



Duratec Limited ACN 141 614 075
October 2020

Replacement Prospectus

For the offer of 48,000,000 New Shares and
57,850,000 Sale Shares each at an issue price of
\$0.50 per Share to raise \$52,925,000 (before costs)

The IPO Offer is fully underwritten by
Euroz Securities Limited

IMPORTANT INFORMATION

This is an important document and it should be read in its entirety. If after reading this Prospectus, you do not fully understand it or the rights attaching to the Shares offered by it, you should consult an accountant, solicitor or other professional adviser for assistance.



Euroz Securities Limited
Lead Manager and Underwriter of the IPO Offer



Ernst & Young Strategy and Transactions Limited
Corporate Adviser



K&L Gates
Australian Legal Adviser



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The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares in Duratec Limited



1. Important Notices

Offer

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (**Shares**) in Duratec Limited ACN 141 614 075 (**Duratec or Company**). This Prospectus is issued by the Company and Opal SaleCo Limited ACN 642 557 908 (**SaleCo**) for the purposes of Chapter 6D of the Corporations Act. The Offer contained in this Prospectus is an initial public offering comprised of an offer of New Shares being issued by the Company and Sale Shares being sold by the Selling Shareholders via SaleCo.

Lodgement and Listing

This is a replacement Prospectus dated 15 October 2020 (**Prospectus Date**) and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. It replaces the prospectus issued by the Company dated 30 September 2020 and lodged with ASIC on that date and the prospectus issued by SaleCo dated 7 October 2020 and lodged with ASIC on that date (**Original Prospectuses**). For the purposes of this document, this replacement prospectus will be referred to as the Prospectus. This replacement Prospectus differs from the Original Prospectuses in the following areas:

- the "Indicative Key Dates" have been revised and corresponding changes have been made to those dated throughout the Prospectus;
- section 5.7 has been amended to clarify the proportion of revenue attributable to the Company's top 5 clients;
- section 5.5 and 9.3.5 includes a summary which discloses the payment of Pre-IPO Dividends and the proceeds of Sale Shares to Existing Shareholders; and
- sections 5.6 and 8.6 which discloses the use of funds have been amended.

The lodgement of a replacement prospectus has also required certain references to reflect the fact the Company has now applied to the ASX for admission to the Official List and for quotation of its Shares on the ASX.

The Company has applied to ASX Limited (**ASX**) for admission of the Company to the official list of ASX and quotation of its Shares on ASX. None of ASIC, ASX or their officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Exposure Period

In accordance with Chapter 6D of the Corporations Act, the Original Prospectus for the Company was subject to an exposure period of seven days from the date of lodgement with ASIC. This period was extended by ASIC for a further period of seven days which aligns with the exposure period for the Original Prospectus lodged for SaleCo. The Corporations Act prohibits the Company from processing Applications in the 7-day period after the date of lodgement of the Original Prospectuses with ASIC (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further 7 days. The purpose of the Exposure Period is to enable the Original Prospectuses to be examined by market participants prior to the raising of funds. 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.

Expiry Date

This Prospectus expires on 30 October 2021 and 7 November 2021, in respect of the the Company and SaleCo, respectively being the date which is 13 months after the date of the Original Prospectuses (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

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 the Shares. Some of the key risk factors that should be considered by prospective investors are set out in section 12. 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 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 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 or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares and Existing 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, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. The Offer is not being extended to any investor outside Australia and New Zealand, other than to institutional investors as part of the 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.

Important Notice to 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 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

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 2001 (Aust) and the regulations made under that Act 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 this offer. If you need to make a complaint about this offer, please contact the 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.

The offer may involve a 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 that currency 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.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product 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 financial products and trading may differ from financial product markets that operate in New Zealand.

Financial Information Presentation

Section 10 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in section 10.2. 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 are due to rounding.

Forward Looking Statements

Various statements in this Prospectus may be in the nature of forward looking statements, including statements of current intentions, statements of opinion and predictions as to future events. You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate.

Forward looking statements are subject to various inherent risks and uncertainties (many of which are outside the Company's control) that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. As a result, forward looking statements should be read in conjunction with risk factors as set out in section 12 and other information in this Prospectus.

Suitability of Investment and General Risk Factors

This Prospectus provides information to help investors decide whether they wish to invest in the Company. Before deciding to invest in the Company, potential investors should read this entire Prospectus, and in particular the risk factors that could affect the future operations and activities of the Company. The Offer contained in this Prospectus does not take into

account the investment objectives, financial situation and particular needs of individual investors. Please read the relevant Application Form carefully. Professional advice should be sought before deciding to invest in any securities the subject of this Prospectus.

Disclaimer

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 upon as having been authorised by the Company, SaleCo or any other person in connection with the Offer. You should rely only on information in this Prospectus.

The Company, the Underwriter and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Obtaining a Copy of This Prospectus

A paper copy of the Prospectus is available free of charge to any person in Australia by calling the Offer Information Line on 1300 161 488 (within Australia) or +61 3 9415 4047 (outside Australia) from 8.30 am until 5.00 pm (Sydney time) opening Monday to Friday during the offer period.

This Prospectus is also available to Australian resident investors in electronic form at the Offer website, <https://duratecoffer.thereachagency.com>. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website from Australia. It is not available to persons in the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications for Shares may only be made on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from <https://duratecoffer.thereachagency.com>. 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 attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

Defined Terms and Abbreviations

Defined terms and abbreviations used in this Prospectus are explained in section 14. Unless otherwise stated or implied, references to times in this Prospectus are to Perth time.

Privacy

By completing an Application Form, you are providing personal information to the Company, SaleCo and the Share Registry, which is contracted by the Company to manage Applications. The Company, SaleCo 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 may disclose your personal information for purposes related to your investment to their agents and service providers as disclosed in the Company's Privacy Policy or as otherwise authorised under the Privacy Act 1988 (Cth).

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, information on the Shareholder register will be accessible by members of the public.

Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses this Prospectus or that 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 graphs, charts and tables is based on information available as at the date of this Prospectus.

If You Have Any Questions

If after reading this Prospectus, you do not fully understand it or the rights attaching to the Shares offered by it, you should consult an accountant, solicitor or other professional adviser for assistance. The Company is unable to advise Applicants on the suitability or otherwise of an investment in the Company.

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



2. Corporate Directory

Directors

Martin Brydon
Non-Executive Chairman

Robert (Phil) Harcourt
Managing Director

Chris Oates
Executive Director

Gavin Miller
Non-Executive Director

Australian Legal Adviser

K&L Gates
Level 32, 44 St George's Terrace
Perth, Western Australia 6000

Company Secretary

Dennis Wilkins
DWCorporate Pty Ltd
Suite 2, 11 Ventnor Ave,
West Perth, Western Australia 6005

Share Registry

**Computershare Investor
Services Pty Limited**
Level 11, 172 St George's Terrace
Perth, Western Australia 6000

Registered Office

108 Motivation Drive, Wangara,
Western Australia 6065

Investigating Accountant

RSM Corporate Australia Pty Ltd
Level 32, Exchange Tower
2 The Esplanade, Perth,
Western Australia 6000

Lead Manager and Underwriter

Euroz Securities Limited
Level 18 Alluvion
58 Mounts Bay Road
Perth, Western Australia 6000

Corporate Adviser

**Ernst & Young Strategy and
Transactions Limited**
11 Mounts Bay Road
Perth, Western Australia 6000

Auditor

RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
Perth, Western Australia 6000

New Zealand Legal Adviser

Quigg Partners
Level 7, The Bayleys Building,
36 Brandon Street
Wellington 6140, New Zealand

Company Website

www.duratec.com.au

Proposed ASX Code

ASX:**DUR**

3. Key IPO Offer Information

The IPO Offer

Description	Value/Number
Offer Price per Share	\$0.50
Existing Shares on issue	189,444,801
New Shares to be issued	48,000,000
Sale Shares to be sold by SaleCo	57,850,000
Total Shares offered under the IPO Offer	105,850,000
Shares held by Existing Shareholders at completion of the IPO Offer	131,594,801
Total Shares on issue following completion of the IPO Offer	237,444,801
Proceeds to the Company from the issue of New Shares	\$24,000,000
Proceeds to the Selling Shareholders from the sale of Sale Shares	\$28,925,000
Gross proceeds from the IPO Offer	\$52,925,000
Market capitalisation at the Offer Price ¹	\$118,722,401
Enterprise Value ²	\$91,086,401
Enterprise Value / pro forma FY2020 EBITDA ³	4.3x
Market capitalisation at the Offer Price / pro forma FY2020 NPAT ¹	9.7x

1. Market Capitalisation at the Offer Price is the Offer Price multiplied by the total number of Shares at Listing.
2. Enterprise Value is the market capitalisation of the Company at the Offer Price less the pro forma Net Cash as at 30 June 2020 of \$27,636,000.
3. The Pro Forma Financial Information incorporates the adjustments set out in Section 10. Certain Financial Information included in this Prospectus is described as pro forma for the reasons described in Section 10.



