchange rate fluctuations is not analysed separately.

4.6.5 Cost of sales

The sensitivity analysis shows the estimated impact of a 5% change in the cost of sales. It is assumed there is no change to product mix or sales price. In addition, it is assumed there is no accompanying change in overhead expenses. The sensitivities above do not take into account any mitigating measures that DGL may take should a change in input prices arise.

4.6.6 Overhead expenses

The sensitivity analysis shows the estimated impact of a 5% change in the total overhead expense incurred by the company. Changes to overhead expenses assume that all overhead expenses, are subject to the sensitivity irrespective of their fixed nature or the parties' ability to increase (or decrease) the rates. It is also noted, that certain expenses are discretionary in nature, and, in the event of increased expenditure, Management may seek to reduce such expenditure to counteract the EBITDA impact.

4.6.7 NZD/AUD exchange rate

The sensitivity analysis shows the estimated impact of a 5 cent increase or decrease in the NZD/AUD exchange rate. The assumption change only impacts the translation currency rate (the rate at which the New Zealand dollar income and expenses are translated into Australian dollars).

4.7 Pro Forma Historical Statement of Financial Position

The table below sets out the reviewed statement of financial position at for 31 December 2020, the pro forma adjustments that have been made to it, further described in Section 4.2 and the pro forma statement of financial position as at 31 December 2020

The pro forma statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view of its financial position.

Table 4.12: Pro Forma Historical Statement of Financial Position

Balance Sheet – As at 31 December 2020	Notes	DGL Group \$'000	Chem Pack \$'000	Sub Total \$'000	Subsequent Events \$'000	Impact of Offer \$'000	Post Offer \$'000
ASSETS							
Current Assets							
Cash and cash equivalents	4.8.1	1,540	2,090	3,630	–	69,325	72,955
Trade and other receivables		9,563	12,536	22,099	–	474	22,573
Inventories		4,736	6,232	10,968	–	–	10,968
Other assets		6,342	180	6,522	(5,050)	–	1,472
Total Current Assets		22,181	21,038	43,219	(5,050)	69,799	107,968
NON-CURRENT ASSETS							
Property, plant and equipment	4.8.2	122,030	4,474	126,504	–	–	126,504
Other financial assets		382	–	382	–	–	382
Other non-current assets		1,166	–	1,166	–	–	1,166
Deferred tax assets		2,650	461	3,111	–	–	3,111
Intangible assets	4.8.3	3,353	174	3,527	23,911	–	27,438
Right-of-use assets		22,525	4,970	27,495	–	–	27,495
Total Non-Current Assets		152,106	10,079	162,185	23,911	–	186,096
Total Assets		174,287	31,117	205,404	18,861	69,799	294,064
LIABILITIES							
Current Liabilities							
Trade and other payables	4.8.4	10,232	9,363	19,595	33,385	(33,385)	19,595
Borrowings	4.8.5	28,093	1,414	29,507	–	–	29,507
Provisions		1,608	1,220	2,828	–	–	2,828
Total Current Liabilities		39,993	11,997	51,930	33,385	(33,385)	51,930
Non-Current Liabilities							
Borrowings	4.8.5	43,793	3,993	47,786	–	–	47,786
Other financial liabilities	4.8.6	41,448	–	41,448	(40,406)	–	1,042
Deferred tax liabilities		4,951	526	5,477	–	–	5,477
Provisions		201	77	278	–	–	278
Total Non-Current Liabilities		90,393	4,596	94,989	(40,406)	–	54,583
Total Liabilities		130,326	16,593	146,919	(7,021)	(33,385)	106,513
Net Assets		43,961	14,524	58,485	25,882	103,184	187,551
EQUITY							
Issued capital	4.8.7	34,522	–	34,522	–	104,601	139,123
Reserves	4.8.8	29,858	(435)	29,423	435	–	29,858
Retained earnings	4.8.9	(20,419)	14,959	(5,460)	25,447	(1,417)	18,570
Total Equity		43,961	14,524	58,485	25,882	103,184	187,551

4.7.1 Pro forma transactions

The following transactions contemplated in this Prospectus, which are to take place on or before the completion of the Offer, referred to as the subsequent events and pro forma adjustments, are presented as if they, together with the Offer, had occurred subsequent to 31 December 2020 and are set out below.

With the exception of the subsequent events and pro forma transactions noted below, no other material transactions have occurred (apart from the continued operations from business activities) between 31 December 2020 and the date of this Prospectus which the Directors consider require disclosure.

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4.7.2 Debt forgiveness

On 15 March 2021, a debt amounting to approximately \$40.4 million to DGL Commercial Limited (a related party of Simon Henry) was forgiven and all rights to call for repayment were unconditionally rescinded by DGL Commercial Limited and Simon Henry.

The forgiveness of the debt is shown on the balance sheet of the lender as a reduction of the loan assets and the corresponding entry for the Group is a reduction in liability.

The debt forgiveness is treated as non-taxable income for the Group and non-deductible expense for the lender.

This treatment is due to the debts being held within a wholly owned group at that time, with all entities that were parties to the debt forgiveness being New Zealand resident entities.

4.7.3 The IPO

The issue of 100 million ordinary shares at an issue price of \$1 per share, amounting to \$100 million under the IPO.

4.7.4 Offer costs

Total expenses associated with the Offer (including broking, legal, accounting, advertising, printing and other administrative expenses) are estimated to be \$7.1 million inclusive of GST. The costs which directly relate to the issue of New Shares have been offset against contributed equity, while the remaining costs have been expensed directly to the profit and loss of the Group.

4.7.5 Goodwill – acquisition of Chem Pack

On 1 January 2021, the Company purchased 100% of the issued shares in Chem Pack for \$25,247,852, plus further consideration of \$13,186,735 for cash, net working capital and other completion adjustments. \$5,049,570 has been paid to date with the residual balance of \$33,385,017, due by 31 May 2021, to be partially settled by the issue of 9,800,000 Shares (being the Shares offered under the Vendor Offer) with the balance in cash from the proceeds of the Offer.

4.7.6 Issued capital

The pro forma adjustments contemplate the issue of 100,000,000 Shares plus the deferred settlement consideration of Chem Pack of 9,800,000 Shares. Refer to Section 4.8.7 for further information.

4.8 Notes to financials

4.8.1 Cash and cash equivalents

Table 4.13: Cash and cash equivalents

	Reviewed Balance at 31 December 2020 \$'000	Subsequent Events \$'000	Pro-Forma \$'000	Pro-Forma after Offer \$'000
Cash and cash equivalents	3,630	-	-	3,630
Reviewed balance at 31 December 2020	3,630	-	-	3,630
Pro-forma adjustments:				
Proceeds from shares issued under the Prospectus	-	-	100,000	100,000
Broker commission	-	-	(4,994)	(4,994)
Capital raising costs	-	-	(2,096)	(2,096)
Final settlement of acquisition of Chem Pack	-	-	(23,585)	(23,585)
	-	-	69,325	69,325
Total cash and cash equivalents	3,630	-	69,325	72,955

* Completion of the Chem Pack acquisition took place on 1 January 2021 on a deferred settlement basis with final consideration due on or before 31 May 2021. The acquisition price was \$25,247,852, with \$5,049,570 paid prior to 31 December 2020. A further payment of \$13,186,735 is due for net working capital and other completion adjustments as per the Chem Pack Contract. As such, a total of \$33,385,017 remains payable, of which \$23,585,017 will be settled by cash with the balance of \$9,800,000 settled via the issue of 9,800,000 Shares.

4.8.2 Property, plant and equipment

Table 4.14: Property, plant and equipment

	Reviewed Balance at 31 December 2020 \$'000	Subsequent Events \$'000	Pro-Forma \$'000	Pro-Forma after Offer \$'000
Property, plant and equipment	126,504	-	-	126,504
Reviewed balance at 31 December 2020	126,504	-	-	126,504
LAND AND BUILDINGS				
Freehold land:				
- independent valuation 2020	75,358	-	-	75,358
	75,358	-	-	75,358
Buildings at:				
- independent valuation 2020	15,982	-	-	15,982
	15,982	-	-	15,982
Investment property – work in progress				
- at cost	1,140	-	-	1,140
	1,140	-	-	1,140
Total land and buildings	92,480	-	-	92,480
PLANT AND EQUIPMENT				
Leasehold improvements:				
- at cost	4,952	-	-	4,952
- accumulated depreciation	(1,542)	-	-	(1,542)
	3,410	-	-	3,410
Software				
- at cost	183	-	-	183
- accumulated depreciation	(12)	-	-	(12)
	171	-	-	171
Plant and equipment				
- at cost	35,286	-	-	35,286
- accumulated depreciation	(13,971)	-	-	(13,971)
	21,315	-	-	21,315
Office equipment				
- at cost	1,155	-	-	1,155
- accumulated depreciation	(828)	-	-	(828)
	327	-	-	327
Plant under construction				
- at cost	7,882	-	-	7,882
- accumulated depreciation	-	-	-	-
	7,882	-	-	7,882
Motor vehicles				
- at cost	1,707	-	-	1,707
- accumulated depreciation	(788)	-	-	(788)
	919	-	-	919
Total plant and equipment	34,024	-	-	34,024
Total property, plant and equipment	126,504	-	-	126,504

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4.8.3 Intangible assets

Table 4.15: Intangible assets

	Reviewed Balance at 31 December 2020 \$'000	Subsequent Events \$'000	Pro-Forma \$'000	Pro-Forma after Offer \$'000
Intangible assets	3,527	-	-	3,527
Reviewed balance at 31 December 2020	3,527	-	-	3,527
Goodwill on acquisition of Chem Pack	-	23,911	-	23,911
	-	23,911	-	23,911
	-	-	-	-
Total Intangible Assets	3,527	23,911	-	27,438

* The goodwill that has arisen from the acquisition of Chem Pack has been provisionally accounted for. The individual intangible assets that contribute to the estimation are yet to be identified, which is in accordance with AASB 3 – Business Combinations, whereby a measurement period of 12 months is allowed. A number of these intangible assets will have a finite life and will be amortised in the future.

4.8.4 Trade and other payables

Table 4.16: Trade and other payables

	Reviewed Balance at 31 December 2020 \$'000	Subsequent Events \$'000	Pro-Forma \$'000	Pro-Forma after Offer \$'000
Current trade and other payables	19,595	-	-	19,595
Reviewed balance at 31 December 2020	19,595	-	-	19,595
Subsequent Events:				
Acquisition of Chem Pack*	-	33,385	-	33,385
	-	33,385	-	33,385
Pro-forma adjustments:				
Settlement of final payment for Chem Pack	-	-	(33,385)	(33,385)
	-	-	(33,385)	(33,385)
Total trade and other payables	19,595	33,385	(33,385)	19,595

* Completion of the Chem Pack acquisition took place on 1 January 2021 on a deferred settlement basis with final consideration due on or before 31 May 2021. The acquisition price was \$25,247,852, with \$5,049,570 paid prior to 31 December 2020. A further payment of \$13,186,735 is due for net working capital and other completion adjustments as per the Chem Pack Contract. As such, a total of \$33,385,017 remains payable, of which \$23,585,017 will be settled by cash with the balance of \$9,800,000 settled via the issue of 9,800,000 Shares.

4.8.5 Borrowings

Table 4.17: Borrowings

	Reviewed Balance at 31 December 2020 \$'000	Subsequent Events \$'000	Pro-Forma \$'000	Pro-Forma after Offer \$'000
CURRENT BORROWINGS	29,507	-	-	29,507
Reviewed balance at 31 December 2020	29,507	-	-	29,507
CURRENT				
- Bank loans secured	21,852	-	-	21,852
- Lease liability	7,652	-	-	7,652
- Other loans	3	-	-	3
Total Current Borrowings	29,507	-	-	29,507
Non-Current Borrowings	47,786	-	-	47,786
NON-CURRENT				
- Lease liability	19,611	-	-	19,611
- Bank loans secured	20,964	-	-	20,964
- Related party loans*	7,211	-	-	7,211
Total Non-Current Borrowings	47,786	-	-	47,786
Total Borrowings	77,293	-	-	77,293

* There are two loans due to Simon Henry (as lender) from the Company (when it was DGL Environmental Pty Ltd) and DGL Warehousing & Distribution Pty Ltd (as borrowers). The principal amounts of the loans provided by Simon Henry was A\$7,211,257.36. The relevant agreements for the loans were entered into on 31 December 2020. The loans were provided by Simon Henry for the relevant Group Members' working capital purposes. The loan agreements have the following terms and conditions:

- 2.5% per annum interest (and not principal and interest) is charged on the loans;
- repayment cannot be called within 18 months from 31 December 2020;
- interest shall accrue at the interest rate, from month to month, calculated on a calendar monthly basis and commencing on the drawdown date under the relevant loan agreements;
- any amount of interest accrued and unpaid on the loan at the end of any calendar month during the respective terms shall be capitalised from month to month; and
- repayment terms of the loans are:
 1. 30 days following receipt of a repayment notice provided by the lender (subject to 18 month non-repayment period); or
 2. occurrence of an event of default.

DGL believes that the loan agreements are on arm's length terms or better from DGL's perspective, having regard to the objective range of possible terms that unrelated, uninfluenced and self-interested parties would reasonably arrive at in equivalent circumstances, including on the basis of the agreed interest rate, the fact that the loans are unsecured, and repayment cannot be called within 18 months from 31 December 2020, and the expected terms for comparable commercial loans in the market (assuming such loans are available). It is intended that these loans will continue after Listing.

The loans allow for capitalisation of any amount of interest accrued and unpaid on the loan at the end of any calendar month during the term. The Company and DGL Warehousing & Distribution Pty Ltd have the right, but not the obligation, to choose not to repay interest amounts on the loan, which will then capitalise (which may have the effect of increasing the total dollar amount payable as interest, but will not vary the applicable interest rate). As at the Prospectus Date the borrower Group Members have paid all interest due and owing on the loans to date (and no interest has been capitalised), and there is no outstanding interest payable on the loans.

Financial covenants

The Group currently has two business finance agreements in place with, 1. Westpac and 2. ANZ. Covenants and conditions of each agreement are listed below.

The current business finance agreement with Westpac contains financial covenants that are customary for similar facilities made available to corporate borrowers. The following financial covenants apply and are tested bi-annually:

- Interest Coverage Ratio – 2.5 times; and
- Capital Ratio – not less than 50%.

The current business finance agreement with ANZ contains a financial covenant that is customary for similar facilities made available to corporate borrowers. The following financial covenant applies and is tested bi-annually:

- The ratio which Projected Net Rental Income for the applicable period of 12 months bears to Projected Interest Costs is not less than 2.0 at any time.

The Company expects to remain in compliance with these financial covenants during the forecast period to FY21 and FY22.

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4.8.6 Other financial liabilities

Table 4.18: Other financial liabilities

	Reviewed Balance at 31 December 2020 \$'000	Subsequent Events \$'000	Pro-Forma \$'000	Pro-Forma after Offer \$'000
Other financial liabilities	41,448	-	-	41,448
Reviewed balance at 31 December 2020	41,448	-	-	41,448
Subsequent Events:				
Write-off – related party loan*	-	(40,406)	-	(40,406)
	41,448	(40,406)	-	1,042
Total other financial liabilities	41,448	(40,406)	-	1,042

* Refer to Note 4.7.2 – Debt forgiveness for further information

4.8.7 Issued capital

Table 4.19: Issued capital

	Reviewed Balance at 31 December 2020 \$'000	Subsequent Events \$'000	Pro-Forma \$'000	Pro-Forma after Offer \$'000
Issued Capital	34,522	-	-	34,522
Reviewed balance at 31 December 2020	34,522	-	-	34,522
Pro-forma adjustments:				
Proceeds from shares under Prospectus			100,000	100,000
Broker commission			(4,654)	(4,654)
Capital raising costs			(545)	(545)
Acquisition of Chem Pack*			9,800	9,800
	-	-	104,601	104,601
Total Issued Capital	34,522	-	104,601	139,123

* Completion of the Chem Pack acquisition took place on 1 January 2021 on a deferred settlement basis with final consideration due on or before 31 May 2021. The acquisition price was \$25,247,852, with \$5,049,570 paid prior to 31 December 2020. A further payment of \$13,186,735 is due for net working capital and other completion adjustments as per the Chem Pack Contract. As such, a total of \$33,385,017 remains payable, of which \$23,585,017 will be settled by cash with the balance of \$9,800,000 settled via the issue of 9,800,000 Shares.

Reconciliation of Shares on Issue:

	Reviewed Balance at 31 December 2020 No.	Subsequent Events No.	Pro-Forma No.	Pro-Forma after Offer No.
No. of Shares	100	-	-	100
Reviewed balance at 31 December 2020	100	-	-	100
Subsequent Events:				
Share split	-	147,199,900	-	147,199,900
	-	147,199,900	-	147,199,900
Pro-forma adjustments:				
Issue of shares under Prospectus			100,000,000	100,000,000
Acquisition of Chem Pack – Settled via scrip			9,800,000	9,800,000
	-	-	109,800,000	109,800,000
Total Shares on Issue	100	147,199,900	109,800,000	257,000,000

4.8.8 Reserves

Table 4.20: Reserves

	Reviewed Balance at 31 December 2020 \$'000	Subsequent Events \$'000	Pro-Forma \$'000	Pro-Forma after Offer \$'000
Reserves	29,423	-	-	29,423
Reviewed balance at 31 December 2020	29,423	-	-	29,423
Subsequent Events:				
Elimination of Chem Pack's pre acquisition reserves	-	435	-	435
Total Reserves	29,423	435	-	29,858
Made up of:				
Asset revaluation reserve	22,137	435	-	22,572
General reserve	7,584	-	-	7,584
Foreign currency translation reserve	(298)	-	-	(298)
	29,423	435	-	29,858

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4.8.9 Retained earnings

Table 4.21: Retained earnings

	Reviewed Balance at 31 December 2020 \$'000	Subsequent Events \$'000	Pro-Forma \$'000	Pro-Forma after Offer \$'000
Accumulated Losses	(5,460)	-	-	(5,460)
Reviewed balance at 31 December 2020	(5,460)	-	-	(5,460)
Subsequent Events:				
Elimination of Chem Pack's pre acquisition retained earnings	-	(14,958)	-	(14,958)
Write-off related party loan	-	40,405	-	40,405
	-	25,447	-	25,447
	(5,460)	25,447	-	19,987
Pro-forma adjustments:				
Capital raising costs	-	-	(1,417)	(1,417)
Total Retained Earnings	(5,460)	25,447	(1,417)	18,570

4.8.10 Contingent liabilities

There is currently one open litigation matter within the Group concerning the 100% owned subsidiary DGL Manufacturing Limited.

DGL Manufacturing Limited has sued a vendor for breach of vendor warranties in respect of the sale of chemical tanks which do not comply with the *Weights and Measurements Act* (if used in public trade). The relief sought is approximately \$590,000, being the estimated costs of bringing the tanks to a compliant standard. In response, the defendant has counterclaimed against DGL Manufacturing Limited and Simon Henry personally alleging breaches of a wider business acquisition agreement and claims a loss of approximately \$2.6 million. The counter-claim is denied.

4.9 DGL Entities and Chem Pack – Statutory Historical Income Statement

Table 4.22: Statutory Historical Income Statement

	DGL Entities (excl. Chem Pack)				Chem Pack			
	FY19 \$'000	FY20 \$'000	1H20 \$'000	1H21 \$'000	FY19 \$'000	FY20 \$'000	1H20 \$'000	1H21 \$'000
Sales revenue	104,536	102,050	54,761	50,537	58,965	78,000	26,502	41,981
Cost of sales	(66,223)	(60,815)	(33,408)	(27,289)	(48,115)	(63,365)	(20,647)	(32,237)
	38,313	41,235	21,353	23,248	10,850	14,635	5,855	9,744
Other income	573	424	(88)	497	55	5	22	59
Employee benefits expense	(17,531)	(17,147)	(8,505)	(9,204)	(5,029)	(6,110)	(2,919)	(4,038)
Administration and general expenses	(5,486)	(5,656)	(3,158)	(3,290)	(1,225)	(1,406)	(479)	(871)
Legal and professional fees	(708)	(1,009)	(320)	(744)	(4)	-	-	-
Occupancy expense	(9,930)	(3,760)	(4,801)	(1,456)	(1,252)	(206)	(591)	(98)
EBITDA from continuing operations	5,231	14,087	4,481	9,051	3,395	6,918	1,888	4,796
EBITDA	5,231	14,087	4,481	9,051	3,395	6,918	1,888	4,796
Depreciation and amortisation expense	(2,772)	(9,548)	(2,053)	(3,887)	(481)	(2,076)	(246)	(832)
EBIT	2,459	4,539	2,428	5,164	2,914	4,842	1,642	3,964
Finance costs	(758)	(1,379)	(312)	(977)	(97)	(259)	(51)	(128)
Profit/(loss) before tax	1,701	3,160	2,116	4,187	2,817	4,583	1,591	3,836
Income tax expense	72	(242)	(46)	(1,188)	(845)	(1,375)	-	(1,151)
Net profit after tax	1,773	2,918	2,070	2,999	1,972	3,208	1,591	2,685

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4.10 DGL Entities and Chem Pack – Statutory Historical Statement of Cash Flows

The table below presents the summarised historical Statement of Cash Flows for FY19, FY20 and 1H21.

