

ASX RELEASE

17 October 2025

Update regarding FY25 Results and Auditor's Disclaimer of Opinion

DGL Group Limited (ASX: DGL), (DGL, the Group or the Company) provides the following update regarding the Company's FY25 results and the Auditor's disclaimer of opinion in relation to FY25.

Revision to Financial Results

During the finalisation of the audit process, an additional impairment to goodwill was identified. The final financial statements reflect total impairment expense of \$17.1 million, an increase of \$3.2 million from the previously announced amount. This non-cash adjustment does not affect underlying earnings, but has increased the reported statutory Net Loss After Tax to \$27.9 million from the previously announced \$24.6 million.

DGL Group reported FY25 underlying EBITDA of \$52.1 million with \$44.7 million positive cash flow from operations.

Auditor's Report

As previously disclosed, the Company expected a modified audit opinion relating to inventory matters.

The Company's auditor PKF Melbourne Audit & Assurance Pty Ltd (PKF) has now issued a Disclaimer of Opinion on the FY2025 financial statements. The disclaimer principally relates to:

1. Issues PKF had in confirming stocktake variances at two sites, which was in part impacted by the implementation of a new Group-wide Enterprise Resource Planning (**ERP**) system during the year end stocktake process.
2. PKF's concerns over the potential for management override of controls as a result of the weaknesses in the systems of internal control and corporate governance processes allied to complex accounting and reporting systems.

We recognise the seriousness of this matter and the concerns it raises for our shareholders and other stakeholders.

It is noted that the ASX is not able to reinstate DGL's securities on the basis of financial statements containing a disclaimed opinion. Furthermore, reinstatement to quotation will be subject to compliance with the ASX Listing Rules and consultation with the ASX.

The Company will keep the market informed on progress to reinstate DGL's securities on the ASX.

Business Transformation Context

The DGL Group has completed 30 business and asset acquisitions in the last five years and is currently undertaking a significant business transformation program, including the migration from multiple separate accounting systems to a single Group-wide ERP system. This transformation will support our expanded scale and provide enhanced financial controls across the Group.

This transformation is well progressed, with the first phase of implementing to Group-wide ERP system, together with new Logistics Management and HR & Payroll systems, expected to be completed by the end of this calendar year. The system enhancements are designed to provide significantly enhanced financial controls and reporting capabilities.

Inventory Matters

As part of the ERP implementation programme, the Company implemented a new inventory management system at certain locations late in the FY25 financial year. PKF conducted inventory counts at various locations at or around 30 June 2025. At two locations holding approximately 35% of the Group's inventory by value, the Auditor was unable to satisfy themselves of inventory accuracy based on the initial stock counts.

At the Auditor's request, management conducted additional inventory counts at these locations on 31 July 2025. The variances identified between counts were primarily attributed to production and handling shrinkage, bulk liquid transfers not fully captured by the inventory system, and open work orders not yet processed at the count date.

DGL's understanding of industry practice is that a maximum variance of around 3% is generally accepted for a continuous chemical manufacturing operation due to the nature of chemical manufacturing, which includes yield variations, variances in density and waste during the manufacturing process. The Board determined that based on the variances identified, a write-down against inventory of \$400,000 was prudent to avoid risk of overstatement, and this adjustment is reflected in the consolidated statement of comprehensive income for FY25. This write-down reflected a 3.2% provision on stock at DGL's largest site.

However, due to the complexities of the new system implementation and the need to continue operations, we were not able to provide PKF with sufficient audit evidence to support the reasons for the stocktake variances that were identified. Accordingly, the Auditor was unable to give an opinion on whether the carrying value of inventory as at 30 June 2025 was materially correct.

DGL has implemented new inventory management systems and processes at the sites in question, designed to provide enhanced inventory management and reporting capabilities.

Internal Control Monitoring

The Auditor identified internal control weaknesses that were contributed to by the complexity of operating multiple legacy accounting systems, whilst simultaneously implementing a Group-wide ERP system.

Actions Taken and In Progress

The Company has implemented, and is continuing to implement, comprehensive control enhancements including:

- Implementation of the Group-wide ERP system with enhanced controls and monitoring capabilities
- Strengthened system access controls and monitoring procedures
- Enhanced fraud detection systems and analytics
- Enhanced Board oversight and governance protocols

The migration to a single Group-wide ERP system is a key component of strengthening the control environment and will provide standardised processes, enhanced controls, and improved visibility across the expanded Group.

Syndicated Debt Facility

DGL has received a waiver from its bank syndicate confirming that the Disclaimer of Opinion from PKF and the Company's current ASX suspension does not constitute an Event of Default under the Facility Agreement. The waiver is subject to specific obligations and terms. Other than the waived terms all rights, obligations, and enforceability under the Facility Agreement remain fully intact and unaffected.

As set out in the Annual Report, DGL commenced the sale process for three non-strategic property holdings in Q4 FY25. Sales contracts have since been entered into for approximately \$25.7 million in net proceeds, which exceeds the book value of these assets. The settlement proceeds will be used to reduce DGL's net debt by approximately 24% before 31 December 2025.

Board Commentary

Tim Hosking, Chairman, said: "The Company has undergone significant growth and transformation, completing 30 business and asset acquisitions in the last five years and undertaking the migration from multiple separate accounting systems to a single Group-wide ERP platform. This transformation is essential to support our growth and provide the robust control environment appropriate for our expanded scale.

Whilst we have identified control monitoring deficiencies during this period of significant change, we have acted decisively to strengthen our control environment. No material misstatements in the processing or recording of transactions have been identified. The ongoing ERP implementation will provide enhanced controls, standardised processes, and improved oversight across the Group.

The Board recognises the importance of robust controls and governance, particularly during periods of rapid growth and transformation. We are committed to ensuring the control environment keeps pace with the scale and complexity of the business, and the actions we have taken and continue to implement demonstrate this commitment.

The Board has confidence in the integrity of the financial information presented in DGL's FY25 Annual Report and remains confident in the underlying operational performance and financial position of the business."

- ENDS -

Approved for release by the Board of DGL.

For personal use only

CONTACT

Barbara Furci

DGL Group Limited

+61 487 962 595 or barbara.furci@dglgroup.com

ABOUT DGL GROUP LIMITED

DGL Group Limited (ASX: DGL) is an established, founder-led, end to end chemicals business that provides a complete solution for the sourcing, manufacturing, storage and transport, recycling, and disposal of chemicals and hazardous waste. DGL operates a comprehensive network to deliver a broad range of specialised chemical services to essential industries across Australia and New Zealand.

For personal use only