Indicative Key Dates⁴

Event	Date
Original Prospectus for Duratec lodged with ASIC	30 September 2020
Original Prospectus for SaleCo lodged with ASIC	7 October 2020
This Prospectus lodged with ASIC	15 October 2020
Opening Date	15 October 2020
Closing Date	22 October 2020
Expected date for allotment of securities	29 October 2020
Expected date for despatch of holding statements to Shareholders	30 October 2020
Expected date for quotation of the Company's securities on ASX	4 November 2020

4. The above dates are indicative only and may change. The Company and SaleCo, in agreement with the Lead Manager and Underwriter, reserve the right to amend any and all of the above dates without notice to you including (subject to the ASX Listing Rules and the Corporations Act), to close the Offer early, to extend the Offer, to accept late Applications, either generally or in particular cases, or to withdraw the Offer before settlement. If the Offer is withdrawn before the issue of the Shares, then all Application monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.



Duratec has built a reputation as a respected and trusted brand, with a strong track record and national footprint.





4. Chairman's Letter

Dear Investor

On behalf of the Directors, I am pleased to offer you the opportunity to become a shareholder in Duratec Limited (**Duratec** or the **Company**). Duratec is a market leader in protecting and extending the life of assets and specialist asset refurbishment.

Over the last decade, Duratec has built a reputation as a respected and trusted brand, with a strong track record and national footprint. The Company's local teams of experienced professionals provide quality services to its clients, including the Department of Defence, many of whom are long-standing. Since inception, Duratec has demonstrated sustainable year on year revenue and earnings growth, including during the current financial year, which is testament to the Company's strength and resilience. A high-quality team, clear growth strategy and positive industry thematic all support the future demand for Duratec's services.

With over 30 years' experience in the Australian and New Zealand construction industries, including with major ASX-listed companies, I am excited by the opportunity presented by Duratec. I am impressed not only with Duratec's financial performance, but also the Company's passionate focus on its clients, personnel, culture and service delivery. I look forward to the next phase of Duratec's evolution and the opportunities that lie ahead.

On behalf of the Directors, I recommend this Offer to you and look forward to your support and future participation as a shareholder.

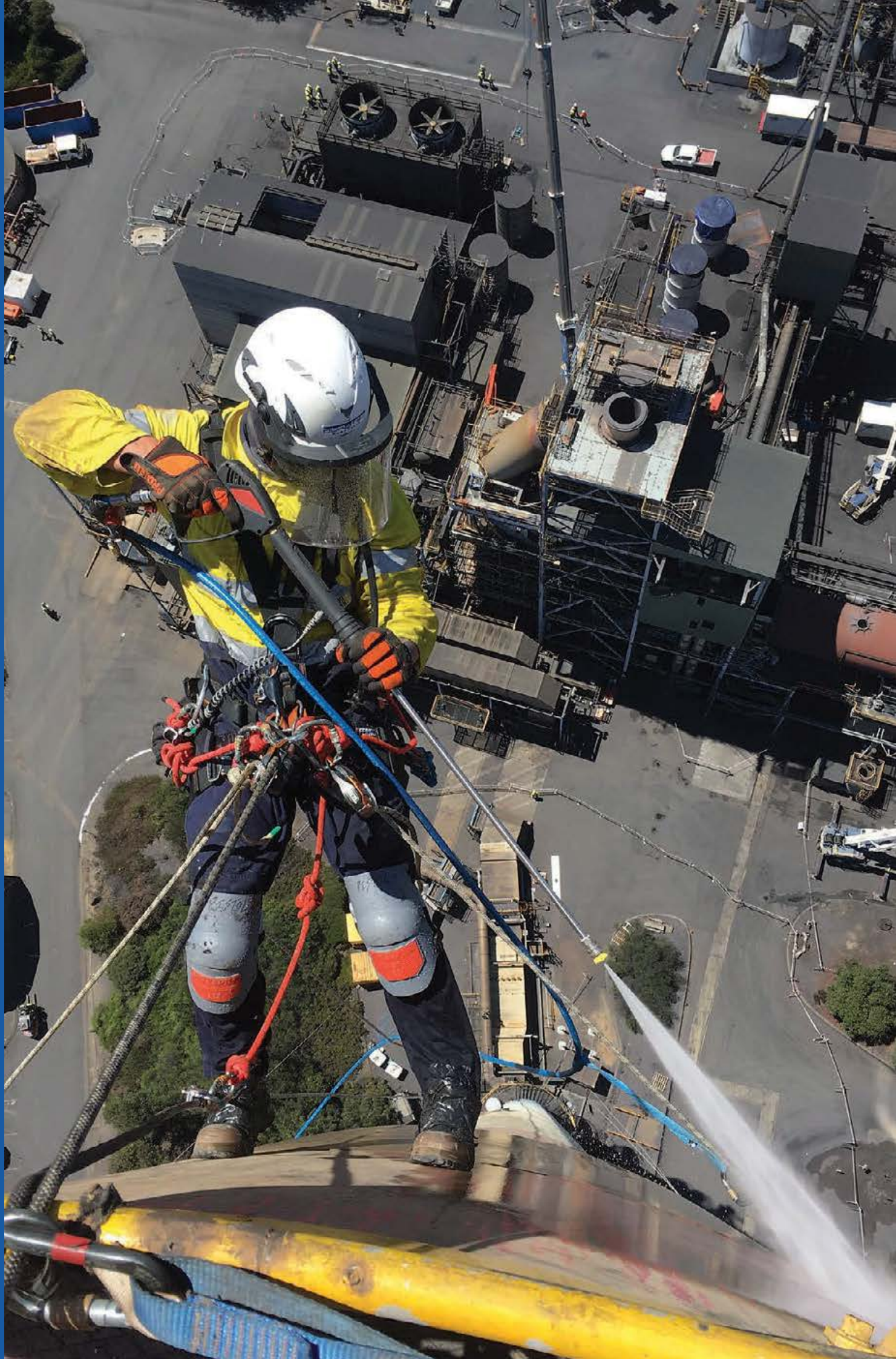
Yours faithfully,



Martin Brydon

Non-Executive Chairman.
Duratec Limited





5. Investment Overview

This section is a **summary only** of the information contained in this Prospectus. Investors should read and carefully consider this Prospectus in its entirety before applying for Shares in the Company.

5.1 Company & Business Overview

Who is Duratec?

Duratec Limited (ACN 141 614 075) (**Duratec** or the **Company**) is a market leader in:

- › protecting and extending the life of a range of assets; and
- › specialist asset refurbishment.

Duratec employs approximately 675 personnel, including approximately 100 project managers and approximately 50 specialist engineers.

For more information, please see Section 6.1

What does Duratec do?

Duratec is a national specialist contractor providing and delivering long term, innovative solutions to its clients. It has expertise in providing assessment, protection, remediation and refurbishment services to a broad range of assets, in particular steel and concrete infrastructure, including:

- › commercial, government and residential buildings, especially high-rise structures;
- › marine infrastructure, including bridges, wharves and jetties;
- › heritage structures, including government buildings;
- › process and non-process infrastructure in the natural resources and energy sectors;
- › defence base civil infrastructure;
- › industrial process plants;
- › fuel and industrial storage tanks;
- › pipeline infrastructure;
- › electrical infrastructure;
- › water and wastewater infrastructure; and
- › power generation infrastructure.