Table 4.23: Statutory Historical Statement of Cash Flows

	DGL Entities (excl. Chem Pack)				Chem Pack			
	FY19 \$'000	FY20 \$'000	1H20 \$'000	1H21 \$'000	FY19 \$'000	FY20 \$'000	1H20 \$'000	1H21 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	103,242	105,715	57,695	54,263	62,380	82,375	31,886	47,200
Payments to suppliers and employees	(100,910)	(89,652)	(54,157)	(46,043)	(60,987)	(77,792)	(30,463)	(38,171)
Interest received/other income	26	568	164	239	7	5	4	-
Income tax (paid)/refunded	-	-	-	-	(1,188)	(729)	319	(140)
Finance costs	(923)	(1,400)	(117)	(250)	(21)	(16)	(51)	(16)
Net cash generated by operating activities	1,435	15,231	3,585	8,209	191	3,843	1,695	8,873
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of property, plant and equipment	(9,872)	(24,357)	(22,114)	(2,580)	(668)	(1,238)	(148)	(1,675)
Receipt from disposal of property, plant and equipment	4	-	8	26	100	63	-	131
Part payment for Chem Pack*	-	-	-	(5,050)	-	-	-	-
Loans from related parties – net amount collected/(granted)	3,930	8,682	10,892	2,520	-	-	-	-
Inter-company loans	-	-	-	-	-	-	-	-
Purchase of intangibles	(95)	-	-	(33)	-	-	-	-
Purchases of investment property	-	-	-	-	-	-	-	-
Net cash (used in)/ generated by investing activities	(6,033)	(15,675)	(11,214)	(5,117)	(568)	(1,175)	(148)	(1,544)
CASH FLOWS FROM FINANCING ACTIVITIES								
Payment of finance lease liabilities	(235)	(6,575)	(1,255)	(3,233)	-	(1,312)	-	(815)
Bond paid	(1,166)	-	(30)	-	-	-	-	-
Dividends paid	-	-	-	-	(3,000)	-	-	(8,700)
Proceeds from/(repayment of) borrowings	5,901	9,039	9,845	(35)	(8)	(35)	(38)	(65)
Net cash provided by/ (used in) financing activities	4,500	2,464	8,560	(3,268)	(3,008)	(1,347)	(38)	(9,580)
Net increase/(decrease) in cash held	(98)	2,020	931	(176)	(3,385)	1,321	1,509	(2,251)
Cash and cash equivalents at beginning of financial period	(211)	(305)	(304)	1,719	6,405	3,020	3,020	4,341
Effect of exchange rates on cash holdings in foreign currencies	4	4	1	(3)	-	-	-	-
Cash and cash equivalents at end of financial period	(305)	1,719	628	1,540	3,020	4,341	4,529	2,090

4.11 Dividend policy

The payment of a dividend by the Company is at the absolute discretion of the Directors and will be a function of a number of factors (many of which may be outside the control of the Company and its Directors and Management and are not reliably predictable), including the general business environment, operating results, cash flows and financial condition of the Group, future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Directors may consider relevant.

While it is the aim of the Company that, in the longer term, its financial performance and position will enable the payment of dividends, at the Prospectus Date, the Company does not intend, or expect, to declare nor pay any dividends in the immediately foreseeable future. The current dividend policy of the Company is to reinvest all cash flows into the business to maximise its growth.

4.12 Indebtedness

The Group's principal source of funding comes from the cash flow generated from operations, the cash and cash equivalents on its balance sheet and lease liabilities.

Set out below in Table 4.24 is the indebtedness of the Group as at 31 December 2020 on a statutory and pro forma basis. The pro forma indebtedness is derived from the statutory indebtedness adjusted for the pro forma impact of the Offer as if those transactions had occurred on 31 December 2020.

The pro forma indebtedness does not include the impact of other operational, financing or investing activities from 1 January 2021 to the Completion of the Offer.

Table 4.24: Statutory and pro forma historical indebtedness as at 31 December 2020

	Reviewed pro forma (before Completion of Completion of the Offer) \$'000	Reviewed pro forma (reflecting Completion of Completion of the Offer) \$'000
Cash and cash equivalents	3,630	72,955
Short term debt		
Bank loans secured	(21,852)	(21,852)
Lease liabilities (AASB 16)	(7,652)	(7,652)
Other loans	(3)	(3)
Long term debt		
Lease liabilities (AASB 16)	(19,611)	(19,611)
Bank loans secured	(20,964)	(20,964)
Related party loans*	(7,211)	(7,211)
Net cash/(debt)	(73,663)	(4,338)
Net cash/(debt) excluding AASB 16 leases	(46,400)	22,925

* Refer to Section 4.8.5 for more information.

Section 5
Risks



This Section describes the potential risks associated with DGL's business and risks associated with an investment in the Shares. It does not purport to list every risk that may be associated with an investment in Shares now or in the future, and the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of the Company, its Directors and senior management team.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

Prospective investors should be aware that this is not an exhaustive list of the risks associated with an investment in DGL and should be considered in conjunction with other information disclosed in this Prospectus. There can be no guarantee that DGL will achieve its stated objectives or that any forward looking statements or forecasts contained in this Prospectus will be realised or otherwise eventuate.

5.1 Specific risks

5.1.1 Business operating risks

The performance of DGL may be subject to conditions beyond the control of management, and these conditions may reduce sales of its services and/or increase costs of both current and future operations.

Operating risks beyond the control of Management include, but are not limited to changes in legislative requirements, variation in timing of regulatory approvals, abnormal or severe weather or climatic conditions, natural disasters, unexpected maintenance or technical problems, new technology failures, industrial disruption, failures in internal control and fraud.

Furthermore, mechanical problems or other failures in manufacturing plant and equipment (including due to maintenance issues) may cause disruptions to business operations, higher operating costs or deterioration in DGL's ability to manufacture products or provide transport solutions to an adequate standard that satisfies customer requirements.

These circumstances may adversely affect DGL's reputation, profitability and growth.

5.1.2 Environmental and OHS risks

DGL's operations are subject to significant environmental and OHS related regulation.

Although DGL's key waste treatment activities and chemical manufacturing occurs in New South Wales and Victoria, it is required to comply with certain legislation relating to the environment and the protection of the environment throughout Australia.

DGL is also required to comply with laws and regulations relating to protecting the safety of, and mitigating the risk of workplace injuries occurring to, employees and other persons.

These laws and regulations impact DGL both from a site planning/development perspective and also at an operational level, seeking to minimise the impact of waste treatment management activities on human health, the environment (including in relation to minimising the risk of hazardous materials and contamination, dust or other environmental impacts) and public transport infrastructure (such as roads).

Unforeseen issues may affect the recycling or manufacturing facilities used by DGL and there is a risk that, for example, a recycling or manufacturing facility may be contaminated now or in the future.

If these risks eventuate, authorities may take regulatory action against one or more companies in the Group. Regulatory action may require DGL to pay a fine and/or remediate any issues or contamination and may require the relevant Group Members to undertake such steps at its own cost. For example, DGL may be liable to remedy recycling facilities affected by environmental issues even in circumstances where DGL is not responsible for causing the environmental liability. The cost of such fine and/or remediation could be substantial. If DGL is not able to remediate the recycling facility properly, this may adversely impact the business, financial condition and profitability the Company.

Section 5 Risks

If this risk eventuates, this may also result in interruptions to the operations of a recycling facility. Any lost income caused by such an interruption to operations may not be recoverable.

Specifically, DGL is also exposed to risks associated with the occupational health and safety of its employees. These risks include dangerous goods and hazardous materials exposure for staff, injuries associated with manual handling, the servicing and operation of machinery, accidents around mobile plant and dust exposure.

Injuries to employees may result in significant lost time for the employee and costs and impacts on DGL beyond what is covered under workers compensation schemes. If DGL and/or its officers are found guilty of an offence under State or Territory industrial manslaughter law (which, to date, they have not been), DGL and/or its officers may be liable for a range of penalties including criminal liability for significant financial penalties and/or imprisonment.

5.1.3 Weather patterns, climatic conditions and climate change risks

DGL's operating results may be adversely affected by weather conditions.

DGL derives revenue from contract manufacturing of liquid and aerosol products which are sold and distributed in the agricultural, home and garden and industrial markets. Certain weather conditions and natural disasters may impact agricultural markets and reduce the level of demand for DGL's associated chemical products.

5.1.4 Commodity prices

DGL processes recyclable materials such as lead acid batteries, metals and liquids for sale to third parties. The Company's results of operations may be affected by changing prices or market requirements for recyclable materials (and the underlying commodity price) and fluctuations in the cost of tipping.

In addition, the Company manufactures products using commodities such as aluminium. The Company's results of operations may be affected by changing prices for these commodities.

The resale and purchase prices of, and market demand for commodities and recyclable materials fluctuate due to changes in economic conditions and numerous other factors beyond the Company's control. These fluctuations may adversely affect DGL's financial condition, results of operations, cash flows and the ability to dispose of recyclable materials at forecasted rates.

5.1.5 Supplier arrangements and lack of formal contracts

DGL does not have formal long term written contracts in place with a number of its key suppliers (including for key existing relationships), who may engage with DGL on an ad hoc basis. There is therefore a risk that DGL's existing suppliers may decide not to continue their business with DGL in the future or at the same level as in prior periods. As a result, DGL's operating performance may vary from period to period and may fluctuate significantly in the future.

In relation to those business arrangements with suppliers which are not subject to fixed terms or are not the subject of a formal written contract, if they were to come to an end at the instigation of a counterparty, there may be a time lag until DGL has entered into new arrangements with an alternative supplier. An inability to secure ongoing supply of required stock, goods and/or services at prices assumed within the Company's expectations or to maintain sufficient assets to operate its business could also potentially impact the results of DGL's operations and could result in volume constraints, loss of revenue, declining profitability including margin erosion, declining market share, inability to offer end-to-end solutions and reliance on third party vendors and impact on the sustainability of DGL's business model.

5.1.6 Reliance on existing relationships and customer concentration

The success of DGL's business and its ability to grow relies on its ability to retain and grow existing customer relationships and develop new ones. There is no guarantee that these relationships will continue beyond the terms of contracts or if they do continue, that these relationships will be successful.

DGL does not have formal long term written contracts in place with a number of its customers (including for key existing relationships), who may engage with DGL on an as needed basis. There is therefore a risk that DGL's existing customers may decide not to continue their business with DGL in the future or at the same level as in prior periods. As a result, DGL's operating performance may vary from period to period and may fluctuate significantly in the future.

A significant portion of DGL's revenue in any period is typically derived from a concentrated number of customers. In calendar year 2020, 10 customers represented approximately 57% of DGL's pro forma revenue. If DGL's customers vary, cease, or terminate their arrangements with DGL, this may have an adverse effect on the financial performance and/or financial position of DGL. There is also potential that DGL will not receive payments for the provision of its goods or services if a customer becomes insolvent or fails to provide payment in accordance with its agreement with DGL.

The Group is party to various contractual arrangements. The Group also holds various licences, some of which are material to its operations. There is a risk that these contractual arrangements or licences could be terminated, lost or impaired, renewed or re-negotiated on less favourable terms, fail to be renewed or re-negotiated at all or deliver lower than expected revenue from time to time (as applicable). Some of these contractual arrangements and licences can be revoked, terminated without cause or on short notice periods (depending on the circumstances). The breach, termination or non-renewal of contractual arrangements or material licences, or delivery of lower than expected revenue, could have adverse consequences for DGL, including debt becoming repayable and other adverse effects on DGL's operational and financial performance or financial condition.

From time to time, DGL may be asked to submit responses to competitive tender requests for new contracts that DGL wishes to win, or for existing contracts that come up for renewal. DGL's ability to submit competitive bids and win such tenders may have a material impact on the future financial performance of the Company.

In addition to new customers or contracts, DGL may also seek to increase its prices for its existing customers or under existing contracts. DGL's future financial performance may be materially impacted by DGL's ability to successfully increase the prices charged to DGL's customers (which may arise from price increases achieved that were less than anticipated, price decreases, or loss in volumes).

5.1.7 Increasing competition

A number of entities currently compete with DGL in Australia and New Zealand market, and new competitors may enter the market in the future.

The market share of DGL's competitors may increase or decrease as a result of various factors such as securing major new contracts, developing new technologies, adopting pricing strategies specifically designed to gain market share and the emergence of disruptors or disruptive behaviours. These competitive actions may reduce the prices DGL is able to charge for its services and products or reduce DGL's activity levels, both of which could negatively impact the financial performance of the Company.

5.1.8 Activity in the waste treatment sector

The continued performance and future growth of the Company is dependent, in part, on continued activity and expansion in the Australian waste treatment sector.

The level of activity in the waste treatment sector may vary and be affected by prevailing or predicted economic activity.

There can be no assurance that the current levels of activity in the waste treatment sector will be maintained in the future or that customers of DGL will not reduce their activities or requirements for waste treatment services in the future. Any prolonged period of low growth in the waste treatment industry would be likely to have an adverse effect on the business, financial condition and profitability of DGL.

5.1.9 Inability to meet forecast financial performance

The forward looking statements, opinions and estimates provided in this Prospectus, including the Forecast Financial Information, rely on various assumptions, some of which are described in Section 4.

Various factors, both known and unknown, may impact upon the performance of the Company and cause its actual performance to vary significantly from expected results. There can be no guarantee that the Company will achieve its stated objectives or that any forward looking statement or forecast will eventuate.

Investors should note that past performance is not a reliable indicator of future performance.

5.1.10 Information technology and potential data breaches

DGL has invested in the development of management information and information technology systems designed to maximise the efficiency of DGL's operations. Should these systems not be adequately maintained, secured or updated or, if DGL's disaster recovery plans do not adequately address an event that occurs, such as data breaches, hacking or similar malicious conduct, this may negatively impact on DGL's performance.

Section 5 Risks

Any damage to, or failure of, DGL's key systems can result in disruptions in DGL's ability to provide services. This in turn can reduce DGL's ability to generate revenue, impact customer service levels and damage the DGL brand. This could adversely affect DGL's ability to generate new business and cause it to suffer financial loss.

Key systems developed by DGL have been developed on licensed software and the licence costs may increase. Licenses may be terminated or not renewed and the suppliers may be subject to events, such as insolvency or technical failures, leading to temporary or permanent loss of services and systems. If any of these events occur, this may adversely affect DGL's financial performance.

Through the ordinary course of business, DGL also collects a range of personal and financial data from customers using its website through the secure transmission of confidential information over public networks. This includes information such as personal contact details as well as payment information and credit card details.

Any data breaches stemming from DGL's failure to protect confidential information could result in loss of information integrity, breaches of DGL's obligations under applicable privacy laws (which will result in heavy penalties for serious and repeated breaches) or contracts and website and system outages, each of which may potentially have a material adverse impact on DGL's reputation as well as DGL's level of sales revenue and profitability.

5.1.11 Intellectual property

DGL's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property and any improvements to it as well as DGL's confidential information. Intellectual property that is important to DGL includes, but is not limited to, know-how, trademarks, domain names, its website, business names and logos.

DGL relies on contractual arrangements and laws regulating intellectual property to assist in protecting its intellectual property. However such intellectual property may not always be capable of being legally protected. It may be the subject of unauthorised disclosure or unlawfully infringed, or DGL may incur substantial costs in asserting or defending its intellectual property rights or protecting its confidential information.

5.1.12 Acquisitions and integration of acquisitions

DGL has historically grown through a combination of organic initiatives and strategic acquisitions.

At the time of each acquisition, DGL conducted due diligence enquiries. Notwithstanding this due diligence, it is possible that one or more material issues or liabilities may not have been identified, or are of an amount that is greater than expected, and that the standard protections (in the form of representations, warranties and indemnities) negotiated by DGL prior to the relevant acquisition are inadequate in the circumstances. Such issues or liabilities could adversely affect DGL's financial performance and position and future prospects.

While future acquisitions are not drivers of the forecasts included in Section 4.3, part of DGL's strategic plan involves the ability to identify and acquire suitable business acquisitions and sites in the future. In particular, the success of DGL's acquisition strategy will be dependent on a number of factors, including:

- a. the availability of suitable business acquisitions or sites at an acceptable price to DGL;
- b. DGL's competitors bidding for any target acquisitions;
- c. the availability of debt and equity funding and the suitability of the terms of funding; and
- d. due diligence issues.

There is no assurance that DGL will secure any acquisitions to drive future growth. While DGL intends that its historic and future acquisitions will improve its competitiveness and profitability, DGL cannot be certain that they will meet its operational or strategic expectations.

Acquisitions involve special risks, including accounting, regulatory, compliance, information technology and human resource issues that could arise in connection with, or as a result of, the acquisition of the acquired business, the potential assumption of unanticipated liabilities and contingencies, and difficulties in integrating acquired businesses. There are integration risks, including challenges in implementing a consistent culture across the business, the loss of key personnel, higher than anticipated integration costs, delays in achieving integration and the realisation of lower than anticipated cost synergies. In addition, the success of a geographic expansion by DGL could be adversely affected if DGL is unable to adapt to the local operating and regulatory environment.

5.1.13 Geographical concentration of operations for DGL's Chemical Manufacturing and Environmental Solutions divisions

DGL operates a network of 26 sites, both owned and leased, across Australia and New Zealand.

DGL's Chemical Manufacturing and Environmental Solutions divisions operate from key sites in Australia and New Zealand. If these divisions lose access to these sites, for example due to government restrictions imposed to counter a pandemic, abnormal or severe weather or climatic conditions or natural disasters, it would restrict DGL's ability to operate the Chemical Manufacturing and Environmental Solutions divisions which would be likely to have an adverse effect on DGL's business, financial condition and profitability.

5.1.14 Other regulatory risks

DGL's exposure to environmental and OHS risks are set out in Section 5.1.2.

DGL is also exposed to changes in other regulatory conditions under which it operates in Australia and New Zealand. Such regulatory changes can include, for instance, changes in taxation laws and policies, transport legislation, accounting laws, policies and standards and practices. Any changes required to be made to the business model of DGL as a result of any legislative or regulatory changes may result in a material loss of revenue for DGL and to the extent that fixed costs cannot be reduced and/or costs cannot be passed onto customers, could adversely impact the financial performance of DGL.

DGL's facilities have the benefit of approvals from government authorities. These approvals may contain ambiguous conditions that require legal interpretation. There is a risk that DGL may incorrectly interpret the conditions of any such approvals. This may cause DGL to be at risk of adverse regulatory action by a Government authority which may result in a material adverse impact on DGL's forecasted earnings, expenses and profitability.

5.1.15 DGL may be unable to access capital markets or refinance debt on attractive terms

DGL relies on debt and equity financing to fund its operations and its banking facilities will periodically need to be refinanced. DGL may also seek to raise additional debt finance or new equity in the future to fund the growth of the business. If there is a deterioration in the level of liquidity in debt and equity markets, or the terms on which debt or equity is available, this may prevent DGL from being able to refinance some or all of its debt on current terms or at all, or raise new equity, respectively.

5.1.16 Capital costs and planned capital projects

DGL's forecasts are based on the best available information at the time, and certain assumptions in relation to cost and timing of planned development or expansion of facilities, receipt of design and development approvals and regulatory approvals, and the level of capital expenditure required to undertake planned development and maintain the assets.

Any significant unforeseen increases in the capital costs or delays in receipt of approvals associated with DGL's operations may adversely impact DGL's future cash flow and profitability.

5.1.17 Reliance on key personnel

The responsibility of overseeing day-to-day operations and the strategic management of DGL is currently concentrated amongst a number of key employees. While it is not currently anticipated, one or any number of these key employees may cease employment with DGL. The loss of any such key employees of DGL could have the potential to have a detrimental impact on DGL until the skills that are lost are adequately replaced.

5.1.18 Industrial disputes

DGL's operations are dependent upon a stable workforce. DGL is exposed to the risk of industrial disputes arising from claims for higher wages or better working conditions which could disrupt parts of DGL's business which may have an adverse impact upon DGL's operating and financial performance and earnings. Industrial action (e.g. strike action) by employees is only protected under applicable legislation when it is taken in relation to negotiations for an enterprise agreement.

DGL Warehousing & Distribution Pty Ltd currently has six enterprise agreements that apply to its workforce which have nominal expiry dates in 2022 or 2023.

Section 5 Risks

5.1.19 Leases

DGL currently leases land, office space and buildings from third parties. As part of the Listing process, certain change of control consents may be required, including from landlords. The Company is in the process obtaining the necessary consents and does not expect any material issues with obtaining the consents in due course.

DGL may also lease or licence additional properties from third parties in the future. Failure of a third party lessor or licensor to discharge its obligations as agreed with DGL or vice versa, or failure by DGL to exercise remaining options or renew any leases or licences when they are due to expire, could adversely affect DGL's operations and financial performance.

5.1.20 Insurance risk

DGL has in place various insurances for its current business undertakings. The performance of the Company may be adversely affected where insurance arrangements may not be available, attract prohibitive premium costs or losses are incurred due to uninsurable risks, uninsured risks or under-insured risks. DGL is currently in the process of obtaining insurance in respect of its facilities in Unanderra, New South Wales and Laverton North, Victoria and its premises in Christchurch, New Zealand. If DGL fails to obtain appropriate insurance coverage in respect of these premises (on economically feasible terms) and an adverse event (e.g. fire or damage) occurs, this may have a material adverse effect on the Company's financial position or performance.

Further, any failure or default by an insurer or re-insurer may adversely affect DGL's ability to make claims under an insurance policy.

DGL aims to maintain appropriate insurance coverage against liability to third parties and damage in the usual course of business. However, insurance against certain risks, such as earthquake, typhoon, acts of terrorism and force majeure events may either be unavailable, available in amounts that are less than the full market value of the relevant assets or subject to a large deduction (or otherwise only available on terms that are not economically feasible). If DGL's assets are damaged or destroyed by an event for which it does not have insurance cover (or adequate insurance cover), DGL may incur a capital loss and/or a loss of income. Further, there can be no assurance that particular risks are insurable, or will continue to be insurable, on an economically feasible basis. Additionally, if DGL is unable to maintain sufficient insurance cover in the future, the Company's financial position or performance may be adversely affected.

5.2 General risks

5.2.1 Coronavirus (COVID-19) risk

The outbreak of the coronavirus disease (**COVID-19**) has impacted global economic markets and continues to do so. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The price of the Shares may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19, whether in Australia or elsewhere, may adversely impact DGL's operations and are likely to be beyond the control of DGL. The Directors are monitoring the situation closely and have considered the impact of COVID-19 on DGL's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain.

5.2.2 Macro-economic risks

Changes in general economic conditions, introduction of tax reform, new legislation, employment rates, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Deterioration in the general economic conditions, including factors that impact negatively on disposable income of consumers, could affect customer expenditure, including on chemicals which may adversely affect the Company's profitability.

5.2.3 Climate risk

There are a number of climate-related factors that may affect DGL's business. Climate change or prolonged periods of adverse weather and climatic conditions (including rising sea levels, floods, hail, drought, water, scarcity, temperature extremes, frosts, earthquakes and pestilences) may have an adverse effect on DGL's customers' ability to access and utilise their tenements and therefore DGL's ability to carry out services.