Duratec is a self-performing contractor that employs a large team of professionals with extensive industry experience in both technical services and project delivery. This expertise, combined with access to the latest technological capabilities (including state of the art destructive and non-destructive techniques, 3D capture and modelling technology and predictive

analysis tools) enables:

- › pro-active diagnosis of asset condition, integrity and degradation; and
- › development and delivery of innovative, durable, cost-effective and fit-for-purpose solutions designed to accommodate clients' on-going operational requirements.

These services are delivered to clients across a variety of industries, typically as part of responsive works, scheduled works or performance-based programmes, to protect and extend asset life, taking into account economical and sustainable development principles and whole of life objectives.

For more information, please see Section 6.1

What are the key strengths, differentiators and competitive advantages of the Company?

Market leader with a national presence: Duratec has a well-established reputation and market leading position developed over a number of years through the delivery of high-quality solutions and service. Duratec has a network of locations across Australia. This enables direct client engagement with a high level of technical understanding and support services via a local presence. The Company also intends to establish an office and local team in New Zealand in the next 12 to 18 months, in response to market demand (subject to any border and/or travel restrictions).

Attractive industry dynamics and focused growth strategy: The demand for Duratec's services is supported by strong growth drivers, including an increasing number of ageing steel and concrete structures which require protection, on-going maintenance, remediation and refurbishment services (see Section 7 for further details). The industries Duratec services are also growing, in particular the defence sector (which has strong spending growth projections) and building remediation (public, government and commercial / residential, including cladding replacement). The Company has specific, focused strategies and management systems to identify and capture these growth opportunities.

Experienced team with strong client

relationships: Duratec's core leadership team and broader senior management group are well-regarded specialists in their fields with extensive industry experience. Over the last 10 years this team has developed strong client relationships based on knowledge, a high degree of customer focus, understanding client needs and high-quality delivery. This has resulted in a diverse client base with a significant amount of Duratec's revenue coming from repeat client business.

End-to-end service offering enabled by specialist technical services:

Duratec's specialist Technical Services Division comprises 15 specialist corrosion and civil engineers across Australia. This team provides a mechanism for early contractor involvement (ECI), even prior to the design stage, through asset investigations, scoping and durability planning. It also provides a natural gateway for engagement of Duratec's project delivery capabilities, so that Duratec can provide a specialist end-to-end solution over the entire asset life-cycle. This means Duratec can capture more of the value-chain across the life of an asset. This is a key point of difference from traditional pure consultancy or construction businesses and a key competitive advantage for Duratec.

Dedicated National Defence Division:

The Department of Defence is a key client of Duratec and provides significant long-term growth opportunities. The Company is currently working on 67 separate defence projects across 35 defence bases throughout Australia. Duratec's dedicated National Defence Division employs more than 160 personnel including approximately 20 project managers and approximately 25 engineers including 13 HOTO engineers. It is responsible for all aspects of service provision to the defence industry, from estimation and bidding through to project delivery and handover / takeover.

Track record of profitability, consistent margins and growth:

Duratec has a demonstrated history of sustained organic growth in both revenue and profit, and consistent margins, including in FY20.

Sophisticated processes: the Company's track record of early project identification, engagement, delivery and profitability, reflects the robust and sophisticated processes that Duratec has established. These include bidding, tendering and contract management systems, which together with the experienced contracting personnel, provide the cornerstones of the Company's risk management and service delivery standards.

People, culture and safety: Duratec prides itself on the quality of its people and the culture that has been developed over a decade of operations. Duratec is very focused on attracting and retaining high quality personnel who understand and demonstrate the Company's values. This is reflected in the Company's comprehensive hiring and induction processes. Duratec is also committed to the safety and well-being of its employees. Duratec has a very strong incident reporting culture which enables continuous review and improvement. Duratec's focus is on the implementation of industry best safety practice.

For more information, please see Sections 6 and 7

What is Duratec's history of growth?

In the 10 years since establishment, Duratec has pursued organic growth by providing customers with high quality services and innovative solutions built on its strong reputation for safety and delivery. This has led to significant repeat business from clients. Duratec has also strategically grown its business over time establishing new offices in key geographical locations offering strong growth opportunities.

Duratec has achieved sustained growth in revenue and profit. For the period FY18 to FY20, Duratec achieved a CAGR of 39.9% for pro forma revenue, 76.2% for pro forma EBITDA and 99.5% for pro forma NPAT.

Duratec has maintained strong and consistent margins due to:

- › high quality advice, performance and delivery;
- › the specialist nature of the services;
- › servicing multiple market segments with a broad range of clients;
- › having local teams in strategic locations around Australia;
- › the often-critical nature of the services provided; and
- › the fragmented nature of the competitive landscape.

For more information, please see Section 6.5

What industries / sectors does Duratec operate in?

Duratec has built a strong national reputation for successfully delivering its services across multiple industries, including:

- › defence;
- › commercial and residential buildings (predominantly high-rise) and heritage structures;
- › natural resources:
 - › mining;
 - › oil & gas;
- › industrial and utilities:
 - › power and energy;
 - › marine;
 - › pipelines;
 - › transport; and
 - › water and wastewater.

For more information, please see Section 6.2

What are the demand and growth drivers for Duratec's services?

Demand for the services Duratec provides is increasing across Australia and New Zealand, with several key drivers:

Asset age and location: The asset base in Australia and New Zealand is ageing and requires an increasing level of sustaining maintenance and refurbishment (as ageing impacts structural integrity, compliance and performance). Many assets in Australia and New Zealand are located in highly corrosive environments (being coastal, marine and rural locations with saline water usage).

Growing asset base: An increasing number of steel and concrete structures, especially metropolitan high-rise buildings, industrial and natural resources infrastructure and general civil infrastructure (such as bridges, dams and fuel installations), all require protection, on-going maintenance, remediation and/or refurbishment.

Poor original building works: Increasing levels of defects are being identified in existing buildings, particularly in high-rise apartment developments. These defects are due to a number of factors, including design deficiencies and lack of quality control in the construction process. The privatisation of building certification has also been identified as a contributing factor.

Stricter building codes: A continuing trend of stricter codes across Australia will require greater technical expertise in both construction and remediation work in order for existing buildings to be and remain compliant (for example, combustible cladding replacement).

Asset capability and capacity expansion: Existing infrastructure assets require upgrades, structural strengthening and scale expansion solutions to service growing demand for increased utilisation, new loading capabilities and other requirements. Asset owners are also seeking to extend the life of existing assets as opposed to demolishing and rebuilding them (which can have both economic and potential environmental benefits).

For more information, please see Section 6.6

What is Duratec's business model?

Duratec is a self-performing contractor that employs a large team of industry professionals with extensive experience. The Company engages with its clients and wins work in various ways, but primarily via:

- Early contractor involvement:
 - pro-active identification of client (and potential client) assets that may benefit from Duratec's expertise and services;
 - continuous industry engagement to promote capabilities;
 - targeted client education (for example, in relation to specific materials and durability);
 - product and/or service knowledge and development of bespoke solutions; and
 - specialist technical services.

- Direct tendering - traditional open tendering processes, often with alternative innovative solutions.
- Establishing long-term contractual relationships, such as master service agreements and reimbursable contracts.

Duratec's model of an end-to-end service and delivery offering allows greater capture of the value-chain associated with the life of an asset, from assessment and ECI to complete remediation / refurbishment project delivery and on-going maintenance. Duratec is typically directly engaged by the asset owner or operator or, less frequently, by a managing contractor on behalf of the asset owner / operator.

Being a self-performing contractor, Duratec has the technical knowledge and operational flexibility to design and deliver innovative solutions, including access and scheduling, to accommodate client requirements. This self-performing model also means Duratec is able to retain and continually build upon the knowledge and expertise gained from each client project. This in turn enables early identification and diagnosis of client issues, development of pro-active solutions, scheduling flexibility and achievement of high levels of quality and safety performance. Duratec's collaborative approach assists its clients in making informed decisions regarding their assets and underpins the Company's success in delivering challenging and complex projects.

Duratec has offices across Australia, each with a local team and manager. This model enables Duratec to provide direct client engagement and a high level of technical understanding and support services via a local presence.

Duratec has dedicated teams across a number of key industries and sectors it services including:

- Technical Services Division – this comprises 15 specialist corrosion and civil engineers. The provision of specialist technical services is a mechanism for early contractor involvement with clients, This is a key enabler and provides a natural gateway for clients to engage the Company's project delivery services.
- National Defence Division - is responsible for all aspects of service provision to defence from estimation and bidding through to project delivery. It currently:
 - has more than 160 dedicated personnel, including approximately 20 project managers and approximately 25 engineers;
 - has dedicated teams spread across 11 of Duratec's offices throughout Australia;
 - is working on 67 separate defence projects across 35 defence bases throughout Australia; and
 - is the largest industry revenue segment for Duratec, generating \$121.2 million in revenue in FY19 and \$132.7 million in revenue in FY20.

Duratec is regarded as a market leader in the defence industry given its geographic reach, diversity of industry experience and technical expertise, track record of delivery and quantum of projects undertaken. Duratec's extensive "on-base" presence provides a deep understanding of the Department of Defence's requirements and significant advantages in competing for future work.

- Building and Cladding Team – Duratec has substantial experience and expertise in facade condition assessment and full facade restoration (including original cladding and cladding replacement). This team has broad industry relationships to identify and pursue the significant work opportunities that are available. Specialist expertise is required to remediate facade and cladding issues, including in relation to material selection and application, engineering design of access systems and works scheduling.

Duratec has also entered into joint venture arrangements when appropriate. In 2017, Duratec established Duratec Australia – Dundee Rock JV Pty Ltd as an incorporated joint venture (49% Duratec owned) with Dundee Rock Pty Ltd (**Dundee Rock (Dundee Rock JV)**). The purpose of the Dundee Rock JV, which trades as DDR Indigenous Contractors, is to commit to the genuine engagement of indigenous personnel, create an environment for training and the provision of meaningful work and up-skilling as well as to capitalise on the significant work opportunities available. The Dundee Rock JV is a contractor and project manager delivering engineering, building and maintenance projects across Australia, including for the Northern Territory Department of Defence. Further details in respect of the Dundee Rock JV are contained in sections 6.3.4 and 13.9.3.

For more information, please see Section 6.3

How does Duratec generate revenue?

Duratec generates the majority of its revenue by providing various types of asset protection, remediation and refurbishment services on a schedule of rates, target costing or fixed price basis. Work is awarded under specific contracts, master service agreements and/or purchase orders.

Duratec is typically directly engaged by the asset owner or operator or, less frequently, by a managing contractor on behalf of the asset owner / operator. The Company performs a small amount of services as a sub-contractor.

Duratec has successfully pursued a strategy of revenue diversification by client, contract size and geography to reduce risk and reliance on any particular client. In FY20, Duratec undertook approximately 1,780 individual client projects spread across 550 clients.

In FY19 and FY20 respectively, approximately 56% and 54% of revenue was derived from Duratec's five largest clients and in both FY19 and FY20 approximately 66% was derived from the largest 10 clients.

While the defence industry accounted for approximately 54% of revenue in FY20, this was spread across 62 projects, which included contracts procured directly with 7 different defence procurement teams as well as contracts with numerous third party contractors who in turn were engaged by the Department of Defence).

For more information, please see Section 6.3

Where does Duratec operate?

Duratec is headquartered in Wangara, Western Australia. It currently has 15 offices across all Australian states and territories, being Western Australia (Perth, Kalgoorlie, Karratha, Albany and Port Hedland), New South Wales (Sydney, Newcastle and Nowra), Queensland (Brisbane and Townsville), Victoria (Melbourne), South Australia (Adelaide), Northern Territory (Darwin), Australian Capital Territory (Canberra) and Tasmania (Launceston). Duratec operates principally in Australia, but has completed work in Malaysia, the Cocos Islands and Papua New Guinea. The Company intends to establish an office and local team in New Zealand in the next 12 to 18 months.

For more information, see Section 6.1

Who are Duratec's customers?

Duratec provides services for asset owners, operators and managers across a range of industries. Key customers include the Commonwealth Department of Defence, large mining, industrial and energy companies, port authorities and building, infrastructure and transport owners and operators.

For more information, please see Sections 6.1 and 6.3

What is Duratec's orderbook and pipeline?

As at 31 July 2020, Duratec had an orderbook of \$145 million⁵. Duratec expects 86% of the orderbook to be delivered in FY21 and the balance in FY22.

The orderbook does not include potential revenue from current and on-going client MSAs.

As at 31 July 2020, Duratec had a Pipeline of \$1.4 billion.

Both the orderbook and Pipeline are well distributed across regions, contract size, projects and client industry groups.

For more information, please see Section 6.9

5. Includes relevant percentage shares of JVs (50% of DEJV and 49% of DDRIC).

What is the Company's growth strategy?

Duratec is focused on continuing to grow its business and delivering sustainable earnings growth to its Shareholders. The Company's growth strategy is focused on:

- ▶ **Continued investment:** In the capacity and expertise of the Duratec team to maintain the Company's market leading position.
- ▶ **Geographic expansion and diversification:** Continued penetration of the large Australian east coast markets through opening new branches in key regional locations and continuing to diversify and build the Company's reputation in its existing branches combined with the intended expansion into New Zealand (subject to any border and/or travel restrictions).
- ▶ **Growth sectors:** A targeted business development and operational team approach to high growth sectors requiring specialist expertise, in particular Department of Defence projects and commercial and residential high-rise building remediation, including facades and flammable cladding replacement.
- ▶ **Increased project scale and service diversity:** Seeking new projects of increasingly larger scale, together with pro-active and reactive diversification of services. The Company believes it has the appropriate people and processes in place (including sophisticated bidding and contract management systems) to successfully perform and manage larger contracts within appropriate risk parameters.
- ▶ **Repeat and new business opportunities:** Growing the Company's client base by identifying and developing new client opportunities, together with a focus on expanding the scope and scale of services provided to existing clients, by delivering high quality, client-focused outcomes. Duratec will also endeavour to increase annuity type maintenance, protection and refurbishment service delivery under MSAs and longer-term contracts.
- ▶ **Acquisition opportunities:** Opportunistically identifying and pursuing complementary acquisition opportunities, particularly on the east coast of Australia and New Zealand.

Duratec is positioned to win and execute a materially larger revenue base (including substantially larger contract values) with only a relatively small increase in the overall number of operational personnel.

For more information, please see Section 6.7

What has been the impact of COVID-19 on Duratec and how has Duratec responded?

The global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has had, and will likely continue to have, a significant impact on global economic activity, including in Australia and New Zealand.

To date, the COVID-19 pandemic has not materially impacted the Company's operations or financial position, with only a small number of relatively minor projects ceasing and some others being delayed as a result of a small number of employees in Victoria having contracted the virus. The Company did record a small number of positive cases by employees who had contact with three sites in Victoria. The Company promptly implemented its COVID-19 management plan and procedures by ensuring the employees self-quarantined, notifying the clients and all relevant authorities, ceasing work on the site to allow it to be sanitised by a special hygiene industrial cleaning company and notifying all personnel who had contact with the employee. The cases did not have a material effect on the Company's financial performance or reputation and resulted in minimal delays to the work on the relevant sites. All affected employees have since recovered, tested negative and returned to work.

If the Federal and/or various State governments, or large clients, limit, restrict or close access to work sites, this could adversely impact Duratec's revenue and profitability whilst those measures are in place.

The Company was well prepared for and acted quickly in relation to the COVID-19 pandemic. A number of strategic operational measures were already in place before the pandemic commenced, which helped to minimise the risk and interruption to the business and ensure the continuation of operations on a normal basis (to the maximum extent that was possible). These included sophisticated information technology systems and remote capabilities and local teams and business units in the Company's offices Australia-wide (to provide continuity of service to clients).