Other climate change related risks which the Company is exposed to include:

- a. increases in operating costs of assets due to carbon pricing policies or other market mechanisms;
- b. impact on demand from customers for agricultural chemicals as a result of climate changes and extreme weather events; and
- c. interruption to operations or supply chain from climate changes and extreme weather events.

5.2.4 Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of DGL's operating performance. Share market conditions are affected by many factors such as:

- a. general economic outlook;
- b. introduction of tax reform or other new legislation;
- c. interest rates, inflation rates, exchange rates and commodity prices;
- d. changes in investor sentiment toward particular market sectors;
- e. the demand for, and supply of, capital; and
- f. terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and consumer goods stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company nor any return on an investment in the Company and give no assurance that the price of the Shares will increase following quotation on the ASX and NZX, even if the Company's earnings meet or exceed forecasts.

5.2.5 Currency/foreign exchange risk

DGL currently conducts operations in a number of jurisdictions, including Australia and New Zealand. Adverse movements in the exchange rate between the Australian dollar and the respective currencies of those jurisdictions, and any other foreign currencies as a result of future international expansion, may have a detrimental impact on the financial position of the Company.

Additionally, the proceeds of the Offer will be received in Australian dollars. DGL is currently only hedging against fluctuations in the exchange rate between the Australian dollar and the US dollar, and consequently will be at risk of any adverse movement in the New Zealand dollar – Australian dollar exchange rate between the pricing of the Offer and the closing of the Offer and to such time as proceeds are exchanged to New Zealand dollars. The Shares will be listed on the ASX and NZX and priced in Australian dollars and New Zealand dollars respectively. However, DGL's reporting currency is Australian dollars. As a result, movements in foreign exchange rates may cause the price of the Shares to fluctuate for reasons unrelated to DGL's financial condition or performance and may result in a discrepancy between DGL's actual results of operations and investors' expectations of returns on securities expressed in Australian dollars.

All income and capital distributions to Shareholders will be made in Australian dollars. Shareholders may be subject to fluctuations in exchange rates between Australian dollars and their national currency.

5.2.6 Requirements of a public company

As a listed public company, the Company will be subject to increased reporting requirements. Compliance with these requirements is likely to significantly increase legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly, increase demand on systems and resources and be a diversion of senior management's time and attention from revenue generating activities to compliance activities.

Section 5 Risks

5.2.7 Access to equity and debt funding

Volatility in the financial markets could have a material adverse effect on the Company's ability to raise further capital. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of DGL and its Directors, including cyclical factors affecting the economy and share markets generally.

In addition, any deterioration in global financial markets could impact risk appetite among lending institutions which may impact the Company's ability to enter into loan facilities. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all.

If the Company is unable to obtain additional funding as needed, or is unable to do so on acceptable terms, it may be required to reduce the scope of its operations and scale back its growth plans which could adversely affect its business, financial position, operating results and future growth prospects.

5.2.8 The Existing Shareholder will hold a significant stake of the Company upon Listing

Following Completion of the Offer, the Existing Shareholder will hold approximately 57.3% of the issued share capital of the Company.

These Shares will be subject to the Escrow Arrangements (subject to certain exceptions, see Section 7.6 for more details). There will be no restrictions on the sale of any escrowed Shares on and from the date on which those escrow restrictions are released in accordance with the terms of the relevant restriction.

A significant sale of Shares by the Existing Shareholder or the other Escrowed Shareholders, or the perception that such sales have occurred or might occur, could adversely affect the price of the Shares.

Alternatively, the absence of any sale of Shares by the Existing Shareholder may cause or contribute to a diminution in the liquidity of the market for the Shares.

5.2.9 Litigation

DGL may, from time to time in the ordinary course of business, be involved in litigation and disputes such as employment/ industrial relations disputes, development disputes or third party claims. The litigation or dispute may involve a variety of parties including, but not limited to, employees, major shareholders, former employees, members of the communities around its facilities, Government agencies or regulators, end-consumers, customers, vendors or suppliers. The outcome of litigation or a dispute cannot be predicted with certainty, and a material or costly dispute or litigation may adversely affect the Company's business, reputation and operational and financial results.

Details of the existing litigation involving against DGL Manufacturing Limited are provided in Section 4.8.10.

5.2.10 Taxation

Any change to the current rates of taxes, or tax laws more broadly, imposed on the Company is likely to affect returns to Shareholders. In addition, there may be changes to the rate of taxes imposed in overseas jurisdictions in which the Company may operate or tax legislation which generally may affect the Company and its Shareholders.

The Company has access to and will obtain external expert advice on the application of the tax laws to Group operations. However an interpretation of taxation laws by the relevant tax authority or by the Courts that is contrary to the Company's view of those laws or the advice that it has received (for example, in relation to the tax treatment or outcome of any pre-IPO transactions or restructures involving a Group Member) may increase the amount of tax to be paid and may lead to the imposition of penalties and a liability to pay interest.

In addition, an investment in Shares involves tax considerations which may differ for each Shareholder. Each investor is encouraged to obtain professional tax advice in connection with any investment in the Company.

5.2.11 Shareholder dilution

In the future, the Company may elect or be required to engage in various types of capital raisings in order to fund acquisitions or investments or to reduce its debt, including the issue of Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period without Shareholder approval (other than where exceptions apply), Shareholders at the time may be diluted as a result of such capital raisings if they do not participate pro rata.

5.2.12 Accounting standards

Australian Accounting Standards are set and amended or replaced from time to time by the AASB and are outside the control of the Company. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, such as revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.

Changes to New Zealand Accounting Standards are determined by the New Zealand Accounting Standards Board and are not within the control of the Company and the Directors. The New Zealand Accounting Standards Board may, from time to time, introduce new or refined New Zealand Accounting Standards, which may affect the future measurement and the recognition of key income statement and balance sheet items. There is also a risk that interpretation of New Zealand Accounting Standards, including those relating to the measurement and recognition of key income statement or balance sheet items, may differ. Any changes to New Zealand Accounting Standards or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of the Company.

5.2.13 Dividends

The ability of the Company to pay any dividend in the future is dependent on many factors. Many of the factors that will affect the Company's ability to pay dividends and the timing of those dividends will be outside the control of the Company and the Directors. The Directors cannot give any assurance regarding the payment of dividends in the future.

5.2.14 Force majeure events

Events may occur within or outside Australia and New Zealand that could impact on the Australian or New Zealand economy, the global economy, the operations of DGL, the price of the Shares and the Company's ability to pay dividends. The events include but are not limited to acts of terrorism, an outbreak of war or other international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man made events or occurrences that could have an adverse effect on the on the demand for the Company's services and its ability to conduct its business. DGL has only a limited ability to insure against some of these risks.

Section 6

Key people, interests and benefits








6.1 Board of Directors

At the Listing Date, the Board will comprise five Directors, consisting of Peter Lowe, Simon Henry, Denise Brotherton, Robert McKinnon and Robert Sushames.

The Board brings relevant experience and skills including industry and business knowledge, financial management, legal services and corporate governance. The Board comprises:

Table 6.1: Board of Directors

Name and position	Experience, qualifications and expertise
	<p>Peter Lowe <i>Independent Chair and Non-Executive Director</i></p> <p>Peter has over 30 years' experience in CEO and CFO roles. He is an experienced director who has held numerous non-executive directorships at firms including United Energy, Multinet, Lochard Energy, Australian Gas Networks, and DBNGP Holdings. Peter is currently the Chair of Mayfield Childcare. Peter has previously held roles at PwC, Fosters Brewing Group and Utilicorp United Inc.</p>
	<p>Simon Henry <i>Founder, Executive Director and CEO</i></p> <p>Simon is the sole shareholder and Founder of DGL. Simon has been the CEO of DGL since 1999. He has over 35 years' experience in industrial property development, logistics, international trading, manufacturing, and production in Australia, New Zealand and Asia-Pacific.</p>
	<p>Denise Brotherton <i>Independent, Non-Executive Director</i></p> <p>Denise is a highly experienced business leader and adviser with more than 27 years' experience working with high growth companies, including privately-owned and ASX-listed companies. Denise is currently Director and business leader with Asparq, a wealth management services firm. Denise was previously a tax partner at EY.</p>
	<p>Robert McKinnon <i>Independent, Non-Executive Director</i></p> <p>Robert has over 40 years' finance and management experience in light manufacturing and industrial sectors in Australia, New Zealand, and Canada. Robert has extensive executive and board experience across a diverse range of ASX-listed companies. This includes executive roles in Capral, Austal and Fleetwood. He is currently non-executive chair of Innovative Asset Solutions Limited and a non-executive director of Peet Limited. Robert is a former non-executive director of Bankwest, Brierty, Programmed Maintenance Services, Tox Free Solutions and M8 Sustainable.</p>
	<p>Robert Sushames <i>Executive Director and General Manager, Chem Pack</i></p> <p>Robert has over 20 years' experience in manufacturing and agricultural chemical industry. He has experience in international procurement, chemical processing plants, contract manufacturing, and warehousing. Robert has diverse operational experience in small and medium-sized enterprises as a second generation family business owner.</p>

The composition of the Board committees and details of its key corporate governance policies are set out in Section 6.5.






The Board has considered the Company's immediate requirements as it transitions to an ASX and NZX listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience for the Company after Listing.

Section 6 Key people, interests and benefits

6.2 Executive management

The Company's senior executive managers are set out below:

Table 6.2: Executive management team

Position	Experience, qualifications and expertise
	<p>Simon Henry <i>Founder, Executive Director and CEO</i></p> <p>See Section 6.1.</p>
	<p>Robert Sushames <i>Executive Director and General Manager, Chem Pack</i></p> <p>See Section 6.1.</p>
	<p>Brendan Lum <i>Chief Financial Officer</i></p> <p>Brendan joined Hydromet Corporation Limited in 2007 (which was acquired by DGL in 2012). Brendan has over 10 years' accounting experience in the waste management and recycling industry. He has deep experience in financial reporting, management accounting, and corporate governance.</p>
	<p>Ryan Aisher <i>Chief Operating Officer</i></p> <p>Ryan joined DGL in 2010 and has worked alongside Simon Henry over this period. Ryan has over 10 years' experience in sales, procurement, processing of E-waste, international commodity trading and waste shipping. Ryan established relationships over an extensive domestic and international client base. One of Ryan's primary objectives is in expansion of the Company through organic and inorganic methods. Ryan is actively involved with identifying, conducting due diligence and integrating businesses into the Group. In addition to the above, Ryan is involved in the key appointments of new employees and oversees HR matters.</p>
	<p>Andrew Draffin <i>Company Secretary</i></p> <p>Andrew is an experienced ASX company secretary with a strong focus on governance and financial reporting. Andrew is currently a Partner at DW Accounting & Advisory Pty Ltd.</p>

6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisers

The Company has engaged the following professional advisers:

- a. Bell Potter and Canaccord have acted as Joint Lead Managers to the Offer. The Company has paid or agreed to pay the Joint Lead Managers the fees described in Section 9.4 for these services;
- b. MinterEllison has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$475,000 (excluding disbursements and GST) for these services up until the date of the Original Prospectus. Further amounts may be paid to MinterEllison in accordance with its normal time-based charges;
- c. Cavell Leitch has acted as New Zealand legal adviser to the Company in relation to the New Zealand legal due diligence for, and other matters related to, the Offer. The Company has paid, or agreed to pay, approximately \$196,644 (excluding disbursements and GST) for these services up until the date of the Original Prospectus. Further amounts may be paid to Cavell Leitch in accordance with its normal time-based charges; and
- d. PKF has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, approximately \$200,000 (excluding disbursements and GST) for the above services up until the date of the Original Prospectus. Further amounts may be paid to PKF in accordance with its normal time-based charges.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Sections 7.4 and 9.12.

6.3.2 Director interests and remuneration

Executive Director's remuneration and interests

DGL has entered into an employment agreement with Simon Henry in respect of his employment as Chief Executive Officer and Executive Director of the Company and Robert Sushames in respect of his employment as General Manager of Chem Pack and an Executive Director of the Company. Refer to Sections 6.4.1 and 6.4.2 for further details.

DGL has also entered into employment agreements with Brendan Lum and Ryan Aisher. Refer to Sections 6.4.3 and 6.4.4 for further details.

Section 6 **Key people, interests and benefits**

Non-Executive Directors' remuneration

Each of the Non-Executive Directors has entered into an appointment letter with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Directors.

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, subject to the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed an aggregate maximum amount of \$800,000 per annum or such other maximum amount determined by the Company in general meeting.

For the initial year of Listing, the annual base Non-Executive Director fees currently agreed to be paid by the Company to each Non-Executive Director (except Peter Lowe) are \$80,000 per year. The Chair, Peter Lowe, will receive an annual base fee of \$110,000 per year. The Company will also make monthly superannuation contributions for each of the Directors, however, the Directors' fees must not include a commission on, or a percentage of, profits or operating revenue.

Non-Executive Directors may be reimbursed for all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Non-Executive Directors may be paid such additional or special remuneration if they, at the request of the Board, perform any extra services or make special exertions.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

Director protection deeds

The Company has entered into deeds of confidentiality, indemnity, access and insurance with each Director providing contractual rights, both while the Director is a director of the Company and after the Director ceases to hold office for seven years, to be indemnified by the Company (to the extent permitted by law and subject to certain other conditions) in respect of any and all liabilities (including legal costs incurred in defending or appearing in any proceedings) incurred by that Director arising out of the business of a Group Member or their capacity as an officer of a Group Member.

The deeds also contain:

- a. contractual obligations of confidence with respect to confidential information disclosed to the Director by a Group Member both while they hold office as a director of the Company and after the Director ceases to hold office;
- b. contractual rights to access documents and records of the Company for the purposes expressly permitted by the deed, both while the Director is a director of the Company and for seven years after that Director ceases to hold office; and
- c. contractual rights to directors' and officers' insurance cover (to the extent permitted by the Corporations Act) in respect of certain liabilities incurred by the Director for the period that each Director is a director of the Company and for seven years after that Director ceases to hold office.

If a Director is entitled to be indemnified under the deed of indemnity, access and insurance, the Company will pay the relevant amount to discharge the liability or legal cost provided that the Director provides reasonable evidence to the Company that the Director has incurred a liability for that amount. It is not necessary for a Director to make any payment before enforcing their rights under the deed of indemnity, access and insurance.

Directors' shareholding

Directors are not required under the Constitution to hold any Shares. On Completion of the Offer, the number of Shares held by Directors are expected to be as follows:

Table 6.3: Directors' shareholding

Director	Shares held immediately prior to Completion of the Offer (m)	Shares acquired in the Offer* (m)	Shares held on Completion of the Offer (m)	Shares held on Completion of the Offer (%)
Simon Henry	147.2	-	147.2	57.3%
Peter Lowe	-	0.05	0.05	0.02%
Denise Brotherton	-	0.025	0.025	0.01%
Robert McKinnon	-	0.05	0.05	0.02%
Robert Sushames	-	1.0	1.0	0.4%

*The relevant Directors have committed to subscribe for the stated number of Shares through the Offer.

Final Directors' security holdings will be notified to the ASX and NZX on Listing. Directors may hold their interests in securities shown above directly, or indirectly through holdings by companies or trusts.

Related party lease

The Company has entered into an agreement to lease office space at Level 12, 63 Albert Street, Auckland, New Zealand. The landlord under the agreement is DGL Commercial Limited NZBN 9429037626976, which is considered a related party of the Group as Simon Henry is the sole director and shareholder (through an associated entity) of DGL Commercial Limited.

The agreement provides for a lease term of six years from 1 March 2021 at an annual rent of NZ\$89,501 (plus GST), is otherwise on an arm's length basis and on commercial terms and will continue after Listing.

Related party loans

Refer to Section 4.8.5 for a summary of the terms of the related party loans provided by Mr Henry to DGL and DGL Warehousing & Distribution Pty Ltd.

Section 6 Key people, interests and benefits

6.4 Senior management interests and remuneration

6.4.1 Chief Executive Officer

DGL has entered into an employment contract with Simon Henry to govern his employment as Chief Executive Officer.

Simon Henry will receive an annual fixed remuneration of A\$600,000 (inclusive of the Company's compulsory contributions to KiwiSaver).

Simon Henry may terminate his employment contract by giving six months' written notice at any time. DGL may terminate Simon Henry's the employment agreement immediately without notice if Simon Henry engages in conduct which amounts to serious misconduct.

Throughout, and at all times after the termination of, Simon Henry's employment with DGL, he must keep all confidential information obtained by him during his employment confidential.

On termination of Simon Henry's employment, he will be subject to post-employment restraints for a period of two years from the date of termination of the employment agreement which will prevent him from directly or indirectly:

- a. approaching or soliciting any of the Company's clients, suppliers or customers; or
- b. trying to persuade the Company's clients, suppliers or customers to end or limit their relationships with DGL.

The employment contract provides for four weeks' paid annual leave per year as well as other customary leave entitlements.

6.4.2 Executive Director

Robert Sushames is employed as the Executive General Manager of Chem Pack.

In accordance with his employment agreement, Robert Sushames will receive an annual fixed remuneration of A\$350,000 (exclusive of superannuation). DGL may, from time to time, and at its sole discretion offer Robert Sushames an incentive scheme.

The employment agreement may not be terminated by either DGL or Robert Sushames without cause for a period of two years from 1 January 2021. After the initial two year period, either party may terminate the employment agreement by giving the other party at least 6 months' written notice.

DGL may terminate Robert Sushames' employment immediately without notice in certain prescribed circumstances, including but not limited to fraud, dishonesty and serious misconduct.

Throughout, and at all times after the termination of, Robert Sushames' employment, he must keep all confidential information obtained by him during his employment confidential.

On termination of Robert Sushames' employment, he will be subject to post-employment restraints throughout Australia, New Zealand, China, Malaysia, Singapore and Hong Kong for a period of 12 months from the date of termination of the employment agreement which will prevent him from:

- a. having a direct or indirect interest in a competing business;
- b. soliciting or attempting to solicit away an employee, customer or supplier of the Group Member;
- c. assisting any person to do any of the acts referred to above; and
- d. otherwise interfering with the relationship between the Group Member and any of their respective sponsors, suppliers or clients.

The employment agreement provides for four weeks' paid annual leave per year as well as other customary leave entitlements.

6.4.3 Chief Financial Officer

Brendan Lum is employed as the Chief Financial Officer.

In accordance with his employment agreement, Brendan Lum will receive an annual fixed remuneration of A\$150,000 (exclusive of superannuation). DGL may, from time to time, and at its sole discretion offer Brendan Lum an incentive scheme.

Where Brendan Lum has completed nine years of continuous service, the notice period required to be given by DGL to terminate Brendan Lum's employment is equal to one week for each year of service up to a maximum of 12 weeks' notice at any time. The employment agreement does not stipulate a notice period for termination where continuous service is less than nine years.

DGL may terminate Brendan Lum's employment immediately without notice in certain prescribed circumstances, including but not limited to fraud, dishonesty and serious misconduct.

Throughout, and at all times after the termination of, Brendan Lum's employment with DGL, he must keep all confidential information obtained by him during his employment confidential and acknowledge that all inventions relating to the business is property of DGL.

On termination of Brendan Lum's employment, he will be subject to post-employment restraints throughout Australia for a period of one year after the termination of the employment agreement which will prevent him from:

- a. directly or indirectly engaging in any business that competes with DGL;
- b. soliciting away an employee, customer or supplier of DGL; and
- c. assisting any person to do any of the acts referred to above in (a) or (b).

The employment agreement provides for four weeks' paid annual leave per year as well as other customary leave entitlements.

6.4.4 Chief Operating Officer

Ryan Aisher is employed as the Chief Operating Officer.

In accordance with his employment agreement, Ryan Aisher will receive an annual base salary of NZ\$170,000 (exclusive of DGL's compulsory contributions to KiwiSaver).

Ryan Aisher may terminate the employment agreement at any time by giving two months' notice.

DGL may terminate the employment agreement by giving two months' notice in the event of redundancy, medical incapacity, or other performance related matters.

Throughout, and at all times after the termination of, Ryan Aisher's employment with DGL, he must keep all confidential information obtained by him during his employment confidential and acknowledge that all inventions relating to the business is property of DGL.

On termination of Ryan Aisher's employment, he will be subject to post-employment restraints for a period of 3 months after the termination of the employment agreement which will prevent him from directly or indirectly:

- a. soliciting away an employee, customer or supplier of DGL; and
- b. taking away any of DGL's staff or contractors.

The employment agreement provides for four weeks' paid annual leave per year as well as other customary leave entitlements.

Section 6 Key people, interests and benefits

6.5 Corporate governance

This Section explains how the Board will oversee the management of the Company's business.

The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic goals of the Company and considering and approving its annual business plan and the associated budget.

The Board is committed to maximising performance, generating appropriate level of Shareholder value and financial return and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests and that the Company, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has developed and adopted a framework of corporate governance policies and practices, risk management practices and internal controls that it believes appropriate for the Company's businesses.

The main policies and practices adopted by the Company, which will take effect from Listing, are summarised below. Details of the Company's key policies and the charters for the Board and each of its committees will be available from Listing at the Company's website.

6.5.1 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

In order to promote investor confidence and to assist companies to meet stakeholder expectations, the ASX Corporate Governance Council has developed and released the Corporate Governance Principles and Recommendations, now in its fourth edition (**ASX Recommendations**) for Australian listed entities. The ASX Recommendations are not mandatory or prescriptive and the Board is entitled not to adopt a particular recommendation if it considers it inappropriate in the context of the business. However, under the ASX Listing Rules, the Company will be required to provide a corporate governance statement in its annual report (or by reference in its annual report to the URL of the page on its website where the statement can be viewed), disclosing the extent to which it has followed the ASX Recommendations within the reporting period. Where the Company does not follow an ASX Recommendations for any part of a reporting period, it must identify the relevant recommendation that has not been followed and provide its reasons for not doing so and what (if any) alternative governance practices it adopted in lieu of the recommendation.