As noted above, the Company implemented a COVID-19 management plan across its business in order to minimise the risk of infection for employees. Actions taken include a roster system utilising two alternating work teams being implemented on some resource project sites. Working from home arrangements have been implemented for all office-based staff and has worked effectively. Hygiene and social distancing procedures have been implemented and widely embraced across work sites. The Company's COVID-19 management plan is reviewed and updated based on the latest guidance from health professionals and the government as the situation develops.

For more information, please see Section 6.12

5.2 Key Financial Information

What is Duratec's key financial information and key financial ratios?

Duratec's pro forma historical financial information is summarised in the table below.

	FY18 (million)	FY19 (million)	FY20 (million)
Revenue	\$126.3	\$200.4	\$247.3
EBITDA	\$6.9	\$15.5	\$21.4
EBIT	\$4.9	\$12.5	\$17.6
NPAT	\$3.1	\$8.5	\$12.2

Duratec's key financial ratios based on the Company's FY20 pro forma EBITDA and NPAT are set out below.

Enterprise Value / pro forma FY20 EBITDA	4.3x
Market capitalisation at the Offer Price / pro forma FY2020 NPAT	9.7x

The relatively low capital intensity of the business has enabled strong free cash flow and the payment of historical dividends.

For more information, please see Section 10

What is Duratec's Dividend Policy?

The future payment of dividends by the Company is at the discretion of the Board and will depend on the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and any other factors considered relevant by the Board.

Subject to the above, it is the intention of the Board to pay a dividend of between 30% and 50% of NPAT, franked to the maximum extent possible.

For more information, please see Section 10.8

Will a Pre-IPO Dividend be paid?

Yes. Prior to Listing, each Existing Shareholder will receive Pre-IPO Dividends that total approximately \$0.13 per Share. The payment of the Pre-IPO Dividends is conditional on Completion of the Offer. Shareholders who acquire Shares under the Offer will not receive the Pre-IPO Dividends.

For more information, please see Section 8.19

When will the first post-Listing dividend be paid?

Subject to the Dividend Policy, it is anticipated that the Company will declare and pay a first post-Listing dividend after the release of the FY21 financial results.

For more information, please see Section 10.8

5.3 Key Risks

What are the key risks associated with an investment in the Company?

Listed below are some, but not all, of the risks associated with an investment in the Company. Section 12 sets out further details of other risks associated with the Company as well as relevant general risks.

› COVID-19 and associated market risk:

The global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has been having, and will likely continue to have, a significant impact on global economic activity, capital markets, commodity prices and foreign exchange rates.

To date, the COVID-19 pandemic has not had any material impact on the Company's operations, with a small number of projects ceasing and others being delayed as a result of a small number of employees in Victoria having contracted the virus. However, any future measures by the Federal and/or various state governments, or large clients, to limit or shut access to work sites could adversely impact Duratec's revenue numbers and level of profitability whilst those measures are in place.

Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Company's operations, financial position and prospects.

The Company has implemented a COVID-19 management plan across its business in order to minimise the risk of infection for individuals.

› Inability to retain and attract key personnel:

The Company depends on the expertise, experience and network of its personnel as its primary assets. The Company's ability to attract and retain personnel will have a direct correlation upon its ability to deliver its project commitments. Additionally, many of the Company's projects are secured through the business relationship, reputation and contacts of its key personnel. Any failure to retain existing employees and recruit and retain additional personnel, may have a negative impact on existing operations and future growth prospects of the Company, and adversely affect the financial performance and/or financial position of the Company.

› **Reliance on Key Clients:** The Company's work on sites owned or operated by the Department of Defence comprise a substantial part of the Company's order book. Any substantial breach to the specifications or requirements of the Department of Defence would have a significant impact on the Company's current and future financial performance as it would impact the continued level of work by the Company on sites owned or operated by the Department of Defence.

› **Safety:** The Company's operations involve risk to both personnel and property as they are often conducted at great heights atop building and infrastructure, are in close proximity to complex operating equipment and may involve work with harmful substances including asbestos, which could give rise to liability for Duratec, including under OHS laws and under general law. Industrial accidents may occur with respect to the Company's activities. In the event of a serious accident, for example resulting in a fatality, or a series of accidents on the same project, substantial claims may be brought against the client and/or the Company or the client may terminate its contractual arrangement with the Company. Notwithstanding the Company's commitment to safety and the preventative measures adopted by the Company there can be no guarantees that an accident will not occur. Such an accident could impact upon the Company's reputation, growth prospects and financial performance.

› **Termination for convenience:** Many of the Company's customer and supply contracts including its contracts with the Commonwealth as well as certain leases that are holding over on a monthly basis, contain a provision entitling the counterparty to terminate the contract at its convenience or for a change of control. There is a risk that a counterparty could decide to terminate one or more of the existing contracts between it and the Company for any reason at all, including, for example, if it is dissatisfied with the Company's performance or administration of a certain project, or if the Company's competitors offer cheaper services. However, the works performed by the Company with respect to the Department of Defence are performed nationally on 35 bases and include in any one year over 80 individual projects varying in contract value from \$0.5 million to approximately \$30.0 million, which de-risks financial dependence on the performance of one very large contract.

The remainder of the business operates in a diverse range of market sectors, geographical locations and clients which provides minimal contract risk.

› **Litigation:** The Company is not currently involved in any material contractual disputes, arbitration or government prosecution matters. Disputes can however, arise during the execution of a project including with regard to payment disputes which may impact the profitability of the project or disputes with employees in relation to workers

compensation, unfair dismissals or general protection claims. These disputes may not always be resolved through negotiation with the parties directly and may lead to litigation. While the Company maintains insurance that may cover some losses arising out of disputes and claims, not all claims will be covered by insurance. Accordingly, some claims may have an adverse impact on the Company's reputation and this may have an adverse impact on the Company's growth prospects, operating results and financial performance as well as its ability to win future work.

› **Counterparty Risk:** The delay or failure of customers or other counterparties to pay their debts or other obligations to the Company when due (as a result of insolvency or other reasons) may have a material adverse impact on the Company's future financial performance, cash flows and position. The Company maintains provisions for bad and doubtful debts, the adequacy of which is regularly reviewed. If these provisions are inadequate, there may be an adverse impact on the Company's future financial performance and position.

› **Increased Competition from New and Existing Competitors:** The Company operates in markets that are competitive and in which a number of companies compete. Competition in these markets is expected to continue, presenting the Company with numerous challenges relating to its ability to maintain growth rates and acceptable margins. If the Company is unable to meet these competitive challenges, it may lose market share to its competitors and experience an overall reduction in its earnings.

For more information, please see Section 12

5.4 Board and Key Management

Who are the Directors of the Company?

Martin Brydon - Non-Executive Chairman

Robert (Phil) Harcourt - Managing Director

Gavin Miller - Non-Executive Director

Chris Oates - Executive Director

For more information, please see Section 9.1

What are the interests of the Directors or related parties in the Company?

Director Name	Shares held as at date of Prospectus	Shares held after completion of Offer	% of total Shares held after completion of Offer
Martin Brydon	Nil	50,000	0.02%
Dencort Pty Ltd as trustee for the Harcourt Family Trust (Entity associated with Robert (Phil) Harcourt)	29,553,389	26,553,389	11.2%
Gavin Miller	Nil	20,000	0.01%
Chris John Oates and Pamela Michelle Oates as trustee for the Oates Family Trust (Entity associated with Chris Oates)	29,553,389	26,553,389	11.2%

Martin Brydon and Gavin Miller each intend to subscribe for Shares under the IPO Offer.

For more information, please see Section 9.3

Who are the key management personnel of the Company?

Robert (Phil) Harcourt: Managing Director - 45 years in civil/structural engineering; 10 years with Duratec (from inception).

Chris Oates: Executive Director - 26 years in remediation engineering and construction; 10 years with Duratec (from inception).

Deane Diprose: Operations Manager - 39 years in building construction and remediation; 10 years with Duratec (from inception).