The main policies and practices adopted by the Company, which will take effect from Completion, are summarised below.

Except as set out below, the Board does not expect that it will depart from the recommendations of the ASX Recommendations from the Listing Date. However it may do so in the future if it considers such a departure would be reasonable.

As at the date of this Prospectus, the Company will be compliant with the ASX Recommendations except as set out in the table below:

ASX Recommendation	Summary of position of the Company
ASX Recommendation 1.5(b) A listed entity should through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally.	As at the date of this Prospectus, the Board has not yet set measurable objectives for the Company in achieving gender diversity in the composition of the Board, senior executives and workforce generally. It is the Company's intent to comply with this ASX Recommendation after Listing and is satisfied that non-compliance with ASX Recommendation 1.5(b) will not be detrimental to DGL.

6.5.2 Board of Directors

The Board comprises of five members, being Peter Lowe, Simon Henry, Denise Brotherton, Robert McKinnon and Robert Sushames.

Biographies of the Board members are provided in Section 6.1.

The ASX Recommendations state that there should ideally be a majority of independent Directors comprising the Board and that the chairperson position be held by an independent Director. The Directors have reserved absolute discretion to determine the appropriate composition of the Board from time to time.

The Board charter sets out guidelines for the purpose of determining independence of Directors and has adopted a definition of independence that is based on that set out in the ASX Recommendations. The Board considers an independent Director to be one who is independent of the Company's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their unfettered and independent judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

Simon Henry is not considered by the Board to be independent as he is an Executive Director of the Company and significant Shareholder in the Company. Robert Sushames is also not considered by the Board to be independent as he is an Executive Director of the Company and a Shareholder in the Company.

The Board considers that Peter Lowe, Denise Brotherton and Robert McKinnon are independent Directors for the purpose of the ASX Recommendations as each is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Accordingly, the Board will consist of a majority of three independent Directors. The Board considers that each of the Non-Executive Directors brings an objective and independent judgment to the Board's deliberations and that each of the Non-Executive Directors makes a valuable contribution to the Company through the skills they bring to the Board and their understanding of the Company's business.

6.5.3 Board Charter

The Board has adopted a written charter to clarify the roles and responsibilities of the Board members which will take effect from Listing. The charter sets out:

- a. the Board composition;
- b. the Board's role and responsibilities;
- c. the relationship and interaction between the Board and senior management; and
- d. the matters specifically reserved for the Board or Board committees.

The composition of the Board is to be determined in accordance with the following principles:

- a. a majority of independent Directors;
- b. the Directors should have an appropriate range of skills, experience and expertise to allow them to understand and competently deal with current and emerging business issues; and
- c. the Directors must be capable of effectively reviewing and challenging the performance of senior management and exercising independent judgement.

The Board must have a minimum of three and a maximum of eight Directors. The Company's intention is to have a majority of independent non-executive directors in each committee listed in Section 6.5.4, however given the size of the Board and circumstances of the Company, this may not always be possible.

The Directors (other than the CEO) may only hold office for a continuous period up to three years, or until the third annual general meeting following the Director's appointment or election, whichever is the longer, but are eligible for re-election.

The role of the Board is to act in the best interests of the Company as a whole and is accountable to Shareholders for the overall direction, management and corporate governance of the Company and the Group.

The Board seeks to discharge its responsibilities in a variety of ways, including by:

- a. overseeing the Group, including providing leadership and setting its strategic objectives, control and accountability systems;
- b. defining the Company's purpose and setting strategic objectives;
- c. developing and approving the Company's statement of values to underpin the Company's desired culture;
- d. appointing the Chairperson of the Board;
- e. appointing and removing the CEO;
- f. monitoring the performance of the CEO;
- g. where appropriate, ratifying the appointment and removal of senior executives and company secretary;

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- h. ratifying other senior executive appointments, organisational changes and senior management remuneration policies and practices and ensuring that the remuneration policies are aligned with the Company's purpose, values, strategic objectives and systems of risk management;
- i. approving succession plans for senior management;
- j. monitoring senior executives' performance and implementation of strategy, instilling of the Company's values and performance generally, and ensuring appropriate resources are available;
- k. reporting to Shareholders;
- l. providing strategic advice to senior management;
- m. approving management's corporate strategy and performance objectives;
- n. determining and financing of dividend payments;
- o. approving and monitoring operating budgets, the progress of major capital expenditure, capital management, acquisitions and divestitures;
- p. approving and monitoring operating budgets, corporate, financial and other reporting systems, including external audit, and overseeing their integrity;
- q. reviewing and ratifying systems of risk management, accountability, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- r. reviewing and overseeing the implementation of the code of conduct for directors, senior executives and all other employees;
- s. approving the charters of the various Board committees;
- t. monitoring and ensuring compliance with all legal and regulatory requirements and ethical standards and policies;
- u. monitoring and ensuring compliance with best practice corporate governance requirements;
- v. overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- w. satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board; and
- x. challenging management and holding it to account.

The management function is conducted by the CEO and senior management, as directed by the Board. Responsibility for the day-to-day management and administration of the Company is delegated by the Board to the CEO and the executive team. Senior management must supply the Board with information that will enable the Board to assess senior management's performance against measurable and qualitative indicators as decided by the Board. The Board seeks to ensure that the CEO and executive team are appropriately qualified and experienced to discharge their responsibilities.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director or other person, subject to ultimate responsibility residing with the Directors. The Board has established Audit, Risk and Compliance and Nomination and Remuneration committees, each of which has a separate charter outlining its terms of reference.

The Board collectively, and individual Directors, may seek independent professional advice at the Company's expense, subject to the approval of the Chairperson of the Board.

6.5.4 Board committees

The Board may from time-to-time establish committees to assist in the discharge of its responsibilities. The Board has established an Audit, Risk and Compliance Committee and a Nomination and Remuneration Committee, each of which has a separate charter outlining its terms of reference. Overviews of each of the committees and summaries of each of the charters are set out below.

The Board has also adopted a number of policies including in relation to anti-bribery, fraud and corruption, market disclosure and Shareholder communication.

Audit, Risk and Compliance Committee

Under its charter, the Audit, Risk and Compliance Committee should comprise at least three Directors, all being Non-Executive Directors who are financially literate and a majority of independent Directors, however given the size of the Board and circumstances of the Company, this may not always be possible. All members of this committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with experience in financial and accounting matters.

At present Denise Brotherton, Peter Lowe and Robert McKinnon are members of the Audit, Risk and Compliance Committee. Denise Brotherton will act as chair of the committee. The terms of their appointment are at the discretion of the Board and vacancies may be filled as they arise.

The Audit, Risk and Compliance Committee will assist the Board in carrying out its accounting and auditing, financial reporting, and compliance and risk related responsibilities including by:

- a. ensuring effective internal and external audit functions and overseeing the Group's relationship with the external auditor;
- b. overseeing the preparation of the financial statements and reports;
- c. overseeing the Group's financial controls and systems;
- d. monitoring, reviewing and assessing the Company's compliance, including the effectiveness of its compliance program;
- e. assisting in ensuring appropriate compliance information is provided to the Board;
- f. maintaining open communication channels among the Committee, management and internal and external advisers in order to review and discuss specific issues, exchange views and information and confirm respective duties and responsibilities as appropriate; and
- g. monitoring management's performance against the Company's risk management framework.

The charter for the Audit, Risk and Compliance Committee also sets out the Company's commitment to assessing and prioritising areas of greatest potential financial risks and reporting to the Board on the adequacy of financial risk management. The Company will review its financial risk management procedures to seek to ensure that it complies with its legal obligations.

Under its charter the Audit, Risk and Compliance Committee is responsible for approving and recommending to the Board for adoption, policies and procedures for appointing or removing an external auditor and regularly reviewing with the external auditor the scope of the external audit, identified risk areas and other agreed procedures. The Audit Committee is responsible for recommending to the Board for approval the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence.

The Board authorises the Audit, Risk and Compliance Committee to seek any information it considers necessary to fulfil its responsibilities. The Audit, Risk and Compliance Committee has access to:

- a. management to seek explanations and information from management including receiving reports on new and emerging sources of risk; and
- b. internal and external auditors to seek explanations and information from them, without management being present.

The Audit, Risk and Compliance Committee may seek professional advice from employees of the Company and from appropriate external advisers, at the Company's cost.

Non-committee members, including members of the senior management team and the external auditor may attend meetings by invitation of the Audit, Risk and Compliance Committee as it deems appropriate.

The Audit, Risk and Compliance Committee chairperson must report to the Board the committee's findings after each Audit, Risk and Compliance Committee meeting. The committee will meet as often as it considers necessary.

Nomination and Remuneration Committee

Under its charter, the Nomination and Remuneration Committee should comprise of at least three Directors, all being Non-Executive Directors and a majority of whom must be independent Directors. However, the Company recognises that this may not always be practicable given the size of the Board and the circumstances of the Company and the nature of the Company's business. Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Nomination and Remuneration Committee from time to time.

The chairperson of this committee should be an independent Director.

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Currently, Denise Brotherton, Peter Lowe and Robert McKinnon are members of the Nomination and Remuneration Committee. Robert McKinnon will act as chair of this committee and is independent.

The objective of the Nomination and Remuneration Committee is to help the Board fulfil its statutory, fiduciary and regulatory responsibilities and achieve its objectives to ensure that the Company:

- a. has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties, having regard to the Board skills matrix;
- b. has coherent remuneration policies and practices to attract and retain executives and directors who can reasonably be expected to create value for Shareholders;
- c. observes those remuneration policies and practices; and
- d. fairly and responsibly rewards executives having regard to the performance of the Company and its related bodies corporate, the performance of the executives and the general external pay environment.

The Nomination and Remuneration Committee is also responsible for:

- a. assisting the Board by developing a board skills matrix setting out the necessary and desirable competencies and characteristics for Board membership using the Board skills matrix and regularly assessing the extent to which those competencies and characteristics are represented on the Board;
- b. identifying and recommending to the Board, nominees for membership of the Board including the CEO, having regard to the Board skills matrix;
- c. annually evaluating the performance of the Board, both collectively and individually, and considering if the Directors as a group have the skills, knowledge and experience to deal with new and emerging business and governance issues;
- d. reviewing, approving and recommending to the Board for adoption executive remuneration and incentive policies and practices;
- e. reviewing the remuneration of Non-Executive Directors for serving on the Board and any committee (both individually and in total); and
- f. reviewing any insurance premiums or indemnities for the benefit of directors and officers.

The Board must decide appointments, rotations and resignations with the committee having regard to the ASX Listing Rules, the Corporations Act and the Constitution.

The Nomination and Remuneration Committee will regularly report to the Board about committee activities, issues and related recommendations that require Board attention or approval.

The Nomination and Remuneration Committee may seek professional advice from employees of the Group and from appropriate external advisers, at the Company's cost.

6.6 Company policies

The Company has adopted the following policies, each of which has been prepared having regard to the ASX Recommendations and are available on the Company's website at www.investors.dglgroup.com. The Company will send you a copy of any of the above policies, at no cost to you, should you request a copy during the Offer Period.

6.6.1 Shareholder communications policy

The Board's aim is to provide Shareholders with sufficient information to assess the performance of the Company and to inform them of major developments affecting the affairs of the Company relevant to Shareholders in accordance with all applicable laws. The Company has adopted a Shareholder communications policy to take effect from Listing which aims to promote effective communication with its Shareholders and encourage effective participation at general meetings of the Company.

Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and NZX and publishing information on the Company's website.

In particular, the Company's website will contain information about it, including media releases, key policies and the charters of its Board committees. All relevant announcements made to the market and any other relevant information will be posted on the Company's website as soon as they have been released to ASX and NZX.

6.6.2 Securities trading policy

The Company has adopted a securities trading policy which will apply to the Company, its Directors, employees, any persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly, and their associates.

The policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and the *Financial Markets Conduct Act 2013* (NZ) and establish procedures in relation to dealings in Shares.

The securities trading policy defines certain 'trading windows' during which trading in Shares by Directors, officers and certain key management personnel is permitted. Those trading windows are currently defined as during the one month period beginning at the close of trading on the day after the dates on which:

- a. the Company announces its half-yearly results to the ASX and NZX;
- b. the Company announces its full year results to the ASX and NZX;
- c. the Company holds its annual general meeting (assuming an update of the full year's results is given at the meeting); and
- d. any additional periods determined by the Board from time to time.

Directors and restricted persons must receive prior approval for any proposed dealing or trading in the Company's securities outside the above 'trading windows' (including any proposed dealing by one of their connected persons). In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information. A copy of this securities trading policy will be available on the Company's website.

6.6.3 Market disclosure policy

Once listed on the ASX and NZX, the Company will be required to comply with the continuous disclosure obligations of the ASX Listing Rules, the NZX Listing Rules and the Corporations Act. Subject to the exceptions in the ASX Listing Rules, the Company will be required to disclose any information to the ASX and NZX that is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to observing its continuous disclosure obligations under the ASX Listing Rules, the NZX Listing Rules and the Corporations Act. The Company has adopted a market disclosure policy to take effect from Listing which establishes procedures that are aimed at ensuring the Company fulfils its obligations in relation to the timely disclosure of material price sensitive information. The CEO, in consultation with the Board, will review the market disclosure policy periodically to ensure that it is operating effectively and determine whether any changes are required. Under the policy only the CEO, CFO or Chairperson of the Board may speak on behalf of the Company to institutional investors, stockbroking analysts and the media as an authorised spokesperson.

Under the policy, a disclosure committee will be responsible for managing the Company's compliance with its continuous disclosure obligations. The disclosure officer will be responsible for the disclosure of material information to the ASX and must maintain a procedural methodology for disclosure and record keeping. Under the policy, the disclosure officer will be the Company Secretary. The form and content of any announcement of the Company in relation to a major matter requires the approval of the Chairperson of the Board prior to release.

In addition to being provided to the ASX and NZX, continuous disclosure announcements will also be available on the Company's website at www.investors.dglgroup.com.

6.6.4 Diversity policy

The Board has formally approved a diversity policy in order to address and actively facilitate a more diverse and representative management and leadership structure.

The policy:

- a. supports the commitment of the Company and its controlled entities to an inclusive workplace that embraces and values diversity;
- b. is aligned with the Company's values to foster inclusion at all levels of the organisation;
- c. provides a framework for new and existing diversity related initiatives, objectives, strategies and programs within the business of the Group;
- d. supports the commitment of the Group to informing Shareholders regarding its progress towards implementation and achievement of its diversity objectives; and
- e. supports the commitment of the Company to compliance with the ASX Recommendations.

Section 6 **Key people, interests and benefits**

The Company will annually review, assess and report on gender diversity within the Group. The Board will include in the Annual Report each year its objectives for achieving gender diversity and its progress in achieving those objectives.

6.6.5 Anti-bribery, fraud and corruption policy

Any bribery, fraud or corruption committed against the Company is a major concern to the Company. The Company requires all officers, employees and contractors at all times to act honestly and with integrity and to safeguard the Company resources for which they are responsible. The Company is also committed to protecting all revenue, expenditure and assets from any attempt to gain illegal financial or other benefits. Accordingly, the Company has adopted an anti-bribery, fraud and corruption policy.

The anti-bribery, fraud and corruption policy applies to all officers, employees (including Directors, executives and managers) and contractors of the Group.

The purpose of the policy is to protect the assets and reputation of the Company by:

- a. reinforcing the commitment and responsibility of the Board and the senior management to identify fraudulent and corrupt activities and for establishing policies, controls and procedures for prevention and detection of these activities;
- b. reinforcing the requirement for all employees and others to refrain from corrupt and fraudulent conduct and encourage the reporting of any instance of fraud or corrupt conduct;
- c. providing a framework for conduct of investigations to ensure that all suspected fraudulent and corrupt activity is dealt with appropriately in accordance with the Company's statement of values; and
- d. assigning responsibility for the development of controls to prevent and detect fraud.

6.6.6 Code of conduct for Directors and senior management

The Company is committed to maintaining the highest ethical standards in the conduct of its business activities.

Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, for the following purposes:

- a. to articulate the high standards of honesty, integrity and ethical and law-abiding behaviour expected of Directors and senior executives;
- b. to encourage the observance of those standards to protect and promote the interests of Shareholders and other stakeholders (including employees, customers, suppliers and creditors) in accordance with the Company's statement of values;
- c. to guide Directors and senior executives as to the practices thought necessary to maintain confidence in the Company's integrity; and
- d. to set out the responsibility and accountability of Directors and senior executives to report and investigate any reported violations of this code or unethical or unlawful behaviour.

The code of conduct applies to:

- a. the Directors including the CEO;
- b. the CFO; and
- c. any other employee or officer of the Company and its related bodies corporate who has the opportunity to materially influence the integrity, strategy and operations of the business and financial performance of the Group.

6.6.7 Whistleblower policy

The Company is committed to transparency and to building an environment in which people feel free to raise legitimate issues relating to the Company's operations. Accordingly, the Company has adopted a whistleblower policy which sets out information about the types of disclosures that qualify for protection, the protections available to whistleblowers, how the Company will investigate disclosures and support whistleblowers and protect them from detriment and how the Company will ensure fair treatment of employees who are the subject of or are mentioned in disclosures.

Officers and employees of the Company, individuals who are an associate of the Company and individuals who supply goods or services to the Company or employees of a supplier are 'eligible whistleblowers' and will be protected by the policy and the protections under the Corporations Act and the *Taxation Administration Act 1953* (Cth) for whistleblowers.

Section 7

Details of the Offer



Section 7 Details of the Offer

7.1 Description of the Offer

This Prospectus relates to an initial public offering of Shares at an offer price of \$1.00 per Share. The Offer contained in this Prospectus is an invitation to apply for 100 million New Shares offered by the Company (**Offer**).

The total number of Shares on issue at Completion of the Offer assuming all New Shares are taken up in the Offer will be 257.0 million. 147.2 million of these Shares will be held by the Existing Shareholder and 9.8 million of these Shares will be held by the Chem Pack Vendors, subject to voluntary escrow arrangements described in Section 7.6. All Shares will rank equally with each other.

The Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.4.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.2 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, which is only open to Australian and New Zealand resident investors who are not Institutional Investors and who have received a firm allocation of Shares from a Broker;
- the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and certain overseas jurisdictions;
- the Priority Offer, which is open to selected investors in Australia and New Zealand who have received an invitation under the Priority Offer; and
- the Vendor Offer, which is only open to the Chem Pack Vendors (or their nominees) as part payment of the deferred consideration payable for the acquisition of Chem Pack.

No general public offer of Shares will be made under the Offer and no funds will be raised under the Vendor Offer.

The allocation of Shares between the Broker Firm Offer, the Institutional Offer and the Priority Offer will be determined by the Joint Lead Managers with the agreement of the Company, having regard to the allocation policy described in Sections 7.9.3, 7.10.2, 7.11 and 7.12.

7.3 Important dates

Prospectus Date	5 May 2021
Opening date of Offer	6 May 2021
Closing date of Offer	12 May 2021
Settlement of the Offer	17 May 2021
Issue and allotment of Shares (Completion of the Offer)	18 May 2021
Expected despatch of holding statements	19 May 2021
Shares expected to begin trading on a normal settlement basis on the ASX and NZX	24 May 2021

The above dates are subject to change and are indicative only. The Company in consultation with the Joint Lead Managers reserve the right to vary the dates and times of the Offer, including to close the Offer early, extend the Offer or accept late Applications, without notifying any recipient of this Prospectus or any Applicants. Applicants are encouraged to submit their Applications as early as possible.

7.4 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- provide additional capital to pursue growth opportunities including executing strategic M&A opportunities as well as investing in assets, plant and equipment;
- pay the deferred consideration for the Chem Pack acquisition;
- provide financial flexibility for the Company to pursue growth opportunities and improve access to capital markets;
- repay existing debt;
- achieve a listing on the ASX and NZX to broaden the Company's shareholder base and provide a liquid market for its Shares; and
- provide an improved future capacity to attract and retain quality staff through potential short and long term employee incentives.

The purpose of the Vendor Offer is to remove the need for an additional disclosure document to be issued on the sale of any of Shares issued to the Chem Pack Vendors. The Vendor Offer is only made to the Chem Pack Vendors (or their nominees).

The Offer is expected to raise approximately \$100.0 million. Table 7.1 sets out in detail the use of the proceeds raised from the Offer.

Table 7.1: Sources and uses of funds

Sources of Funds	A\$(m)	Uses of Funds	A\$(m)
Offer proceeds	100.0	Chem Pack acquisition deferred consideration	23.6
		Repayment of short term debt	10.0
		Capital expenditure for new plant and equipment, warehouse construction, IT systems, transport fleet expansion	10.0
		Future capital expenditure, property investment and strategic business acquisitions in Australia and NZ	39.3
		Working capital	10.0
		Costs of the Offer	7.1
Total	\$100.0	Total	\$100.0

The Directors believe that the Company will have sufficient working capital at the time of its Listing to carry out its stated objectives.

Section 7 Details of the Offer

7.5 Shareholders

The details of the ownership of Shares as at the Prospectus Date and of the expected ownership of the Shares at the Completion of the Offer is shown in the table below:

Table 7.2: Shareholders

	% ownership of the Company as at the Prospectus Date		At Completion of the Offer	
	Shares (m)	%	Shares (m)	%
Simon Henry	147.2	100%	147.2	57.3%
Chem Pack Vendors	–	–	9.8	3.8%
New Shareholders	–	–	100.0	38.9%
Total	147.2	100%	257.0	100%

Note: Totals may differ due to rounding.

7.6 Voluntary Escrow Agreements

The Escrowed Shareholders have agreed to continue to hold their Shares after Listing under voluntary escrow arrangements (**Escrow Arrangements**). Under the Escrow Arrangements, the Escrowed Shareholders have undertaken not to dispose of any interest in or to grant any security over any of the Shares held by them during the escrow period.

The purpose of the Escrow Arrangements is to align the interests of the Escrowed Shareholders with those of new Shareholders and to promote an orderly market for the Shares by preventing any sell-down of Escrowed Shares by the Escrowed Shareholders during the escrow period.

In total, 157.0 million Shares held by Escrowed Shareholders will be subject to the following escrow periods:

- 147.2 million Shares until two years from the Listing Date;
- 4.9 million Shares until one year from the Listing Date; and
- 4.9 million Shares until six months from the Listing Date.

During the escrow period, the Escrowed Shareholders may 'deal' with their existing Escrowed Shares if permitted under the Escrowing Arrangements, for example, if the dealing arises in connection with, among other things:

- acceptance of a bona fide takeover bid, provided the holders of at least 50% of the non-escrowed Shares have accepted the takeover offer and the restricted Shares continue to be restricted if the relevant bid does not become unconditional or does not otherwise proceed;
- the transfer or cancellation of Shares as part of a scheme of arrangement relating to the Company under section 411 of the Corporations Act, provided that the restricted Shares continue to be restricted if the relevant scheme does not take effect;
- a transfer of Shares to another person where the transfer does not involve any change in the beneficial ownership of the restricted Shares, to an immediate family member, a company wholly owned by the Escrowed Shareholder or an immediate family member or a trust or superannuation fund of which the Escrowed Shareholder or an immediate family member is the beneficiary;
- an equal access share buyback or capital return or capital reduction made in accordance with the Corporations Act;
- the death or incapacity of the relevant Escrowed Shareholder; or
- a dealing required by applicable law (including an order of a Court of competent jurisdiction).

For the purposes of the Escrow Arrangements, 'dealing' is broadly defined and means to directly or indirectly:

- dispose of, or agree or offer to dispose of, a restricted security or any legal, beneficial or economic interest in that restricted security;
- create, or agree to create, any security interest in a restricted security or any legal, beneficial or economic interest in that restricted security; or
- do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of that restricted security or any legal, beneficial or economic interest in that restricted security, but does not include or restrict the exercise of any voting rights for the restricted securities.

7.7 Corporate, financial and other information about DGL

Details of the Company's formation, registration and tax status, along with information regarding the Company's corporate structure, are set out at Section 9.

The Company's pro forma balance sheet as at 31 December 2020 including details of the pro forma adjustments, is set out in Section 4.7.

The Company's indebtedness as at 31 December 2020, before and following completion of the Offer, is set out in Section 4.12.

The Directors believe that, on Completion of the Offer, the Company will have sufficient working capital available to carry out its stated business objectives.

7.8 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to these, is set out in Section 9.6.
What is the consideration payable for each security being offered?	<p>The Offer Price is \$1.00 per Share.</p> <p>Successful applicants under the Broker Firm Offer, the Institutional Offer and the Priority Offer will pay the Offer Price per Share.</p> <p>No consideration is payable by the Chem Pack Vendors (or their nominees) for the Shares under the Vendor Offer.</p>
What are some key conditions of the Offer	The Offer is conditional on listing of the Company on the ASX.
What is the Offer period?	<p>The key dates, including details of the Offer period, are set out in the Key offer statistics and Important dates section at the front of this Prospectus.</p> <p>No securities will be issued or sold on the basis of this Prospectus later than the Expiry Date.</p>
What are the cash proceeds to be raised?	Approximately \$100.0 million will be raised under the Offer.
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, the Institutional Offer and the Priority Offer will be determined by the Joint Lead Managers in agreement with the Company, having regard to the allocation policy outlined in Section 7.9.3, 7.10.2 and 7.11.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among eligible retail clients. For further information on the Broker Firm Offer, refer to Section 7.9.</p> <p>The allocation of Shares among applicants in the Institutional Offer will be determined by the Joint Lead Managers with the agreement of the Company. For further information on the Institutional Offer, refer to Section 7.10.</p> <p>Invitations to participate in the Priority Offer will be made by the Company in its sole and absolute discretion. For further information on the Priority Offer, refer to Section 7.11.</p> <p>The Vendor Offer is only available to the Chem Pack Vendors (or their nominees). For further information on the Vendor Offer, refer to Section 7.12.</p>

Section 7 Details of the Offer

Topic	Summary
When will I receive confirmation whether my application has been successful?	<p>It is expected that initial holding statements will be mailed by standard post on or about 19 May 2021.</p> <p>Refunds (without interest) to applicants who make an application together with cash and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after settlement of the Offer.</p>
Will the Shares be quoted on ASX?	<p>The Company has applied to the ASX for admission to the Official List and quotation of the Shares on ASX under the code 'DGL'.</p> <p>Completion of the Offer is conditional on, among other things, ASX approving this application. If approval is not given within three months after the date of the Original Prospectus (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates.</p> <p>The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Offer or the Shares offered for subscription.</p>
Will the Shares be quoted on NZX?	<p>The Company has applied to the NZX for listing with NZX as a for-foreign exempt issuer and for quotation of the Shares on the NZX Main Board, which is expected to be under the code 'DGC'.</p> <p>Completion of the Offer is conditional on NZX approving this application. If approval is not given within three months after the date of the Original Prospectus (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on ASX and NZX will commence on or about 24 May 2021.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p> <p>The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, through the DGL Offer Information Line, by a Broker or otherwise.</p>
Is the Offer underwritten?	<p>Yes. The Offer is fully underwritten by the Joint Lead Managers. Details are provided in Section 9.4.</p>
Are there any escrow arrangements?	<p>Yes. Details are provided in Section 7.6.</p>
What will be the Free Float?	<p>The Company expects its Free Float immediately after the issue and transfer of the Shares offered under this Prospectus to be approximately 38.9%.</p>
Has any ASIC relief or ASX waiver or confirmation been sought, obtained or been relied on?	<p>No ASX waivers nor ASIC relief has been sought, obtained or relied on.</p>

Topic	Summary
Are there any tax considerations?	Yes. Details are provided in Sections 9.9, 9.10 and 9.11. The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.
Will the Offer be extended into New Zealand?	Shares offered to investors in New Zealand under the Offer are being offered under the New Zealand Mutual Recognition Regime.
What should I do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the DGL Offer Information Line on:</p> <ul style="list-style-type: none"> • 1800 134 068 (within Australia); • 0800 630 110 (within New Zealand); or • +61 1800 134 068 (outside Australia and New Zealand), <p>from 8.30am until 5.30pm, (Melbourne time) Monday to Friday during the Offer Period. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.</p>

7.9 Broker Firm Offer

Topic	Summary
Who can apply in the Broker Firm Offer?	<p>Australian and New Zealand resident investors who are not Institutional Investors and who have received a firm allocation from a Broker.</p> <p>Investors should contact the Broker that offered them their firm allocation to determine whether they have been allocated Shares under the Broker Firm Offer.</p>
How to apply for Shares in the Broker Firm Offer	<p>Broker Firm Offer Applicants must lodge their Application Form and Application Monies with the Broker that offered them their firm allocation in accordance with that Broker's directions.</p> <p>Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received by the required time.</p> <p>By making an Application, you declare that you were given access to this Prospectus, together with an Application Form.</p>
What is the minimum and maximum Application Amount?	<p>The minimum Application Amount is \$2,000.</p> <p>There is no maximum Application Amount.</p>
What is the Offer Period?	<p>The Broker Firm Offer is expected to:</p> <ul style="list-style-type: none"> • open at 9.00am Melbourne time on 6 May 2021; and • close at 5.00pm Melbourne time on 12 May 2021. <p>All dates are subject to change and are indicative only. The Company and the Joint Lead Managers have the right to vary these dates, without prior notice, including the right to close the Offer early or to withdraw the Offer and to accept late Applications (either generally or in particular cases). Applicants are encouraged to submit their Application Forms as early as possible.</p> <p>Your Broker may impose an earlier closing date. Please contact your Broker for instructions.</p>

Section 7 Details of the Offer

Topic	Summary
Can I apply for Shares prior to the opening of the Broker Firm Offer?	Your Broker may elect to receive your Applications prior to the opening of the Broker Firm Offer during the Exposure Period. However, Applications received during the Exposure Period will not be processed until the opening of the Broker Firm Offer. No preference will be conferred on Applications received during the Exposure Period.
What is the Exposure Period?	The seven day period after the date of lodgement of the Original Prospectus allowing for the Prospectus to be examined by market participants prior to the raising of funds. This period may be extended by ASIC by up to a further seven days.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Broker Firm Offer.
How can I obtain a copy of this Prospectus and Application Form?	By downloading a Prospectus and Application Form from www.dglgroup.com/ipo or by requesting a Prospectus by contacting the DGL Offer Information Line on 1800 134 068 (within Australia), on 0800 630 110 (within New Zealand) or +61 1800 134 068 (outside Australia and New Zealand) from 8.30am until 5.30pm (Melbourne time) Monday to Friday during the Offer Period.

7.9.1 Application Monies

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from the Broker that offered them the firm allocation.

Application Monies received under the Offer will be held on trust in a special purpose account until Shares are issued to successful Applicants. Applicants under the Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account to cover your Application Monies. If the amount of Application Monies is less than the amount specified on the Application Form, you may (unless your Broker advises otherwise) be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

7.9.2 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the Applicant to the Company to acquire Shares, for all or any of the Application Amount specified in and accompanying the Application Form, at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, the offer by an Applicant is irrevocable.

An Application may be accepted by the Company and the Joint Lead Managers in respect of the full amount, or any lower amount than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application in full or in part will give rise to a binding contract.

The Joint Lead Managers, the Company reserves the right to reject any Application under the Offer.

7.9.3 Allocation policy under Broker Firm Offer

The allocation of firm stock to Brokers will be determined by the Joint Lead Managers with the agreement of the Company. It will be a matter for the Brokers as to how they make firm allocations among their Broker clients and they (and not the Company and the Joint Lead Managers) will be responsible for ensuring that Broker clients who have received a firm allocation from them receive the relevant Shares. The Joint Lead Managers will be instructed by the Company to allocate firm stock to certain participants in the Broker Firm Offer.

7.9.4 Announcement of allocation policy under Broker Firm Offer

Successful Applicants will be notified in writing of the number of Shares allocated to them as soon as possible in the form of an initial holding statement. Initial holding statements are expected to be despatched on or around 19 May 2021.

Broker Firm Offer Applicants wishing to find out their Allocation prior to receiving an initial holding statement should contact their Broker. However, if you are an Applicant in the Broker Firm Offer and sell Shares before receiving an initial holding statement, you do so at your own risk, even if you have obtained details of your holding from your Broker.

Shares are expected to commence trading on ASX and NZX on a normal settlement basis on or about 24 May 2021.

7.10 Institutional Offer

7.10.1 Invitations to bid

The Institutional Offer consists of an invitation prior to or after the date of this Prospectus to certain Institutional Investors in Australia, New Zealand and certain other jurisdictions to apply for Shares under this Prospectus. Application procedures for Institutional Investors have been, or will be, advised to the Institutional Investors by the Joint Lead Managers.

7.10.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer is determined by the Joint Lead Managers with the agreement of the Company. The Joint Lead Managers, with the agreement of the Company, will have absolute discretion regarding the basis of allocation of Shares among Institutional Investors and there is no assurance that any Institutional Investor will be allocated any Shares, or the number of Shares for which it has bid. The allocation policy will be influenced by the following factors:

- a. number of Shares bid for by particular bidders;
- b. the timelines of the bid by particular bidders;
- c. desire for an informed and active trading market following listing on ASX and NZX;
- d. desire to establish a wide spread of institutional shareholders;
- e. overall level of demand under the Broker Firm Offer, the Institutional Offer and the Priority Offer;
- f. the size and type of funds under management of particular bidders;
- g. the likelihood that particular bidders will be long-term shareholders; and
- h. any other factors that the Company and the Joint Lead Managers considered appropriate.

7.11 Priority Offer

The Priority Offer is open to selected investors in Australia and New Zealand who have been made a personal offer by the Chair of the Company.

Up to 5 million Shares are to be offered under the Priority Offer which will be allocated at the discretion of the Company.

The Company reserves the right in its absolute discretion not to issue any Shares under the Priority Offer or allocate a lesser number of Shares than the number applied.

Investors who accept the Priority Offer must apply for any Shares under the Priority Offer in accordance with the instructions provided to them by the Company.

Section 7 Details of the Offer

7.12 Vendor Offer

The Vendor Offer is only open to the Chem Pack Vendors (or their nominees).

9.8 million Shares at the Offer Price are to be issued to the Chem Pack Vendors (or their nominees) as part payment of the deferred consideration payable by the Company for the acquisition of Chem Pack in accordance with the terms of the Chem Pack Contract. The terms of the Chem Pack Contract are summarised in Section 9.5.1.

No cash consideration is payable by the Chem Pack Vendors to subscribe for the Shares under the Vendor Offer. The Shares issued to the Chem Pack Vendors will be subject to the relevant voluntary escrow arrangements described in Section 7.6.

The Chem Pack Vendors (or their nominees) will be deemed to have made an Application for all of the Shares to be issued to the Chem Pack Vendors on lodgement of this Prospectus.

The Vendor Offer is being made to remove the need for an additional disclosure document to be issued on the on-sale of any Shares held by the Chem Pack Vendors (following the expiry of the voluntary escrow period). All Shares issued under the Vendor Offer of this Prospectus will be fully paid and will rank equally with all other Shares.

7.13 Underwriting Agreement

The Offer is managed and fully underwritten by the Joint Lead Managers. The Joint Lead Managers and the Company have entered into an Underwriting Agreement under which the Joint Lead Managers has been appointed lead managers, bookrunners and underwriters to the Offer (other than in respect of the Vendor Offer). The Underwriting Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the agreement. A summary of certain terms of the agreement, including the termination provisions, is provided in Section 9.4.

7.14 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue of Shares to successful applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.

The Company also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late applications or bids either generally or in particular cases, reject any application or bid, or allocate to any applicant or bidder fewer Shares than the amount applied or bid for Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

7.15 Foreign selling restrictions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and any applicable US state securities laws.

This Prospectus may only be distributed to persons to whom the Offer may be lawfully made in accordance with the laws of any applicable jurisdiction.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act 1933 or the securities law of any state of the United States and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act 1933 and any other applicable securities laws;
- it is not in the United States or, if it is in the United States, it is an Eligible US Fund Manager; and
- it has not sent, and will not send, the Prospectus or any other material relating to the Offer to any person in the United States; and it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia.

7.15.1 Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap.571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

7.15.2 Singapore

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

7.15.3 United Kingdom

Neither this Prospectus nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the United Kingdom by means of this Prospectus or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This Prospectus is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this Prospectus relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus.

Section 7 Details of the Offer

7.15.5 United States

The Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. The Shares will only be offered and sold in the United States to dealers or other professional fiduciaries organized or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act and in compliance with Regulation S.

7.16 ASX listing, registers and holding statements and NZX listing

7.16.1 Application to ASX for listing and quotation of Shares

An application has been made to ASX for admission of the Company to the Official List and quotation of the Shares on ASX. The Company's ASX code will be 'DGL'.

If the Company is not admitted to the Official List within three months of the date of the Original Prospectus (or any longer period permitted by law), the Offer will be cancelled and all Application Monies will be refunded (without interest).

The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription. Trading of Shares on ASX, if admission to the Official List is granted, is expected to commence on or about 24 May 2021.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

7.16.2 CHESS and Issuer sponsored holdings

The Company will apply to participate in ASX's Clearing House Electronic Subregister System (**CHESS**), in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional statements.

7.16.3 NZX foreign exempt listing

Contemporaneous with the Company's application for its admission to the Official List and quotation of Shares on ASX, the Company has applied for listing with NZX as a foreign exempt issuer and for quotation of the Shares on the NZX Main Board and as at the Prospectus Date, has provided all available necessary information to the NZX up to that date. NZX is not a licensed market under the Corporations Act (but the NZX is a licensed market operator under the *Financial Markets Conduct Act 2013* (NZ)). It is expected that the Company's NZX code will be 'DGC'.

NZX Listing Rule 1.7.1 sets out how the NZX Listing Rules are modified for foreign exempt issuers. In broad terms, if the Company is admitted to the NZX Main Board as a foreign exempt issuer, it will need to comply with the ASX Listing Rules (other than as waived by ASX) but will not need to comply with the vast majority of the NZX Listing Rules. Rather, the Company will need to comply only with the rules specified in NZX Listing Rule 1.7.2, which are relatively procedural in nature. The Company will not be subject to substantive NZX Listing Rule requirements, such as the rules on continuous disclosure, periodic reporting, shareholder approval of share issuances, escrow, transactions with persons of influence and significant transactions.

If the Company does not make an application for admission to the NZX within seven days after the date of the Original Prospectus, or the Company is not admitted to the official list of NZX within three months of the date of the Original Prospectus (or any longer period permitted by law), the Offer will be cancelled and all Application Monies will be refunded (without interest).

NZX takes no responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates. The fact that NZX may admit the Company to the NZX Main Board and quote the Shares on the NZX Main Board is not taken as an indication of the merits, or as an endorsement by NZX, of the Company or the Shares. NZX is not a licensed market under the Corporations Act.

If a successful applicant wishes to trade its Shares on the NZX Main Board, then the Applicant must apply to the Share Registry and request that its Shares on the issuer sponsored sub-register are removed from the issuer sponsored sub-register and transferred to the NZ registry. Once this has been completed (which is expected to take place on or shortly after the date of allotment of the Shares but may take over one trading day), the Applicant will be able to trade its Shares on the NZX Main Board.

If you wish to sell any of your Shares on the NZX Main Board, after confirming your allocation of Shares, you must contact an NZX Firm (as defined in the NZX Limited Participant Rules) and have a CSN and an Authorisation Code (FIN). Opening a new broker account can take a number of days, depending on the NZX Firm's new client procedures.

7.16.4 Share registers

Institutional Investors (including the Australian resident clients of the Joint Lead Managers) will have their Shares allocated to the ASX and held on the Australian share register of the Company unless they specifically request to hold their Shares on the New Zealand registry.

New Zealand residents who apply under the New Zealand component of the Broker Firm Offer will have their Shares allocated to the NZX and held on the New Zealand registry of the Company, unless they specifically request that their Shares be allocated to the ASX and held on the Australian share register of the Company.

Applicants under the Priority Offer will have the ability to elect to hold their Shares on either the Australian or New Zealand register at the time of Application.

Section 8

Investigating Accountant's Report



PKF Melbourne



27 April 2021

The Directors
DGL Group Limited
201 Five Islands Road
Unanderra NSW 2526

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON FINANCIAL INFORMATION

1. Introduction

The directors of DGL Group Limited ('DGL' or the 'Company') have requested PKF Melbourne Corporate Pty Ltd ('PKF Corporate') to prepare this Independent Limited Assurance Report ('Report') for inclusion in the Prospectus to be dated on or about 28 April 2021 relating to the issue of 100 million ordinary shares at \$1.00 each to raise \$100 million (the 'Offer').

The nature of this report is such that it can only be issued by an entity that holds an Australian financial services licence under the Corporations Act 2001. PKF Corporate holds an Australian Financial Services Licence (ASFL Licence No. 222050) under the Corporations Act 2001.

This report is an Investigating Accountant's Report, the scope of which is set out below. A copy of the Financial Services Guide is attached at Appendix A.

Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified.

2. Scope

You have requested PKF Corporate to perform a limited assurance engagement in relation to the Financial Information included in Section 4 of the Prospectus ('Financial Information').

Financial Information

Effective 31 December 2020 DGL acquired all of the issued capital in the following entities:

- DGL Manufacturing Pty Ltd;
- DGL Warehousing and Distribution Pty Ltd;
- DGL Manufacturing Limited;
- DGL Warehousing NZ Limited; and
- DGL NZ Limited (together, "the DGL entities").

Effective 1 January 2021 DGL also acquired all of the issued capital in Chem Pack Pty Ltd ("Chem Pack"). DGL and all of its subsidiaries, including Chem Pack are referred to as the Group.

The Financial Information comprises of:

- (a) the Statutory Historical Financial Information derived from:
- the consolidated Income Statements of the DGL entities and Chem Pack for the financial years ended 30 June 2019 and 30 June 2020, and for the half years ended 31 December 2019 and 31 December 2020;

PKF Melbourne Corporate Pty Ltd
ACN 063 564 045
AFSL No. 222050

Melbourne
Level 12, 440 Collins Street
Melbourne VIC 3000 Australia
p +61 3 9679 2222

PKF Melbourne Corporate Pty Ltd is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member of correspondent firm or firms.

For office locations visit www.pkf.com.au

Section 8 Investigating Accountant's Report



- the consolidated Cash Flow Statements of the DGL entities and Chem Pack for the financial years ended 30 June 2019 and 30 June 2020, and for the half years ended 31 December 2019 and 31 December 2020; and
- the consolidated statement of financial position of the DGL entities and Chem Pack as at 31 December 2020.

The Statutory Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

However, the Statutory Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements, and the significant accounting policies summarised in Appendix A of the Prospectus.

The Statutory Historical Financial Information for the financial years ended 30 June 2019¹ and 30 June 2020 has been based on the separate financial statements of each of the DGL entities and Chem Pack. All of the underlying financial statements were audited as summarised below:

Company	Auditor	Audit opinion
DGL Group Limited	HLB Mann Judd (Wollongong) Pty Ltd	Unmodified
DGL Manufacturing Pty Ltd	HLB Mann Judd (Wollongong) Pty Ltd	Qualified as auditors were not appointed until after completion of inventory counts
DGL Warehousing and Distribution Pty Ltd	HLB Mann Judd (Wollongong) Pty Ltd	Unmodified
DGL Manufacturing Limited	BDO Christchurch	Qualified as auditors were not appointed until after completion of inventory counts
DGL Warehousing NZ Limited	BDO Christchurch	Unmodified
DGL NZ Limited	BDO Christchurch	Unmodified
Chem Pack Pty Ltd	Frederik R.L. Eksteen of Collins & Co Audit Pty Ltd	Unmodified

The Statutory Historical Financial Information for the half-years ended 31 December 2019 and 31 December 2020 has been based on the separate financial statements of each of the DGL entities and Chem Pack for the half year period ended 31 December 2020. All of the underlying financial statements were reviewed as summarised below:

Company	Auditor	Review conclusion
DGL Group Limited	HLB Mann Judd (Wollongong) Pty Ltd	Unmodified
DGL Manufacturing Pty Ltd	HLB Mann Judd (Wollongong) Pty Ltd	Unmodified
DGL Warehousing and Distribution Pty Ltd	HLB Mann Judd (Wollongong) Pty Ltd	Unmodified
DGL Manufacturing Limited	BDO Christchurch	Qualified as auditors were not appointed until after completion of opening inventory counts
DGL Warehousing NZ Limited	BDO Christchurch	Unmodified, however prior period Income Statement was not reviewed
DGL NZ Limited	BDO Christchurch	Unmodified, however prior period Income Statement was not reviewed
Chem Pack Pty Ltd	Frederik R.L. Eksteen of Collins & Co Audit Pty Ltd	Unmodified

¹ DGL Manufacturing Limited prepared financial statements for the financial year ended 31 March 2019 and for the 15 month period ended 30 June 2020. Both DGL Warehousing NZ Limited and DGL NZ Limited commenced trading during the 15 month period to 30 June 2020 and consequently did not prepare financial statements for any earlier period.