Oliver McKeon: General Manager (Eastern Region) – 12 years in remediation engineering; 10 years with Duratec (from inception).

Paul Ryan: Chief Financial Officer – 14 years in banking and finance and 17 in years accounting experience; 2 years with Duratec.

For more information, please see Section 9.2

5.5 Substantial Shareholders and Related Party Transactions

Who are the substantial Shareholders and what will their interests in the Company be on completion of the Offer?

Shareholder Name	Shares held as at date of Prospectus	Shares held after completion of the Offer	% of total Shares on issue held after completion of the Offer
Ertech ⁶	96,048,514	47,348,514	19.9%
Dencort Pty Ltd as trustee for the Harcourt Family Trust (Entity associated with Robert (Phil) Harcourt)	29,553,389	26,553,389	11.2%
Kent Colony Ventures Pty Ltd as trustee for the Diprose Richards Family Trust (Entity associated with Deane Diprose)	29,553,389	26,553,389	11.2%
Chris John Oates and Pamela Michelle Oates as trustee for the Oates Family Trust (Entity associated with Chris Oates)	29,553,389	26,553,389	11.2%

For more information, please see Section 13.5

6. In accordance with section 611 item 12 of the Corporations Act, the Company provides the following information in relation to the Giumelli Entities. One of the Giumelli Entities holds a 53.2% interest in Ertech, and as a consequence that entity, and its associates, will be taken to hold a relevant interest in the Duratec Shares held by Ertech. Additionally, the Giumelli Entities intend to subscribe for a total of 2,050,000 Shares under the IPO Offer. This will mean that on completion of the Offer the Giumelli Entities will collectively have a relevant interest in 49,398,514 Shares being equal to 20.8% of the total number of Shares in the Company.

Will any shares be subject to restrictions on disposal following completion of the Offer?

Yes. All Existing Shareholders have entered into escrow agreements under which they will be restricted from disposing of any of the Shares they hold immediately following completion of the Offer until expiration of the relevant escrow period.

All of the Shares held by Ertech immediately following completion of the Offer will be subject to voluntary escrow until the Company's audited financial accounts for FY21 are released to the ASX.

All of the Shares held by Existing Shareholders (being Messrs, Harcourt, Oates, Diprose and McKeon or entities associated with them) immediately following completion of the Offer will be subject to voluntary escrow as follows:

- 75% of the relevant Shares will be subject to escrow until the Company's audited financial accounts for FY21 are released to the ASX; and
- 25% of the relevant Shares will be subject to escrow until the Company's audited financial accounts for FY22 are released to the ASX.

For more information, please see Section 13.8

What significant benefits and interests are payable to Directors, senior management and other persons connected with the Company or the Offer?

Directors and the Company's senior management personnel are entitled to remuneration and fees on commercial terms as disclosed in Section 9.3.

The Company will also be offering Rights under the IPO Rights Offer to certain employees and members of senior management who receive an IPO Offer Invitation Letter. See Section 8.10 for details of the IPO Rights Offer and Section 9.7 for a summary of the Employee Equity Plan. The Directors will not be participating in the IPO Rights Offer. However, the Directors will be eligible to participate in the Employee Equity Plan subject to the receipt of an invitation to participate in an award under the plan.

Existing Shareholders are selling a portion of their shareholdings into the Offer via SaleCo and will receive the Offer Price for each Share sold by them, as well as receiving Pre-IPO Dividends whose payment is conditional on Completion of the Offer as follows:

Shareholder Name	Pre-IPO Dividends	Proceeds from Shares sold via SaleCo
Ertech	\$12,776,400	\$24,350,000
Dencort Pty Ltd as trustee for the Harcourt Family Trust (Entity associated with Robert (Phil) Harcourt)	\$3,931,200	\$1,500,000
Kent Colony Ventures Pty Ltd as trustee for the Diprose Richards Family Trust (Entity associated with Deane Diprose)	\$3,931,200	\$1,500,000
Chris John Oates and Pamela Michelle Oates as trustee for the Oates Family Trust (Entity associated with Chris Oates)	\$3,931,200	\$1,500,000
Oliver McKeon as trustee for the MT Pockets Business Trust (Entity associated with Oliver McKeon)	\$630,000	\$75,000

For more information, please see Sections 8.10, 9.3 and 9.7

Are there any significant related party transactions?

In addition to the arrangements with respect to Directors' fees and remuneration and deeds of access, insurance and indemnity described in Sections 9.3 and 13.10.3, the Company is a party to the following related party agreements with Ertech and Fortec, as applicable:

- Transitional Services Agreement;
- Ertech Joint Venture Agreement;
- leases in respect of 3890 Coolawanyah Road, Karratha Industrial Estate WA 3890 and its head office, 108 Motivation Drive, Wangara WA 6065;
- a sub-lease pursuant to which the Company has agreed to sub-lease part of its head office back to Ertech;

- a sub-lease pursuant to which the Company has agreed to sub-lease part of its head office to Fortec; and
- a deed of indemnity pursuant to which Fortec has agreed to indemnify Duratec in respect of liabilities arising from contracts which due to licensing delays associated with Fortec, are in Duratec's name.

As at the date of the Prospectus, Ertech holds a 50.7% interest in the Company and a 50.28% interest in Fortec.

For more information, see Sections 9.4, 13.9.1 and 13.9.2

5.6 Summary of the Offer

Who are the issuers of this Prospectus?

Duratec Limited (ACN 141 614 075).

Opal SaleCo Limited (ACN 642 557 908).

What is the Offer?

The Offer:

- is an initial public offer of 48,000,000 New Shares to be issued by the Company and 57,850,000 Sale Shares to be sold by SaleCo; and
- includes an offer of Rights under the IPO Rights Offer to certain employees and members of senior management who receive an IPO Offer Invitation Letter.

All Shares under the IPO Offer will be issued or transferred at the Offer Price of \$0.50 per Share to raise total proceeds of \$52,925,000 (before costs), of which \$24,000,000 will be raised from the issue of New Shares by the Company and \$28,925,000 from the sale of Sale Shares by SaleCo.

All Shares issued or transferred under this Prospectus will be fully paid and will rank equally in all respects with the Shares already on issue.

Shares being sold and issued under the Offer will represent 44.6% of the total Shares on issue on completion of the Offer. The balance of the Shares will be held by Existing Shareholders (representing 55.4% of the Shares on issue) and will be subject to voluntary escrow restrictions.

The IPO Offer is fully underwritten.

Each Right is a right to receive one Share subject to the satisfaction of the vesting conditions.

For more information, please see Sections 8.1, 8.7 and 8.10

Who is SaleCo?

SaleCo is a special purpose vehicle established to enable Selling Shareholders to sell part or all of their shareholding in the Company on Completion.

For more information, please see Section 13.3

How is the Offer structured and who is eligible to participate?

The Offer comprises:

- the IPO Offer, made up of:
 - the Institutional Offer, which consists of an offer to Institutional Investors in Australia and New Zealand to apply for Shares;
 - the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who receive a firm allocation of Shares from their Broker;
 - the Employee Priority Offer, which is open to Duratec employees in Australia who have received an invitation from the Company;
 - the Priority Offer, which is open to selected Australian and New Zealand residents who have received a Priority Offer invitation from the Company; and
- the IPO Rights Offer, which is open to certain employees and members of senior management who receive an IPO Rights Offer Invitation Letter to apply for Rights under the Company's Employee Equity Plan.

No general public offer of Shares will be made under the Offer.

For more information, please see Section 8.3

What is the purpose of the Offer?

The purpose of the IPO Offer is to:

- raise capital to fund the future project pipeline and growth opportunities;
- increase the Company's profile and brand recognition;
- expand equity participation by the Company's management;
- facilitate the sale of Sale Shares by the Selling Shareholders;
- facilitate the listing of Duratec on the ASX and to enable access to capital markets; and
- provide a liquid market for Shares and an opportunity for people to invest in Duratec.

The purpose of the IPO Rights Offer is to assist in the motivation, retention and reward of certain employees and members of senior management who receive an IPO Rights Offer Invitation Letter.