Based on the separate financial statements as described above, the Company prepared the consolidated Statutory Historical Financial Information of the DGL entities. PKF Corporate has undertaken a review of the consolidation process.

(b) the Pro Forma Historical Financial Information setting out:

- the pro forma consolidated Income Statements of the Group for the financial years ended 30 June 2019 and 30 June 2020, and for the half year ended 31 December 2020;
- the pro forma consolidated Cash Flow Statements of the Group for the financial years ended 30 June 2019 and 30 June 2020, and for the half year ended 31 December 2020; and
- the pro forma consolidated statement of financial position of the DGL entities and Chem Pack as at 31 December 2020.

The Pro Forma Financial Information reflects the effects of the pro forma adjustments described in Sections 4.3, 4.4 and 4.7 of the Prospectus.

The stated basis of preparation of the Pro Forma Historical Financial Information are the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) and/or transaction(s) to which the Pro Forma Adjustments relate, as described in Section 4 of the Prospectus, as if the event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial performance and position.

(c) Forecast Financial Information

The Pro Forma Forecast Results and the Pro Forma Forecast Cash Flows for the six months ending 30 June 2021 and the financial year ending 30 June 2022, are set out in Section 4 of the Prospectus ("Forecasts").

The directors' best-estimate assumptions underlying the Forecasts are described in Section 4.5 of the Prospectus. The stated basis of preparation of the Forecasts are the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

(d) the key accounting policies of the Company relevant to the Financial Information.

3. Directors' Responsibility

The Directors of the Company are responsible for the preparation of the Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Financial Information.

The Directors of the Company are also responsible for the preparation of the Forecasts, including their basis of preparation and the best estimate assumptions underlying the Forecasts.

This includes responsibility for their compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of the Financial Information that is free from material misstatement.



4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance report on any financial information used as a source of the financial information.

5. Review of Financial Information

PKF Corporate has conducted a review of the Financial Information set out in Section 4 of the Prospectus in order to state whether on the basis of the procedures described, anything has come to our attention that would indicate that the Financial Information is not presented fairly in accordance with the Pro Forma Adjustments and recognition and measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards in Australia and the accounting policies adopted by the Company as referred to in Section 4 of the Prospectus.

Our procedures included such inquiries and procedures as we, in our professional judgement, considered reasonable in the circumstances and consisted primarily of:

Historical Financial Information

- enquiry of and discussions with Company Directors, management, personnel and advisors;
- review of the auditors' working papers and records in respect of:
 - the Historical Income Statements and Cash Flow Statements for the financial years ended 30 June 2019 and 30 June 2020, and for the half years ended 31 December 2019 and 31 December 2020; and
 - the Historical Statement of Financial Position as at 31 December 2020;
- review of relevant documents and information of the Company in support of the Pro Forma Adjustments;
- consideration of the reasonableness and appropriateness of the subsequent events and Pro Forma Adjustments as a basis for compiling the Financial Information; and
- performing analytical procedures applied to the Financial Information.

Forecast Financial Information

- enquiry of and discussions with Company Directors and management of the factors considered in determining the assumptions on which the Forecasts are based;
- analytical and other review procedures we considered necessary, including the review of documentation supporting the assumptions, amounts and other disclosures that form part of the Forecast Financial Information; and
- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information.

6. Subsequent Events

Apart from the matters dealt with in this Report and elsewhere in the Prospectus, and having regard to the scope of our engagement, nothing has come to our attention that would cause us to believe that matters arising after 31 December 2020, other than matters dealt with in this Report, would require comment on, or adjustments to, the Financial Information contained in Section 4 of the Prospectus, or would cause that information to be misleading or deceptive.

7. Conclusions

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that the Statutory Historical Financial Information and the Pro Forma Historical Financial Information of DGL as described in Section 4 of the Prospectus are not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2.3 of the Prospectus.

Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Forecast Financial Information for the six months ending 30 June 2021 and the financial year ending 30 June 2022, as described in Section 4 of the Prospectus, do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
 - is not prepared on the basis of the directors' best-estimate assumptions, as described in Section 4 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Forecast Financial Information; and
 - the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by the Company's management and adopted and disclosed by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the six months ending 30 June 2021 and the financial year ending 30 June 2022. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the Directors' best-estimate assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on the Directors' best-estimate assumptions, and accordingly provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus. Accordingly, prospective investors should have regard to the investment risks as described in Section 5 of the Prospectus. We express no opinion as to the future financial performance of the Company.



We disclaim any assumption of responsibility for any reliance on this Report, or on the Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of DGL have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

8. Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

This Report relates only to the Financial Information and does not extend to any other financial information included in the Prospectus.

9. Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with the Standard on Assurance Engagements applicable to Corporate Fundraisings and/or Prospective Financial Information.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside of Australia. We are not recommending or making any representation as to the suitability of any investment to any person.

10. Consent

PKF Corporate has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included, but has not authorised the issue of the Prospectus. Accordingly, PKF Corporate makes no representations regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

PKF Melbourne Corporate Pty Ltd

Paul Lom
Director

Steven Perri
Director

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Appendix A

Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate's independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

General Financial Product Advice

In this report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

Independence

At the date of this report, none of PKF Corporate, Mr Paul Lom nor Mr Steven Perri have any interest in the outcome of the capital raising, nor any relationship with DGL or any of its Directors that may impact on our independence.

Drafts of this report were provided to and discussed with the Directors and management of DGL and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology or conclusions that have been formed by PKF Corporate.

PKF Corporate and its related entities do not have any shareholding in or other relationship with DGL that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to this independent report on the Financial Information.

PKF Corporate had no part in the formulation of the Historical Financial Information, the Pro Forma Historical Financial Information, the Forecast Financial Information, the Proposed Capital Raising and ASX Listing. Its only role has been the preparation of this report.

Remuneration

PKF Corporate is entitled to receive a fee of approximately \$200,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints should be in writing and sent to the Complaints Officer, PKF Corporate at Level 12, 440 Collins Street, Melbourne VIC 3000.

Section 8 **Investigating Accountant's Report**



PKF Corporate will make every effort to resolve a complaint within 45 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority – GPO Box 3, Melbourne Vic 3000.

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Section 9

Additional information



Section 9 Additional information

9.1 Registration

The Company was incorporated in New South Wales on 22 June 1984 as an Australian proprietary company limited by shares. On 9 April 2021, the Company changed its company type to an Australian public company limited by shares and changed its name from 'DGL Environmental Pty Ltd' to 'DGL Group Limited'. The Company will be registered as a foreign company in New Zealand.

9.2 Tax status

The Company expects to be taxed as an Australian tax resident public company for the purpose of Australian income tax law. The financial year of the Company will end on 30 June annually.

9.3 Corporate structure

The following diagram shows the corporate structure of the Group on Completion of the Offer.

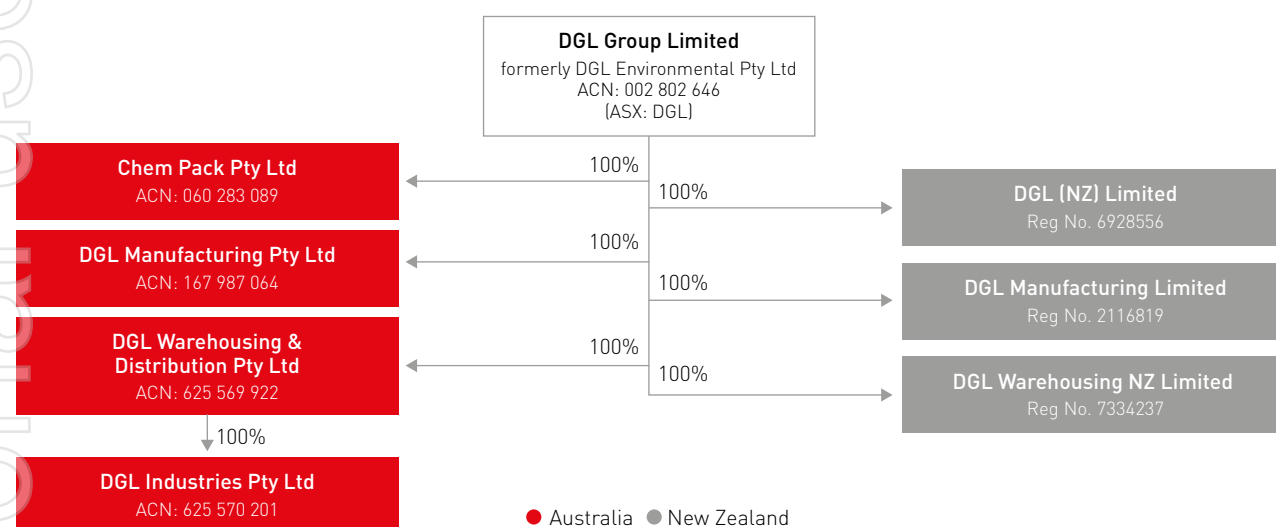


Table 9.1 below summarises the companies in the Group on Listing.

Table 9.1: Companies in the Group on Listing

Company name	Place of incorporation	Nature of business
DGL Group Limited	Australia	Group holding company
DGL Industries Pty Ltd	Australia	Subsidiary
DGL Manufacturing Pty Ltd	Australia	Subsidiary
DGL Warehousing & Distribution Pty Ltd	Australia	Subsidiary
Chem Pack Pty Ltd	Australia	Subsidiary
DGL (NZ) Limited	New Zealand	Subsidiary
DGL Manufacturing Limited	New Zealand	Subsidiary
DGL Warehousing NZ Limited	New Zealand	Subsidiary

9.4 Underwriting Agreement

The Offer is fully underwritten by the Joint Lead Managers pursuant to an agreement dated on or about the date of the Original Prospectus between the Joint Lead Managers and the Company (**Underwriting Agreement**). Under the Underwriting Agreement, the Joint Lead Managers have agreed to manage and underwrite the Offer.

9.4.1 Fees and expenses

On the settlement date (as defined in the Underwriting Agreement) (**Settlement**) and subject to the provisions of the Underwriting Agreement, the Company must pay to the Joint Lead Managers, in their respective proportions (as set out in the Underwriting Agreement), a management fee of 1.50% (less the retainer fee of \$ 90,000) and an underwriting fee of 3.00% of the Offer proceeds. The Joint Lead Managers' fees will be payable as a deduction from the total Offer proceeds.

In addition to the fees described above, the Company has agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

9.4.2 Termination events not subject to materiality

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement until 4.00pm on the date of Settlement, terminate the Underwriting Agreement without cost or liability by written notice to the Company and the other Joint Lead Manager if any of the following events occurs or has occurred at any time before the date of Settlement:

- a. a Joint Lead Manager forms the view (acting reasonably) that a statement in this Prospectus or certain other related offering documents is misleading or deceptive or likely to mislead or deceive, or there is an omission from the relevant document of material required by section 710, 711, 715A or 716 of the Corporations Act or if any statement in this Prospectus or certain other related offering documents becomes misleading or deceptive or likely to mislead or deceive or if the issue of such documents becomes misleading or deceptive or likely to mislead or deceive;
- b. a person gives a notice to the Company under section 730 of the Corporations Act;
- c. other than as disclosed in the Prospectus or as required by applicable laws, the Company or any other Group Member creates or agrees to create an encumbrance over the whole or a substantial part of its business or property;
- d. at any time the S&P/ASX 300 Index falls to a level that is 10% or more below the level of the S&P/ASX 300 Index on the business day immediately preceding the date of the Underwriting Agreement and closes at or below that level on 2 consecutive business days during any time between the opening date of the Offer and the date of Settlement, or on the business day immediately prior to the date of Settlement;
- e. any circumstance arises after lodgement of the Prospectus with ASIC that results in the Company either repaying any money received from applicants under the Offer or offering applicants under the Offer an opportunity to withdraw their application for New Shares and/or Sale Shares and be repaid their application money;
- f. an event occurs which gives, or is likely to give, rise to a 'Material Adverse Effect' defined as an event which has or is likely to give rise to:
 - i. a material adverse change in assets, liabilities, financial position or performance, profits, losses, earnings or forecasts of the Group from those disclosed in the Prospectus; or
 - ii. a material adverse change in the nature of the business conducted by the Group as disclosed in the Prospectus;
- g. the Company withdraws the Prospectus or terminates the Offer, or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- h. the Company does not provide a certificate in the manner required under the Underwriting Agreement;
- i. a Group Member is or becomes insolvent, or an act occurs or an omission is made which may result in a Group Member becoming insolvent;
- j. certain regulatory actions prescribed by the Underwriting Agreement occur in relation to the Offer, including but not limited to proceedings issued by ASIC and investigation by a government agency;
- k. ASIC makes an interim order (other than an interim order that does not become public and is dismissed or withdrawn by ASIC within 2 business days) or final stop order in relation to the Prospectus under section 739 of the Corporations Act or holds a hearing (other than a hearing which does not become public and is dismissed or withdrawn by ASIC within 2 business days) under section 739 of the Corporations Act in relation to the Prospectus or makes an application under section 1324 or 1324B of the Corporations Act;

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- l. any of the following occurs in respect of the Offer:
 - i. any person whose consent to the issue of the Prospectus or any supplementary prospectus is required by section 720 of the Corporations Act and who has previously consented to the issue of the Prospectus or any supplementary prospectus withdraws such consent;
 - ii. any person gives a notice under section 733(3) of the Corporations Act; or
 - iii. any person (other than the Joint Lead Managers) who has previously consented to the inclusion of their name or any statement in the Prospectus or any supplementary prospectus withdraws that consent;
- m. the Company lodges a supplementary prospectus without the consent of the Joint Lead Managers or fails to lodge a supplementary prospectus in a form acceptable to the Joint Lead Managers or, in a Joint Lead Manager's opinion, becomes required to lodge a supplementary prospectus because of a circumstance set out in section 719(1) of the Corporations Act;
- n. any of the Directors ceases to be a director of the Company or certain members of the senior management of DGL cease to hold their position with DGL or any such changes are announced, without the written consent of the Joint Lead Managers;
- o. any of the largest top 5 customers of the Group (by revenue) indicate that they no longer intend to do business with the Group;
- p. any of the ASX approvals or ASIC modifications obtained in satisfaction of the conditions precedent of the Underwriting Agreement are withdrawn, revoked, qualified, amended or withheld without the prior written approval of a Joint Lead Manager (or ASX or ASIC (as the case may be) indicate to the Company or the Joint Lead Managers that such approval is likely to be withdrawn, revoked, qualified, amended or withheld);
- q. approval for official quotation of Shares on ASX and NZX is refused or not granted, other than subject to standard conditions customarily imposed, by a certain date or if approval is granted, such approval is subsequently withdrawn, qualified (other than subject to standard conditions customarily imposed) or withheld before the date on which Shares are issued by the Company under the Offer;
- r. a Group Member:
 - i. disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus;
 - ii. ceases or threatens to cease to carry on business;
 - iii. alters its capital structure, other than as contemplated in the Prospectus; or
 - iv. except as disclosed in the legal due diligence report, amends its constitution or any other constituent document of the relevant Group Member;
- s. any of the following occurs:
 - i. a Director or any member of the senior management of the Group is charged with a criminal offence relating to any financial or corporate matter;
 - ii. any government agency commences any public action against a Group Member, any of the Directors or any member of the senior management of the Group, or announces that it intends to take any such action; or
 - iii. any Director or any member of the senior management of the Group is disqualified under the Corporations Act from managing a corporation;
- t. a Director or a senior member of management of the Company engages in any fraudulent conduct or activity;
- u. the Company is or will be prevented from conducting or completing the Offer by or in accordance with the ASX Listing Rules, ASIC, ASX, NZX Listing Rules, NZX, any applicable laws or an order of a court of competent jurisdiction, or otherwise are or will become unable or unwilling to do any of these things;
- v. an event specified in the timetable set out in the Underwriting Agreement is delayed for more than one business day without the prior written approval of the Joint Lead Managers;
- w. a voluntary escrow deed is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with (in each case, other than with the prior written consent of the Joint Lead Managers);
- x. any party to the Chem Pack Contract, materially varies, terminates or rescinds the Chem Pack Contract; or there is a material breach of a representation or warranty or other obligation under the Chem Pack Contract, which breach has or is likely to have in the opinion of the Joint Lead Managers (acting reasonably) a material adverse effect on the Company or the Group; or
- y. the deeds of release and debt forgiveness by DGL Commercial Limited (registration number 952232) of all debts owing to it by each of DGL (NZ Limited), DGL Manufacturing Limited and DGL Warehousing NZ Limited are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with in accordance with their terms.

9.4.3 Termination events subject to materiality

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement until 4.00pm on the date of Settlement, by written notice to the Company and the other Joint Lead Manager, terminate the Underwriting Agreement without any cost or liability, if any of the following events occurs or has occurred at any time before the end of the date of Settlement: (i) in the reasonable opinion of the Joint Lead Manager, the event has had or is likely to have, individually or in aggregate with a separate event, a material adverse effect on the financial condition, the financial position or financial prospects of the Company or the Group, or the success or outcome of the Offer, the ability of the Joint Lead Manager to settle the Offer or the potential market price of the Shares; or (iii) the event will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager of, any applicable law:

- a. there occurs a new circumstance that has arisen since the Prospectus was lodged that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged;
- b. there are not, or there ceases to be, reasonable grounds in the opinion of the Joint Lead Managers for any statement or estimate in the Prospectus or certain other related offering documents, which relate to a future matter or any statement or estimate in such documents that relate to a future matter is, in the reasonable opinion of the Joint Lead Managers is, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- c. the Offer or the Prospectus or certain other related offering documents do not comply with any applicable law or regulatory requirement or there is a contravention by the Company of the Corporations Act, its constitution or any of the ASX Listing Rules;
- d. a statement in a certificate required by the Underwriting Agreement is untrue, incorrect or misleading or deceptive;
- e. any of the following occurs:
 - i. any adverse change or disruption to the political conditions or financial markets of Australia, New Zealand, the United Kingdom, the United States of America, Japan, the People's Republic of China, Hong Kong, Singapore, South Korea, France or Germany, or the international financial markets or any change or development involving a prospective change in national or international political, financial or economic conditions;
 - ii. a general moratorium on commercial banking activities in Australia, New Zealand, the United States of America, the United Kingdom, Japan, the People's Republic of China, Hong Kong, Singapore, South Korea, France or Germany is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - iii. trading in securities generally has been suspended or limited for at least one trading day, by any of the ASX, the Hong Kong Stock Exchange, the London Stock Exchange or the New York Stock Exchange;
- f. the Joint Lead Managers form the view that the due diligence report prepared in respect of the Group or any information supplied by or on behalf of the Company to a Joint Lead Manager in relation to the Group or the Offer as part of the due diligence process or becomes misleading or deceptive, or information material to the Company or DGL has not been disclosed as part of the due diligence process;
- g. any of the obligations of the relevant parties under any of the material contracts disclosed in this Section 9.4 or Section 9.5 are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Manager) or if all or any part of any of the material contracts:
 - i. is terminated, withdrawn, rescinded, avoided or repudiated;
 - ii. is altered, amended or varied without the consent of the Joint Lead Managers (acting reasonably);
 - iii. ceases to have effect, otherwise than in accordance with its terms;
 - iv. is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and effect, or its performance is or becomes illegal; or
 - v. is breached, or there is a failure by a party to comply;
- h. any of the following occurs which does or is likely to prohibit, materially restrict or regulate the Offer or materially reduce the likely level of valid Applications or materially affects the financial position of the Company or has a material adverse effect on the success of the offer:
 - i. the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia; or
 - ii. the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory or the Reserve Bank of Australia; or
 - iii. the adoption by ASX or their respective delegates of any regulations or policy;

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- i. any of the following occurs involving any one or more of Australia, Canada, a member of the European Union, Japan, Hong Kong, India, New Zealand, North Korea, Russia, Singapore, South Korea, the People's Republic of China, the United Kingdom or the United States of America, any diplomatic, military, commercial or political establishment of any of these countries elsewhere in the world:
 - i. there is an outbreak of hostilities (whether or not a war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs;
 - ii. a national emergency is declared;
 - iii. a terrorist act is perpetrated; or
 - iv. a pandemic, epidemic or large-scale outbreak of a disease (including without limitation SARS, swine or avian flu, H5N1, H7N9, COVID-19 or a related or mutated form of these) occurs or escalates;
- j. legal proceedings are commenced against the Company, any Director is charged with an indictable offence or any regulatory body commenced any public action against the Director or announced that it intends to take any such action, or any Director is disqualified from managing a corporation under section 206A, 206B, 206C, 206D, 206E or 206F of the Corporations Act;
- k. a contravention by the Company or Group Member of the Corporations Act, the ASX Listing Rules, its constitution or any other applicable law or regulation;
- l. any of the following occurs:
 - i. the Company or a Group Member issues a public or other media statement concerning the Offer which has not been approved by a Joint Lead Manager in the 12 months prior to the date of the Underwriting Agreement and on or after the date of the Underwriting Agreement; or
 - ii. a statement in any public or other media statement made by the Company or a Group Member in relation to the affairs of the Group or the Offer in the 12 months prior to the date of the Underwriting Agreement, and on or after the date of the Underwriting Agreement, is or becomes misleading or deceptive or is likely to mislead or deceive and is not subsequently corrected or updated by any other public or media statement;
- m. the Company breaches any of its undertakings or obligations under the Underwriting Agreement;
- n. any representation or warranty contained in the Underwriting Agreement on the part of the Company is breached or becomes false, misleading or incorrect; or
- o. an event specified in sections 652C(1) or (2) of the Corporations Act occurs, in relation to the Company or any other Group Member.

9.4.4 Representations, warranties, undertaking and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Joint Lead Managers.

The representations and warranties given by the Company relate to matters including but not limited to powers and capacities, authorisations, information provided, licences, insurance, litigation, the Prospectus and certain other related offering documents, due diligence, disclosures, compliance with laws, the operation of the Company's business and the undertaking of the Offer.

The Company's undertakings include, among other things, that it must:

- a. without the prior written consent of the Joint Lead Managers, which consent shall not be unreasonably withheld or delayed, carry on its business until 120 days after the date of Settlement in the ordinary course and not, except as disclosed to the Joint Lead Managers before the date of the Underwriting Agreement:
 - i. dispose of or charge, or agree to dispose of or charge, the whole or any material part of its business; or
 - ii. enter into any agreement or commitment which is material in the context of the Offer, the Company or the Group or the Group's business (taken as whole);
- b. not at any time after the date of the Underwriting Agreement and up to 90 days after the date of Settlement, issue, or agree to issue, equity securities (as defined in the ASX Listing Rules) or any securities that are convertible or exchangeable into such equity securities, without the prior written consent of the Joint Lead Managers (after Completion of the Offer, such consent not to be unreasonably withheld or delayed), other than an issue of securities by the Company pursuant to an employee security plan disclosed in the this Prospectus or certain other related offering documents;

- For personal use only
- c. not, from the date of the initial distribution of the pathfinder prospectus and before Completion of the Offer, alter, agree to alter or propose an alteration to its capital structure (whether debt or equity), except with the prior consent of the Joint Lead Managers and not create or agree to create any encumbrance over any or all of the Shares; or
 - d. not, before 90 days after Completion of the Offer, vary any term of its constitution without the prior written consent of the Joint Lead Managers to the terms of the variation, such consent not to be unreasonably withheld or delayed.

9.4.5 Indemnity

Subject to certain customary exclusions (including gross negligence, wilful misconduct or fraud of an indemnified party), the Company agree to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.5 Material contract summaries

Other than the Underwriting Agreement summarised in Section 9.4 and the Chem Pack Contract summarised below, the Board does not consider that there are any contracts which are significant or material to DGL or of such a nature that investors may wish to have details of them when making an assessment of whether to apply for Shares.

Summaries of DGL's material contracts set out in this Prospectus (including the summary of the Underwriting Agreement in Section 9.4) do not purport to be complete and are qualified by the text of the contracts themselves.

9.5.1 Chem Pack Contract

On 29 October 2020, DGL Manufacturing Pty Ltd entered into a contract of sale as amended by an amendment deed dated 29 March 2021 (**Chem Pack Contract**) with the Chem Pack Vendors to acquire (itself or through a nominee) 100% of the shares in the capital of Chem Pack (**Chem Pack Shares**) for a purchase price of approximately \$25,247,852 plus adjustments.

On 9 December 2020, DGL Manufacturing Pty Ltd nominated the Company as purchaser under the Chem Pack Contract (**Purchaser**).

Purchase Price

The purchase price for the Chem Pack Shares comprises:

- a. a deposit of \$2,524,785.20, which was paid on or around the date of the Chem Pack Contract;
- b. a settlement amount of \$2,524,785.20, which was paid on the completion date of the acquisition, being 1 January 2021; and
- c. a deferred consideration amount of \$20,198,281.60, which is to be adjusted in accordance with the terms of the Chem Pack Contract and paid on the deferred consideration date of 31 May 2021 or earlier by agreement.

Adjustments

Following completion of the acquisition, the Purchaser is responsible for procuring that Chem Pack prepare a settlement statement that sets out the deferred consideration amount, plus or minus various adjustments. The additional adjustment amounts to be included in the deferred consideration amount are:

- a. the value of the stock calculated in accordance with the terms of the Chem Pack Contract; plus
- b. an amount equal to the net amount of cash in all of the bank accounts of Chem Pack and its subsidiaries as at 1 January 2021; plus
- c. an amount equal to the amounts paid by Chem Pack for stock prior to 1 January 2021, but not delivered to Chem Pack by that date; plus
- d. an amount equal to the Cost of Equipment (as defined in the Chem Pack Contract) purchased prior to 1 January 2021 and delivered after 30 June 2020; plus
- e. an amount equal to the debtors of Chem Pack as at 1 January 2021 (in respect of debts arising from the operation of the Business (as defined in the Chem Pack Contract) in the ordinary course); plus
- f. an amount equal to the amount paid by Chem Pack (price plus or minus any adjustments, amounts paid for stock and acquisition costs) for any business acquired prior to 1 January 2021 with the written consent of the Purchaser and on terms as the Purchaser agrees to in writing; less
- g. an amount equal to the creditors of Chem Pack as at 1 January 2021 (in respect of money owing to creditors of the Business arising from the operation of the Business in the ordinary course); and
- h. any amounts advanced by the Purchaser to Chem Pack or the Chem Pack Vendors by way of loan prior to 1 January 2021.

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The Purchaser and the Chem Pack Vendors have agreed the final deferred consideration amount payable by the Purchaser is \$33,385,017. The Purchaser and the Chem Pack Vendors have also agreed that, subject to certain conditions including the Company being granted admission to ASX, the Chem Pack Vendors will receive the deferred consideration partly in cash and Shares as follows:

- a. \$23,585,017 paid by the Purchaser (being the Company) from the proceeds of the Offer; and
- b. \$9,800,000 through the issue of 9,800,000 Shares under the Vendor Offer.

Confidentiality

Each party to the Chem Pack Contract must keep its contents and subject matter confidential and not disclose it or allow it to be disclosed to a third party, other than with prior written approval of the other parties to the contract or to the officers, employees and consultants or advisers of the party, who have a need to know for the purposes of the Chem Pack Contract and are aware that the confidential information must be kept confidential.

Warranties

Customary and usual representations and warranties are given by the Chem Pack Vendors, Anne Jeanette Sushames, Sheamus Clemon Sushames, Mark Paul Sushames and Robert William Sushames (**Warrantors**) and in relation to matters such as the power to enter into the Chem Pack Contract, corporate authority and approvals and the solvency of both parties. The Warrantors also make a number of further commercial warranties including in relation to title and the business and operations of Chem Pack.

Restraint

The Chem Pack Contract includes a broad worldwide restraint (which may be read down by a Court) on the Chem Pack Vendors and directors from soliciting away any customer of Chem Pack or employees or contractors employed or contracted by Chem Pack in the 12 months before the completion date, engaging in a competing business or interfering with the relationship between Chem Pack and its customers, employees or suppliers for a period of 5 years from the completion date.

9.6 Rights attaching to Shares

9.6.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

The summary assumes that the Company is admitted to the Official List and NZX Main Board.

9.6.2 Voting at a general meeting

At a general meeting of the Company, subject to any rights or restrictions attaching to any class of Shares, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share held and a fraction of a vote for each partly paid Share held equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable.

9.6.3 Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

9.6.4 Dividends

The Board may resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment. For further information in respect of the Company's proposed dividend policy, see Section 4.11.

9.6.5 Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or any other form approved by the Directors. The Company may participate in any computerised or electronic system for market settlement, securities transfer and registration conducted in accordance with the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the CS Facility Rules, or corresponding laws or financial market rules in any other country.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required to by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

9.6.6 Issue of further shares

Subject to the Corporations Act, the ASX Listing Rules, the Constitution and the ASX Settlement Operating Rules, the Directors may issue, or grant options in respect of, or otherwise dispose of further shares on such terms and conditions as the Directors resolve.

9.6.7 Winding up

Without prejudice to the rights of the holders of Shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind all or any of the Company's assets and for that purpose, determine how it will carry out the division between the different classes of Shareholders, but may not require a Shareholder to accept any Shares or other securities in respect of which there is any liability.

9.6.8 Non-marketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Company may sell the Shares of one or more Shareholders who hold less than a marketable parcel of Shares (unless the Shareholder has notified the Company in writing before a specified date that they wish to retain their Shares).

9.6.9 Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy back Shares on terms and at times determined by the Board.

9.6.10 Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares in the Company may be varied or cancelled:

- a. with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- b. by a special resolution passed at a separate meeting of the holders of those shares.

In either case, in accordance with the Corporations Act, the holders of at least 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a Court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

9.6.11 Dividend reinvestment plan

The Directors may establish a dividend reinvestment plan (under which any Shareholder or any class of Shareholders may elect to reinvest cash dividends paid or payable by the Company by acquiring by way of issue or transfer (or both) Shares or other securities).

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9.6.12 Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is eight. Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) holds office without re-election for a period in excess of three years or beyond the third annual general meeting following the meeting at which the Director was last elected, whichever is longer. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

9.6.13 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. Subject to the Corporations Act, each Director has one vote. Subject to the ASX Listing Rules, in the case of an equality of votes, the chairperson of a meeting has a casting vote in addition to his or her deliberative vote.

9.6.14 Directors – remuneration

Subject to the ASX Listing Rules, the Directors, other than an Executive Director, will be paid by way of fees for services up to the maximum aggregate sum of \$800,000 per annum or such other amount as may be approved by the Company in general meeting. The initial remuneration of the Directors is set out in Sections 6.3.2 and 6.4. Shares, options, rights and other share-based payments may be provided to Non-Executive Directors and the value of any such Shares, options, rights and other share-based payments will not be included in the aggregate maximum. The Constitution also makes provision for the Company to pay all reasonable expenses of Directors in attending meetings and carrying on their duties.

9.6.15 Indemnities

The Company, to the extent permitted by law, indemnifies each person who is or has been an officer of the Company against:

- a. any liability (other than for legal costs) incurred by that person as a director or officer of the Company or its subsidiaries; and
- b. reasonable legal costs incurred by that person in defending an action for a liability of that person as an officer of the Company or its subsidiaries.

The Company, to the extent permitted by law, may make a payment (whether by way of an advance, loan or otherwise) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person.

The Company, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring a person who is or has been a Non-Executive Director against any liability incurred by that person as a Director.

9.6.16 Inspection of records

Except as otherwise required by the Corporations Act, the Directors may determine whether and to what extent, and at what times and places and under what conditions, the financial records and other documents of the Company will be open for inspection by Shareholders other than Directors.

A Shareholder other than a Director does not have the right to inspect any financial records or other documents of the Company unless the Shareholder is authorised to do so by a Court order or a resolution of the Directors.

9.7 Litigation and claims

Other than the existing litigation involving DGL Manufacturing Limited noted in Section 4.8.10, as at the Prospectus Date, there are no other claims or legal proceedings of a material nature in which the Company or its subsidiaries are directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company and the Company is not aware of any such legal proceedings that are pending or threatened.

Details of the existing litigation involving DGL Manufacturing Limited are provided in Section 4.8.10.

9.8 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

- Bell Potter has given its written consent to be named in this Prospectus as a Joint Lead Manager in relation to the Offer in the form and context in which it is named;
- Canaccord has given its written consent to be named in this Prospectus as a Joint Lead Manager in relation to the Offer in the form and context in which it is named;
- MinterEllison has given its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context in which it is named;
- Cavell Leitch has given its written consent to be named in this Prospectus as New Zealand legal adviser to the Company in relation to the Offer in the form and context in which it is named;
- PKF has given its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Report, financial services guide and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements);
- PKF Melbourne Audit & Assurance Pty Ltd has given its written consent to be named in this Prospectus as the proposed auditor of the Company in the form and context in which it is named, including in Sections 9.8 and 9.19 and in the Corporate directory;
- HLB Mann Judd (Wollongong) Pty Ltd has given its written consent to be named in this Prospectus as the current auditor of the Company (and that it is in the process of seeking consent from ASIC to resign) and as an auditor of the Group Members noted in Section 4.2.3 and to the inclusion of and references to the audit and review of relevant financial statements and related statements contained in this Prospectus (including references to those statements being audited), and to the inclusion in this Prospectus of information extracted from those financial and related statements in the form and context in which it is named and that information appears in Sections 1, 4, 9.8, 9.19 and in the Corporate directory;
- BDO Christchurch has given its written consent to be named in this Prospectus as an auditor of the Group Members noted in Section 4.2.3 and to the inclusion of and references to the audit and review of relevant financial statements and related statements contained in this Prospectus (including references to those statements being audited), and to the inclusion in this Prospectus of information extracted from those financial and related statements in the form and context in which it is named and that information appears in Sections 1, 4 and 9.8;
- Frederik R.L. Eksteen of Collins & Co Audit Pty Ltd has given its written consent to be named in this Prospectus as an auditor of the Group Members noted in Section 4.2.3 and to the inclusion of and references to the audit and review of relevant financial statements and related statements contained in this Prospectus (including references to those statements being audited), and to the inclusion in this Prospectus of information extracted from those financial and related statements in the form and context in which it is named and that information appears in Sections 1, 4 and 9.8;
- Link Market Services Limited has given its written consent to be named in this Prospectus as the Company's share registry in the form and context in which it is named; and
- Frost & Sullivan has given its written consent to be named in this Prospectus and to all statements by it or said to be based on statements by it, including the inclusion of extracts of its report, and certain statements being included in this Prospectus which are stated as being extracted from or otherwise based on its report, or otherwise specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to its report and those statements).

Section 9 Additional information

9.9 Australian tax considerations

This Section provides a general overview of the Australian tax consequences for investors who acquire Shares through the Offer. The comments in this Section are based on the Australian taxation laws (including established interpretations of those laws) as at the Prospectus Date, which may change.

This Section is general in nature and is not intended to be an authoritative or a complete statement of the Australian taxation laws. It should be noted that the Australian taxation laws are complex and the investor's own circumstances will affect the taxation outcomes of making an investment in Shares through the Offer. It is therefore recommended that investors seek independent professional advice, having regard to their own specific circumstances, in considering an investment in Shares through the Offer.

The categories of investors considered in this summary are limited to individuals, companies and trusts (other than superannuation or pension funds), each of whom holds their Shares on capital account and are tax residents of Australia.

This summary does not consider the consequences for investors who are non-tax residents of Australia (or hold their Shares through a permanent establishment outside of Australia), partnerships, superannuation or pension funds, insurance companies, banks, investors that hold their Shares on revenue account (or any deemed revenue holding rules) or carry on a business of trading in shares or investors who are exempt from Australian tax. This summary also does not cover the consequences for investors who are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the Taxation of Financial Arrangements or TOFA regime) or the investment manager regime in Subdivision 842-I of the *Income Tax Assessment Act 1997* (Cth) (the IMR regime). Investors should seek professional advice to determine if Shares are held in this capacity (and the corresponding income tax implications should this apply).

9.9.1 Dividends on a Share – Australian tax residents

Dividends may be paid to Shareholders in respect of their Shares. Franking credits may be attached to such dividends. Franking credits broadly represent the extent to which a dividend is paid out of profits that have been subject to Australian income tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

Australian tax resident Shareholders will be required to include dividends in their assessable income in the income year in which the dividends are paid. To the extent that the dividends are franked, subject to the comments below, the associated franking credits should also be included in the Australian tax resident Shareholder's assessable income (i.e. the dividends are required to be "grossed-up"). In such circumstances, Shareholders are subject to tax at their applicable rate of tax (including the Medicare levy) on the grossed-up dividends received (but may be entitled to a tax offset for the associated franking credits as discussed below).

To the extent that the dividends are unfranked, there is no gross-up (or tax offset) and Australian tax resident Shareholders are subject to tax at their applicable rate of tax on the unfranked dividends received.

The distribution statement provided to Shareholders for the dividends paid should advise of the franking status of the dividends.

9.9.2 Australian tax resident individuals

To the extent that the franking credits received by Shareholders that are Australian tax resident individuals exceed the amount of total income tax payable, those Shareholders should be entitled to a refund from the ATO of any excess franking credits over and above total income tax payable in an income year. Where the franking credits are less than the tax payable on the dividends, those Shareholders will need to pay an additional amount of tax at their applicable rate of tax (including the Medicare levy).

9.9.3 Trusts

In relation to Shareholders that are trusts (other than trustees of complying superannuation entities or trusts treated as companies for tax purposes), such Shareholders should include any franking credits in determining the net income of the trust. The relevant beneficiary may then be entitled to a corresponding tax offset, subject to certain requirements being satisfied.

In relation to trusts, the rules surrounding the taxation of dividends are complex and advice should be sought to confirm the appropriate taxation considerations and treatment.

9.9.4 Corporate Shareholders

Shareholders that are Australian tax resident companies (including those which are deemed to be companies) are also entitled to a tax offset equal to the amount of franking credits received, however unlike non-corporate Shareholders, they are unable to claim refunds for excess franking credits. Where excess franking credits exist, a corporate Shareholder should be entitled to have the surplus credits converted into carry forward tax losses.

Corporate Shareholders (including those which are deemed to be companies) should also be entitled to a franking credit in their franking accounts equal to the franking credits received in respect of the dividends. A corporate Shareholder may be able to then use the credits to make franked distributions to its Shareholders.

9.9.5 Qualified Person Rules

There are certain limitations imposed by the Australian taxation law which may prevent a Shareholder from obtaining the benefit of any franking credits. In this regard, Shareholders seeking to claim tax offsets for franking credits must be "qualified persons" in respect of the relevant dividends.

In broad terms, Shareholders who have held their Shares "at risk" for at least 45 days (excluding the dates of acquisition and disposal) should be qualified persons and should be able to claim a tax offset for the amount of franking credits received.

Special rules apply to arrangements which involve the making of related payments to pass on the benefit of any dividends paid, or in the context of franked dividends received via trusts or partnerships. Under the related payment rule, a different testing period applies where an investor or an associate of the investor has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where an investor or their associate effectively passes on the benefit of the dividend to another person.

Individual Australian Shareholders whose total franking tax offsets (for all franked distributions received in the income year) do not exceed \$5,000 for the income year should generally be deemed to be qualified persons (provided also that no related payments are made with respect to the dividend).

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

9.9.6 Integrity rules

A specific integrity rule prevents taxpayers from obtaining a tax benefit from franking credits where dividends are received as a result of "dividend washing". Dividend washing is a practice through which taxpayers seek to claim two sets of franking credits by selling shares held on the ASX ex-dividend and then effectively re-purchasing a substantially equivalent parcel of shares cum-dividend on a special ASX trading market.

Shareholders should consider the impact of these provisions (and other dividend tax and franking credit integrity provisions) having regard to their own personal circumstances.

9.9.7 Taxation of Share disposals

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the capital gains tax (CGT) provisions in respect of the disposal of their Shares.

The earlier of the disposal of Shares or the entry into a contract to dispose of the Shares will give rise to a CGT event for Shareholders at that time. Where the capital proceeds received on the disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will derive a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident Shareholder for an income year are aggregated. To the extent that a net gain exists, such Shareholders should be able to reduce the net gain by any amount of unapplied net capital losses or revenue losses carried forward from previous income years (provided the relevant loss recoupment tests are satisfied) or current year revenue losses. Any remaining net gain (after the application of any carried forward tax losses or current year revenue losses) will then be required to be included in the Australian tax resident Shareholder's

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assessable income (subject to comments below in relation to the availability of the CGT discount concession) and taxable at the Shareholder's applicable rate of tax. Where a net capital loss is recognised, the loss should only be deductible against capital gains and is capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied. The tax loss utilisation tests do not apply to capital losses of trusts.

Non-corporate Shareholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for 12 months or more prior to the occurrence of the CGT relating to the disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual Shareholder, after offsetting any current or carried forward losses. The concession is not available to corporate Shareholders (including those deemed to be companies).

In relation to trusts, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied.

Australian tax resident investors who hold Shares on revenue account should seek separate independent professional advice.

9.9.8 Taxation of a return of capital by the Company without a cancellation of the Shares

Where a return of capital is made by the Company, the cost base and reduced cost base of the Shareholder's Shares for CGT purposes will be reduced by the amount of the return of capital. To the extent that the cost base of the Shares is reduced to below zero, any excess should trigger a capital gain.

The amount returned may also include a dividend component, or be deemed under taxation law, to include a dividend component. The taxation implications of this dividend component should be the same as set out above under Sections 9.9.1 to 9.9.6.

9.9.9 Non-resident CGT withholding

New rules have recently been enacted which can apply to the disposal of certain taxable Australian property under contracts entered into on or after 1 July 2017, whereby, a 12.5% non-final withholding tax may be applied. A 10% non-final withholding tax may be applied on contracts entered into on or after 1 July 2016 (but before 1 July 2017). However, the new rules should not apply to the disposal of a Share on the ASX (in accordance with a specific exemption).

9.9.10 Tax File Number (TFN) and Australian Business Number (ABN)

An Australian tax resident Shareholder is not obliged to quote a TFN, or where relevant, ABN, to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal rate (currently 45% plus Medicare levy of 2%) from certain dividends paid. Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

No withholding requirements should apply in respect of fully franked dividends paid in respect of the Shares.

9.10 New Zealand tax considerations

9.10.1 Receipt of dividends on Shares

A Shareholder's tax residence status will affect how New Zealand taxes apply to a return on their Shares.

If a Shareholder is a New Zealand tax resident and is also a tax resident in another country, the following summary applying to New Zealand tax residents may not apply to the Shareholder, and the Shareholder should seek their own tax advice.

If the Shares are held through a tax transparent, fiscally transparent or hybrid entity, the following summary of the New Zealand tax implications may also not apply to the Shareholder, and the Shareholder should seek their own tax advice. For example, a New Zealand partnership is treated as a tax transparent entity under New Zealand tax law and, as a result, the Company may need to look through the partnership to determine what (if any) tax it must withhold on dividends. For Australian partnerships, protection under New Zealand's double tax treaty network and the application of New Zealand's withholding tax regime may depend on the tax residency of the partner(s).

Distributions received by a New Zealand tax resident Shareholder will generally be taxable dividends for New Zealand tax purposes. Some distributions a Shareholder receives from the Company may not be taxable dividends (e.g. non-taxable bonus issues and certain returns of capital).