For more information, please see Section 8.6

Use of Funds

The Company intends to apply funds raised under this Offer, together with existing cash reserves, over the first two years following admission of the Company to the Official List as follows:

Source of Funds	million	%
Cash proceeds received from issue of New Shares	\$24.0	45.3%
Cash proceeds received from the sale of Sale Shares by SaleCo	\$28.925	54.7%
Total	\$52.925	100%
Use of Funds ⁷	million	%
Proceeds to Selling Shareholders	\$28.925	54.7%
Working capital ⁸	\$20.8	39.3%
Expenses of the Offer	\$3.2	6.0%
Total	\$52.925	100.0%

Whilst the Company intends to pursue a growth strategy as disclosed in section 6.7, which may include potential strategic acquisitions that provide complementary services to the Company's core capabilities and/or facilitate entry and penetration into new markets, no immediate acquisition opportunity has been identified by the Company. Accordingly, the Company has not yet determined the funds required to pursue acquisition opportunities. Any decision to invest in a particular opportunity will be disclosed by the Company in accordance with its continuous disclosure obligations.

For more information, please see Section 8.6

What is the effect of the Offer on the capital structure of the Company?

The Company's capital structure as at the date of this Prospectus and immediately following completion will be as follows:

Category	As at the date of the Prospectus	Immediately following completion of the Offer	% ownership interest on completion of the Offer
Shares held by Existing Shareholders	189,444,801	131,244,801	55.4%
New Shares offered under this Prospectus	n/a	48,000,000	20.2%
Sale Shares offered under this Prospectus	n/a	57,850,000	24.4%
Total number of Shares on issue on completion of the Offer	n/a	237,444,801	100.0%
Total number of Rights on completion of the Offer	n/a	4,825,000	2.0%*

* On a fully diluted basis

For more information, please see Section 13.4

Will the Company be adequately funded after Completion of the Offer?

The Directors are satisfied that on completion of the Offer the Company will have sufficient working capital to carry out its business objectives as set out in this Prospectus.

For more information, please see Section 10.6.1

Who is the Lead Manager and Underwriter?

The Lead Manager and Underwriter of the IPO Offer is Euroz Securities Limited.

For more information, please see Section 13.10.1

Is the Offer underwritten?

The IPO Offer is fully underwritten by the Lead Manager and Underwriter. The Company will pay underwriting fees and disbursements as provided for under the Underwriting Agreement. Details of the Underwriting Agreement including circumstances under which the Lead Manager and Underwriter may terminate its obligations are set out in Section 13.10.1.

For more information, please see Section 13.10.1

7. This table is a statement of current intentions as at the date of this Prospectus. Actual use of funds may differ from the budgeted use of funds as a result of intervening events and new circumstances. The Board may alter the way funds are applied in the future. All the proceeds received by SaleCo for the sale of the Sale Shares will be paid to the Selling Shareholders and will not be available for the purpose of Company activities.

8. Working capital and administration costs include wages, salaries, occupancy costs, professional consultants' fees and compliance and regulatory costs associated with operating Duratec as an ASX-listed company.

Will the Shares be quoted on the ASX?

The Company has applied to be admitted to the Official List of the ASX and for the Official Quotation of the Shares. The fact that the ASX may admit the Company to its Official List is not to be taken in any way as an indication of the value or merits of the Company or of the Shares offered under this Prospectus.

Official Quotation, if granted, will commence as soon as practicable after the issue of transaction holding statements to successful Applicants. If permission for quotation of the Shares is not granted within three months after the date of this Prospectus, all Application money will be refunded without interest.

For more information, please see Section 8.17

How do I apply for Shares?

Broker Firm Offer Applicants

Broker Firm Offer Applicants may apply for Shares by completing a valid Broker Firm Offer Application Form attached to or accompanying this Prospectus and following the instructions provided by the Broker who invited them to participate in the Broker Firm Offer.

Employee Priority Offer Applicants

Applicants under the Employee Priority Offer must apply online in accordance with the instructions provided in their Employee Priority Offer invitation made under this Prospectus.

Priority Offer Applications

Applicants under the Priority Offer must apply online in accordance with the instructions provided in their Priority Offer invitation made under this Prospectus.

Institutional Offer Applicants

The Lead Manager and Underwriter has separately advised Institutional Investors of the application procedure under the Institutional Offer.

IPO Rights Offer

IPO Rights Offer applicants who have received an IPO Rights Offer Invitation Letter may apply for Rights by completing the personalised Application Form enclosed with their IPO Rights Offer Invitation Letter.

Applicants under the IPO Rights Offer will be entitled to apply for that number of Rights offered by the Company under the IPO Rights Offer Invitation.

For more information, please see Sections 8.7.2, 8.8.1 and 8.10.2

Opening and Closing of the Offer

Applications may be lodged at any time after the Opening Date so that they are received before 5.00 pm (Perth time) on the Closing Date.

Please see the Key Offer Information section

Allocation Policy

The allocation of Shares between the Broker Firm Offer, the Employee Priority Offer, the Priority Offer and the Institutional Offer will be determined by the Lead Manager and Underwriter in consultation with the Company and SaleCo.

The allocation of Shares among Applicants in the Institutional Offer will be determined by the Lead Manager and Underwriter in consultation with the Company and SaleCo.

The allocation of Shares among Applicants in the Employee Priority Offer will be determined by the Company and SaleCo in consultation with the Lead Manager and Underwriter.

The allocation of Shares among Applicants in the Priority Offer will be determined by the Company and SaleCo in consultation with the Lead Manager and Underwriter.

With respect to the Broker Firm Offer, it is a matter for the Lead Manager and Underwriter and any Brokers as to how they allocate Shares among their retail clients.

The Company and SaleCo reserve the right to authorise the issue of a lesser number of Shares than those for which an Application has been made or to reject any Application. Where no issue or allocation is made or the number of Shares issued is less than the number applied for, surplus Application money will be refunded without interest.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Company and SaleCo's decision as to whether to treat an Application as valid, and how to construe, amend or complete it, will be final. The Company and SaleCo's decision on the number of Shares to be allocated to an Applicant will also be final.

The allocation of Rights under the IPO Rights Offer has been determined by the Company. Only those Applicants who have received an IPO Rights Offer Invitation Letter may apply for Rights under the IPO Rights Offer. Applicants under the IPO Rights Offer will be entitled to apply for that number of Rights offered by the Company under the IPO Rights Offer Invitation.

For more information, please see Sections 8.7.4 and 8.8.2

Are there any additional costs payable by the Applicant?

No brokerage, commission, stamp duty or any other costs are payable by Applicants on acquisition of the Shares under the Offer.

For more information, please see Section 8.19

What are the tax implications of investing in the Shares?

The tax treatment and consequences of the Offer will vary depending on the particular circumstances of the Applicant. The Company accepts no liability or responsibility in relation to any taxation consequences connected to the Offer. Therefore regarding the appropriate tax treatment that applies to the Offer, it is the responsibility of any Applicant who makes an Application to satisfy themselves by consulting their own professional tax advisers prior to investing in the Company.

For more information, please see Section 8.19

When can I sell my Shares on the ASX?

It is expected that trading of Shares on the ASX will commence on or about 4 November 2020. It is the responsibility of each Applicant to confirm their holding before trading their Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.

For more information, please see Section 8.15

Can the Offer be withdrawn?

The Company and SaleCo reserve the right to not proceed with the Offer at any time before the issue or transfer of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be fully refunded. No interest will be repaid on any Application Monies refunded as a result of the withdrawal of the Offer.

For more information, please see Section 8.12

Where can I find more information about this Prospectus or the Offer?

Further information can be obtained by reading this Prospectus in its entirety. For advice on the Offer you should speak to your stockbroker, accountant or other professional adviser. If you require assistance or additional copies of this Prospectus please contact the Offer Information Line on 1300 161 488 (within Australia) or +61 3 9415 4047 (outside Australia) from 8.30am until 5.00pm (Sydney time) Monday to Friday during the offer period.