New Zealand operates an imputation regime under which income tax paid by the Company gives rise to credits, known as imputation credits, which may be attached to dividends it pays. Imputation credits attached to dividends may be used by New Zealand tax resident Shareholders as a credit against their tax liability in respect of the dividends. The maximum ratio at which the Company can attach imputation credits to dividends is 28:72 (i.e. \$28 of imputation credits to \$72 of cash dividend).

9.10.2 Trans-Tasman Imputation

The trans-Tasman imputation regime allows Australian and New Zealand companies to form a trans-Tasman imputation group, thereby allowing an Australian tax resident company to operate a New Zealand imputation account and pass on the benefit of imputation credits to its New Zealand Shareholders when it pays a dividend, relative to their proportionate ownership. The Company has not elected to enter into the trans-Tasman imputation regime. Should the Company elect to enter into the regime, it may in the future be in a position to impute dividends for New Zealand tax purposes in the year of election and later income years. To the extent that DGL elects to enter into the trans-Tasman imputation regime and pay dividends, DGL may not have sufficient imputation credits in the future to impute dividends, or the imputation system may be subject to review or reform. In addition, if the proportion of DGL's earnings from offshore operations increases, it may not be possible to impute dividends. The value and availability of imputation credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use imputation credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

9.10.3 Resident withholding tax

The Company will generally be required to withhold resident withholding tax (RWT) from dividends it pays to New Zealand tax resident Shareholders. If the dividends are fully imputed, then the RWT is generally 5% of the cash dividend. If the dividend is unimputed, then the RWT is 33%. If a Shareholder has registered with the Commissioner of Inland Revenue to be exempt from RWT, then the Shareholder should notify and provide its Inland Revenue number to the Company.

9.10.4 Filing an income tax return

If a Shareholder files a New Zealand income tax return, they must include in their taxable income not only the cash dividend they receive, but also any imputation credits attached to the dividend and any RWT withheld.

This total amount included in a Shareholder's taxable income is referred to as the gross dividend. A New Zealand Shareholder should be able to use attached imputation credits and (subject to certain criteria) the RWT to satisfy (or partially satisfy) their tax liability on the gross dividend. If the attached imputation credits and RWT deducted exceed the amount of tax on the gross dividend, a Shareholder's tax liability on other income they earn may be reduced as a result of receiving the dividend.

To the extent that a tax resident Shareholder cannot use the credit for RWT to satisfy (or partially satisfy) their tax liability, the Shareholder may get a refund of any excess RWT.

If the Shareholder is not required to file an income tax return and does not elect to file an income tax return, receiving dividends from the Company should not change that position. If the Shareholder is on a tax rate less than 33%, they may be able to reduce their other tax liabilities, or get a refund of any RWT on dividends, by filing an income tax return.

9.10.5 Non-resident withholding tax (NRWT) and Foreign Investor Tax Credit (FITC)

The below statements are made on the basis that Australian tax resident Shareholders are entitled to relief under the New Zealand – Australia double tax agreement. It is recommended each Australian tax resident Shareholder obtain its own tax advice on this matter.

The Company will generally be required to withhold New Zealand non-resident dividend withholding tax from dividends it pays to Australian tax resident Shareholders.

If the dividends are fully imputed and the Australian tax resident Shareholder holds at least 10% of the voting power in the Company, then the NRWT rate should be 0%. If the dividend is not fully imputed and the Australian tax resident Shareholder holds at least 10% of the voting power in the Company then the NRWT rate should be 5% for companies and 15% for all other Shareholders (e.g. individuals or trusts).

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If the Australian tax resident Shareholder holds less than 10% of the issued Shares, a 15% NRWT will generally apply, regardless of whether the dividend is fully imputed or not. However, if the dividend is fully imputed, the Company may pay such non-resident Shareholders an additional supplementary dividend to effectively offset the NRWT on the dividend under the FITC regime.

If the Australian tax resident Shareholder is not entitled to relief under the New Zealand – Australia double tax agreement and the dividends are not imputed, then the NRWT rate should be 30%.

9.10.6 Disposal of Shares

New Zealand does not have a comprehensive capital gains tax. As a result, Shareholders that hold Shares on capital account for New Zealand tax purposes should not be subject to New Zealand tax on any gain on disposal. Similarly, a capital loss realised on disposal should not be deductible to Shareholders under New Zealand tax law.

Although New Zealand does not have a comprehensive capital gains tax, there are instances where a Shareholder will be subject to New Zealand tax on gains they make on the sale or disposal of their Shares or be allowed a deduction for any loss they make. A Shareholder must consider their individual circumstances to determine whether any gain on the sale or disposal of their Shares will be taxable (or loss deductible).

Generally, a Shareholder will be subject to tax on any gain (or allowed to deduct any loss) arising from the sale or disposal of their Shares if they:

- a. are in the business of dealing in shares;
- b. acquire their Shares as part of a profit-making undertaking or scheme; or
- c. acquire their Shares with the dominant purpose of selling them.

As noted above, the consequences for investors who hold their investment on revenue account or as trading stock have not been considered.

If the Shareholder is an Australian tax resident, then they may be entitled to claim relief for New Zealand tax on any income account gain they derive from the sale of Shares, unless they have a 'permanent establishment' in New Zealand through which the shares are held and/or the Company is 'land rich' (which it currently is).

9.11 Indirect tax considerations

9.11.1 Australian Stamp duty

No stamp duty should be payable by a Shareholder on the acquisition or disposal of Shares. Further, under current stamp duty legislation, stamp duty would not ordinarily be payable on any subsequent acquisition of Shares by a Shareholder provided the Company remains listed on the ASX (and provided the acquisition is less than 90% of the Shares in the Company).

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.11.2 Goods and Services Tax – Australia

Under current Australian GST law, GST is not applicable to the acquisition or disposal of Shares. The ability of Shareholders to recover any GST incurred as an input tax credit in relation to costs associated with the Offer (such as costs relating to professional advice obtained by Shareholders regarding the Offer) would vary according to individual circumstances and as such this should be reviewed by Shareholders prior to making any claim.

No GST should be payable by Shareholders on receiving dividends (or other distributions) paid by the Company.

9.11.3 Goods and Services Tax – New Zealand

New Zealand GST should not apply to a Shareholder's investment in Shares.

9.12 Expenses of the Offer

The cost of the Offer are expected to be approximately \$7.1 million (including GST). These costs have been, or will be, borne by the Company from the proceeds of the Offer.

9.13 Contract summaries

Summaries of contracts set out in this Prospectus are included for the information of potential investors but do not purport to be complete and are qualified by the text of the contracts themselves.

9.14 Continuous disclosure obligations

Following admission of the Company to the Official List, the Company will be a 'disclosing entity' (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities, unless an exception applies.

Price sensitive information will be publicly released on the ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

As noted at Section 7.16.3 above, NZX Listing Rule 1.7.1 sets out how the NZX Listing Rules are modified for foreign exempt issuers. The Company will not be subject to substantive NZX Listing Rule requirements, including the rules on continuous disclosure.

9.15 Investor considerations

Before deciding to participate in the Offer, you should consider whether the Shares are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of the Shares listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, legal adviser, accountant or other professional adviser. The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

9.16 Governing law

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in Victoria and each applicant and bidder submits to the exclusive jurisdiction of the courts of Victoria.

9.17 Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus with ASIC and issue of this Prospectus and has not withdrawn that consent.

9.18 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the Offer website at www.dglgroup.com/ipo.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9.19 Change of auditor

The Company's current auditor, HLB Mann Judd (Wollongong) Pty Ltd, is in the process of seeking consent from ASIC to resign. The Company has received consent from PKF Melbourne Audit & Assurance Pty Ltd to act as auditor of the Company and it is expected their appointment will become effective on the day ASIC provides its consent.

Appendix A

Summary of Significant Accounting Policies



Basis of Preparation

The general purpose financial statements on which the Financial Information has been based have been prepared in accordance with the Corporations Act, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of the Financial Information are presented below and have been consistently applied unless stated otherwise.

The Financial Information except for cash flow information, has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

A. Income Tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the Australian Taxation Office using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Appendix A **Summary of Significant Accounting Policies**

B. Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

C. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads.

Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

D. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The cost of fixed assets constructed within the consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5 – 3%
Plant and equipment	4– 80%
Office equipment	10 – 67%
Leasehold improvements	2%
Motor vehicles	15 – 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

E. Leases (the Group as lessee)

At inception of a contract, the Group 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. However, all contracts that are classified as short-term leases (ie 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 the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group 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;
- lease payments under extension 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.

Subsequently, the lease liability is measured by a reduction to the carrying amount of any payments made and an increase to reflect any interest on the lease liability.

The right-of-use asset is an initial measurement of the corresponding lease liability less any incentives and initial direct costs. Subsequently, the measurement is the cost less accumulated depreciation (and impairment if applicable).

Right-of-use asset 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 Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

F. Financial Instruments

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 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 a significant financing component or if the practical expedient was applied as specified in AASB 15: *Revenue from Contracts with Customers*.

Classification and Subsequent Measurement

Financial liabilities

The Group's financial liabilities are trade and other payables, leases and borrowings. They are recognised at the amount payable.

Financial asset

The Group's financial assets are cash and cash equivalents and trade and other receivables. They are measured at the amount expected to be recovered.

Impairment of Trade Receivables

The Group does not recognise a loss allowance for expected credit losses on trade receivables as they believe the balance is recoverable. In the instance where an allowance was necessary, the Group would use the general approach to impairment as applicable under AASB 9.

General Approach

Under the general approach, at each reporting period, the entity would assess whether the financial instruments are credit impaired and if:

- the credit risk of the financial instrument increased significantly since initial recognition, the entity measures the loss allowance of the financial instrument at an amount equal to the lifetime expected credit losses; and
- there was no significant increase in credit risk since initial recognition, the entity measures the loss allowance of the financial instrument at an amount equal to 12-month expected credit losses.

G. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

H. Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains and losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The useful lives of finite intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

The Company acquired Chem Pack effective 1 January 2021. The acquisition included intangible assets with a total value of \$23.91m. The individual intangible assets that together comprise this total value are yet to be identified and valued.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Other intangible assets

The Group's hydro-metallurgical processing technology (Hydroproc process), which has an indefinite useful life, was systematically tested for impairment as at 30 June 2020.

I. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars which is Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

J. Employee Benefits

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 12 months after the end of the annual 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 part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual 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 part of employee benefits expense.

Appendix A **Summary of Significant Accounting Policies**

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

Defined contribution superannuation benefits & Kiwisaver

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary and 3% for Kiwisaver) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

K. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provision for Warranties

Provision is made in respect of the Group's best estimate of the liability on all products and services under warranty at the end of the reporting period. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Group's history of warranty claims.

L. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

M. Revenue Recognition

The Group has the following revenue streams:

1. Formulation, packaging, storage and cartage of chemical products.
2. Processing of used lead acid batteries to recover lead metals and oxide.
3. End-to-end supply chain solution
4. Warehouse rental

The core principle in AASB 15 is that revenue is recognised on the basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods and services.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance of obligations.
3. Determine a transaction price. Quotes are based on scope of work and the estimated time required to complete the project. For projects that require travel, this cost is included in the quote.
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred.

Revenue is recognised when control of the products has been transferred to the customer. For such transactions, this is when the products are delivered to the customer or other location as directed by the customer and as stated in the contract or purchase order. Revenue from these sales are based on the price stipulated in the purchase order or contract as negotiated by the sales team. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

A receivable will be recognised when the goods are delivered. The Group's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales are made within a credit term of 30 to 60 days.

Generally the timing of the payment for rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however, where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

All revenue stated are net of the amount of goods and services tax (GST).

N. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

O. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

P. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO) and Inland Revenue Department (IRD), New Zealand.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO and IRD is included with other receivables or payables in the statement of financial position.

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

Q. 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 DGL 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 statements is presented.

Appendix A **Summary of Significant Accounting Policies**

R. New and Amended Accounting Policies Adopted by the Group

There are no new or amended accounting policies that the Group has not adopted.

S. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates and Judgments

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgment to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, Management includes the nature/ type, cost/ value, quantity and the period of transfer related to the goods or services promised.

Lease term and option to extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably certain of being exercised is a key Management judgment that the Group will make. The Group determines the likeliness to exercise on a lease-by-lease basis, looking at various factors such as which assets are strategic and which are key to the future strategy of the Group.

Impairment

In assessing impairment, Management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

All impairment loss are recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, Management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustments to market risk and the appropriate adjustment to asset-specific risk factors.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

Long service leave

The liability for long service leave is recognised and measured as the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Appendix B
Glossary



Appendix B Glossary

Term	Meaning
\$ or A\$	Australian dollars
1H	First half of a financial year
2H	Second half of a financial year
3PL	Third party logistics
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ACN	Australian Company Number
Applicant(s)	A person who submits an Application
Application(s)	An application made to subscribe for Shares offered under this Prospectus
Application Form	The application form included in or accompanying this Prospectus (including the electronic form)
Application Monies or Application Amount	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691 or the financial market known as the Australian Securities Exchange operated by it, as the context requires
ASX Listing Rules	The listing rules of ASX
ASX Recommendations	The 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Ltd ABN 49 008 504 532
ATO	Australian Taxation Office
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
Bell Potter	Bell Potter Securities Limited ABN 25 006 390 772
Board or Board of Directors	The board of directors of the Company
Broker	Any ASX or NZX participating organisation selected by the Joint Lead Managers and the Company to act as 'Broker' to the Offer
Broker Firm Offer	The Offer of Shares under this Prospectus to Australian and New Zealand resident investors who are not Institutional Investors and have received a firm allocation from their Broker, as described in Section 7.9
Canaccord	Canaccord Genuity (Australia) Limited ABN 19 075 071 466
Cavell Leitch	Cavell Leitch Limited (registration number 5863410)

Term	Meaning
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Chem Pack	Chem Pack Pty Ltd ACN 060 283 089
Chem Pack Contract	Has the meaning given in Section 9.5.1
Chem Pack Shares	Has the meaning given in Section 9.5.1
Chem Pack Vendors	Spalding Holdings Pty Ltd ACN 010 155 852 as trustee for Sushames Family Trust No 2, Robert William Sushames as trustee for Sushames Family Trust and David Andrew Idda as trustee for Idda Family Trust.
CHESS	Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act
Closing Date	The date by which Applications must be lodged for the Offer, being 12 May 2021. This date may be varied by the Company and the Joint Lead Managers, without prior notice
Companies Act	<i>Companies Act 1993</i> (NZ)
Company	DGL Group Limited ACN 002 802 646
Completion of the Offer	The completion of the Offer, being the date on which Shares are issued or transferred to successful Applicants in accordance with the terms of the Offer
Constitution	The constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Corporate Directory	The Corporate Directory at the back of this Prospectus
COVID-19	Has the meaning given in Section 5.2.1
CS Facility Rules	The operating rules of an applicable clearing and settlement (CS) facility licensee.
DGL	The Company or the Group, as the context requires
DGL Entities	Has the meaning given in Section 4.2.2
DGL Industries Pty Ltd	DGL Industries Pty Ltd ACN 625 570 201
DGL Manufacturing Limited	DGL Manufacturing Limited (registration number 2116819)
DGL Manufacturing Pty Ltd	DGL Manufacturing Pty Ltd ACN 167 987 064
DGL (NZ) Limited	DGL (NZ) Limited (registration number 6928556)
DGL Warehousing and Distribution Pty Ltd	DGL Warehousing & Distribution Pty Ltd ACN 625 569 922
DGL Warehousing NZ Limited	DGL Warehousing NZ Limited (registration number 7334237)

Appendix B Glossary

Term	Meaning
Director	A director of the Company
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eligible US Fund Manager	Eligible US Fund Manager: A dealer or other professional fiduciary organised or incorporated in the United States that is acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act of 1933
Employee	An employee of the Group
Escrow Arrangements	The voluntary escrow arrangements each of the Escrowed Shareholders have agreed to enter into or accepted to continue to hold their Shares after Listing
Escrowed Shareholders	Simon Henry and the Chem Pack Vendors who have their Shares subject to voluntary escrow arrangements
Executive Director	An executive Director
Existing Shareholder	Simon Henry or entities associated with Simon Henry
Expiry Date	27 May 2022, being 13 months after the date of this Prospectus
Financial Information	Has the meaning given in Section 4.1
Forecast Financial Information	Has the meaning given in Section 4.1
Founder	Simon Henry
Free Float	The percentage of Shares that are not restricted securities or subject to voluntary escrow and are held by non-affiliated Shareholders (i.e. Shareholders who are not related parties of the Company or their associates)
FY	Financial year or year ended or ending 30 June. For example, FY20 is the financial year ended 30 June 2020 and FY21 is the year ending 30 June 2021
Group	The Company and its subsidiaries
Group Member	An entity within the Group
GST	Goods and services or similar tax imposed in Australia or New Zealand, as the case may be
Historical Financial Information	Has the meaning given in Section 4.1

Term	Meaning
Institutional Investor	<p>An investor to whom offers or invitations in respect of securities can be made without the need for a prospectus (or other formality, other than a formality which the Company is willing to comply with), including in:</p> <ul style="list-style-type: none"> • Australia, to persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (other than section 708(1)); • New Zealand, to persons to whom offers and invitations can be made without the need for a registered prospectus under section 3(2)(a) of the Securities Act 1978 (NZ); • Hong Kong, to "professional investors" as defined under the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the Laws of Hong Kong; • Singapore, to "institutional investors" and "accredited investors" (as such terms are defined in the Securities and Futures Act of Singapore); • United Kingdom, to persons who are: <ul style="list-style-type: none"> – "qualified investor" within the meaning of Article 2(e) of the UK Prospectus Regulation; and • within the categories of persons referred to in Article 19(5) (investment professionals) or Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended; and • United States, to Eligible US Fund Managers.
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.10
Investigating Accountant or PKF	PKF Melbourne Corporate Pty Ltd ACN 063 564 045
Investigating Accountant's Report	The report prepared by the Investigating Accountant, as set out in Section 8
IPO	Initial public offering
Joint Lead Managers	Bell Potter and Canaccord
Listing	Admission of the Company to the Official List and NZX Main Board and quotation of the Shares on the ASX and the NZX
Listing Date	The date on which the Company is admitted to the Official List and NZX Main Board and quotation of the Shares commences
m	Millions
Management	The CEO, CFO and senior management team of the Company
New Shares	The new Shares to be issued by the Company under the Offer
New Zealand Mutual Recognition Regime	The mutual recognition regime established under sub-part 6 of Part 9 of the FMCA and Part 9 of the <i>Financial Markets Conduct Regulations 2014</i> (NZ)
Non-Executive Director	A non-executive director of the Company
NPAT	Net profit after tax
NZ\$	New Zealand dollars

Appendix B Glossary

Term	Meaning
NZX	NZX Limited NZBN 942 903 6186 358 or the financial market operated by it, as the context requires
NZX Listing Rules	The listing rules of NZX
NZX Main Board	The main board equity security market operated by NZX
Offer	The offer of Shares under this Prospectus, including, for the avoidance of doubt, the Broker Firm Offer, the Institutional Offer, the Priority Offer and the Vendor Offer
Offer Period	The period from the date on which the Broker Firm Offer opens on 6 May 2021 until the Closing Date
Offer Price	\$1.00 per Share
Official List	The official list of entities that ASX has admitted to and not removed from listing
OHS	Occupational health and safety
Original Prospectus	The prospectus dated 28 April 2021 and lodged with ASIC on that date (as described in the 'Important information' Section of this Prospectus), and which this Prospectus replaces
Priority Offer	The priority offer which is open to selected investors in Australia and New Zealand who have received an invitation under the Priority Offer, as described in Section 7.11
pro forma customers	Refers to customers of DGL which are reflected in the pro forma accounts of the Group. The 'pro forma customer' numbers include customers of those entities which were not part of the Group at the relevant time, as they were customers of entities acquired by DGL after the relevant date (e.g. Chem Pack)
Pro Forma Historical Financial Information	Has the meaning given in Section 4.1
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document
Prospectus Date	The date of this Prospectus
Section	A section of this Prospectus
Settlement	The settlement in respect of the Shares subject to the Offer
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of at least one Share
Share Registry	Link Market Services Limited ACN 083 214 537
Statutory Historical Financial Information	Has the meaning given in Section 4.1
ULAB	Used lead acid battery
Underwriting Agreement	Has the meaning given in Section 9.4
Vendor Offer	The vendor offer which is open to the Chem Pack Vendors (or their nominees) as part payment of the deferred consideration payable for the acquisition of all of the shares in Chem Pack, as described in Section 7.12

Corporate directory

Company Registered Office

DGL Group Limited (Registered Office)

C/- DW Accounting & Advisory Pty Ltd
Level 4, 91-97 William Street
Melbourne VIC 3000

DGL Group Limited (Head Office)

201 Five Islands Road
Unanderra NSW 2526

Joint Lead Managers to the Offer

Bell Potter Securities Limited

Level 38, Aurora Place, 88 Phillip Street
Sydney NSW 2000

Canaccord Genuity (Australia) Limited

Level 15 333 Collins Street
Melbourne VIC 3000

Legal Advisers to the Offer

AUSTRALIA

MinterEllison

Level 20 Collins Arch 447
Collins Street Melbourne VIC 3000

NEW ZEALAND

Cavell Leitch Limited

Level 3 BNZ Centre 111 Cashel Mall
Christchurch NZ 8011

DGL Offer Information Line

Within Australia: 1800 134 068

Within New Zealand: 0800 630 110

Outside Australia and New Zealand: +61 1800 134 068

Hours of operation: 8.30am to 5.30pm
(Melbourne time) Monday to Friday

DGL Offer Website

www.dglgroup.com/ipo

Investigating Accountant

PKF Melbourne Corporate Pty Ltd

Level 12, 440 Collins Street
Melbourne VIC 3000

Current Auditor

HLB Mann Judd (Wollongong) Pty Ltd

65 Kembla Street
Wollongong NSW 2500

Proposed Auditor

PKF Melbourne Audit & Assurance Pty Ltd

Level 12, 440 Collins Street
Melbourne VIC 3000

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney, NSW 2000

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GROUP