6. Company and Business Overview

6.1 Company Summary

6.1.1. Background

Duratec was founded in 2010 by the current executive Directors who assembled a team of specialist remediation engineers and contracting professionals with specific industry experience. They recognised asset protection, remediation and refurbishment as an underserved and growing market. Duratec is now a national market leader in:

- › protecting and extending the life of a range of assets; and
- › specialist asset refurbishment.

Duratec is headquartered in Wangara, Western Australia. The Company has a national presence with 15 offices across all Australian states and territories, being Western Australia (Perth, Kalgoorlie, Karratha, Albany and Port Hedland), New South Wales (Sydney, Newcastle and Nowra), Queensland (Brisbane and Townsville), Victoria (Melbourne), South Australia (Adelaide), Northern Territory (Darwin), Australian Capital Territory (Canberra) and Tasmania (Launceston). The Company intends to establish in the next 12 to 18 months an office and local team in New Zealand, in response to market demand (subject to any border and/or travel restrictions). Duratec operates principally in Australia, but has also completed work in Malaysia, the Cocos Islands and Papua New Guinea.

Duratec is managed by experienced professionals with a proven track record of delivery. The Company currently employs a workforce of approximately 675 professional, technical, project management, supervisory, corporate and support personnel, including approximately 100 project managers and approximately 50 specialist engineers.

Duratec has expertise in providing assessment, protection, remediation and refurbishment services to a broad range of assets, in particular steel and concrete infrastructure, including:

- › commercial, government and residential buildings, especially high-rise structures;
- › marine infrastructure, including bridges, wharves and jetties;
- › heritage structures, including government buildings;

- › process and non-process infrastructure in the natural resources and energy sectors;
- › defence base civil infrastructure, including wharves, accommodation buildings, aircraft hangars, fuel facilities, substations and power generation and mess facilities;
- › industrial process plants, including silos, tanks, bunds, pipework and culverts;
- › fuel and industrial storage tanks;
- › pipeline infrastructure, including liquefied natural gas, process water, fuel, wastewater and mineral processing plants;
- › electrical infrastructure including substation fireproofing and general electrical works;
- › water and wastewater infrastructure, including concrete tanks, reservoirs, wastewater treatment plants and desalination plants; and
- › power generation infrastructure, including power station chimney stacks and water-cooling channels.

These assets support and are integral to all facets of industry and everyday human activities.

As assets age and suffer deterioration from the destructive forces of weathering and corrosion, they require regular maintenance, remediation and refurbishment to ensure they are safe, compliant and in serviceable condition. Further, many assets have been poorly designed and/or constructed and/or no longer meet current industry standards or building codes. Structural repair and maintenance of these assets is a well-established and growing market which is not directly driven by the cyclical construction industry. There is an increasing number of ageing infrastructure and other assets across Australia and New Zealand that will require significant repair, remediation or upgrade over the next decade and beyond to ensure they are fit for purpose, comply with industry standards and building codes and accommodate the increasing demand and utilisation requirements of their owners and operators. Duratec is a licensed builder in all Australian states and territories where licensing is required.

6.1.2. Duratec's Services

Duratec is a recognised specialist and market leader in Australia with a strong client service and delivery focus. The Company's end-to-end service offering is underpinned by in-house engineering expertise and industry specialists with extensive experience, which combined with access to the latest technological capabilities (including state of the art destructive and non-destructive techniques, 3D capture and modelling technology and predictive analysis tools) enables:

- pro-active diagnosis of asset condition, integrity and degradation; and
- the development and delivery of innovative, durable, cost-effective and fit for purpose solutions designed to accommodate clients' on-going operational needs.

These services are delivered to clients across a variety of industries, typically as part of responsive works, scheduled works or performance-based programmes to protect and extend asset life, taking into account economically sustainable development principles and whole of life objectives.

i. Specialist Technical Services

Duratec employs a team of 15 experienced industry engineers and technicians to provide an extensive range of specialist technical services. These services relate to initial asset condition and durability assessment plus planning for maintenance, remediation and refurbishment.

Key capabilities include:

- technical condition assessments, surveys and remediation reporting for structures;
- feasibility studies and scenario analysis;
- access systems and solutions, including rope access, mast climbers, swing stages and scaffolding;
- verifications and quality assurance;
- remote operated vehicle, unmanned aerial vehicle and robotic inspections;
- remedial engineering;
- durability planning and materials;
- cathodic protection design, monitoring and maintenance;
- carbon footprint and economically sustainable development principles;
- whole of life and design life objectives;
- 3D capture and modelling;
- design of corrosion management systems for reinforced concrete and steel structures; and
- asset facility management.

Traditional technician visual inspection and paper-based reporting is being replaced by bespoke visual inspection equipment (such as drones and specialist cameras), 3D modelling and big data analysis, enabling increased efficiencies and accuracy of asset condition data capture and reporting.

Duratec has recently created a Spatial Integration Division (**SID**) within the Technical Services Division. Key capabilities in the SID include:

- reality modelling to survey grade accuracy;
- laser scanning;
- 3D plant modelling and visualisation;
- spatial data analytics;
- high resolution UAV aerial imaging;
- specialist precise survey measurement; and
- deformation monitoring.

ii. Asset Protection Services

Duratec's asset protection services relate to the protection of both existing and newly constructed assets. Key capabilities include:

- concrete repair including cathodic protection of marine structures, industrial plants, civil infrastructure (e.g. bridges, reservoirs, etc.), mine infrastructure, and high-rise commercial and residential buildings;
- protective coating of reinforced concrete structures;
- protective coating of steel tanks and structural steelwork;
- flooring systems;
- acid proofing of new bundled structures;
- fireproofing of new structures (passive and active fire systems); and
- waterproofing.

iii. Asset Remediation and Refurbishment Services

Duratec's asset remediation and refurbishment services relate to extending the life of existing assets via remediation and/or refurbishment.

Key capabilities include:

- maintenance of building facades, including waterproofing and combustible cladding removal and replacement;
- specialist brownfields construction;
- abrasive blasting and protective coating of industrial plant and infrastructure, including steel tanks, conveyors, crushers and structural steelwork;
- crusher, rotating and static equipment grouting using both specialist epoxy and cementitious products;
- acid proofing (repairs and prevention of attack) of chemically aggressive environments;
- structural strengthening, including carbon fibre strengthening of concrete structures;
- specialist shut-down remedial services for mine site civil infrastructure;
- fuel facility infrastructure upgrades;
- building roof upgrades;
- building fit out, refurbishment and re-purposing;

- › heritage building repairs and restoration;
- › water storage and treatment upgrades;
- › electrical system upgrades, installations and remediation;
- › aircraft hangar refurbishment;
- › hazardous material removal;
- › marine structure upgrades and refurbishment;
- › bridge strengthening and repairs;
- › application of commercial flooring systems in commercial kitchens and warehouses; and
- › industrial flooring systems for workshops.

6.2 Industry Sectors

Duratec's specialised services are applicable to and provided across the following growing industry sectors:

- › defence;
- › commercial and residential buildings (predominantly high-rise) and heritage structures;
- › natural resources, including:
 - › mining;
 - › oil & gas; and
- › industrial and utilities, including:
 - › power and energy;
 - › marine;
 - › electrical;
 - › pipeline;
 - › transport; and
 - › water and wastewater.

6.3 The Company's Business and Operating Model

Duratec is a self-performing contractor that employs a large team of industry professionals with extensive experience. The Company engages with its clients and wins work in various ways, but primarily via:

- › Early contractor involvement (**ECI**):
 - › pro-active identification of client (and potential client) assets that may benefit from Duratec's expertise and services;
 - › continuous industry engagement to promote capabilities;
 - › targeted client education (for example, in relation to specific materials and durability);
 - › product and/or service knowledge and development of bespoke solutions; and
 - › specialist technical services.
- › Direct tendering - traditional open tendering processes, often with alternative innovative solutions.
- › Establishing long-term contractual relationships, such as reimbursable contracts.

Duratec's model of an end-to-end service and delivery offering allows greater capture of the value-chain associated with the life of an asset, from assessment and ECI to complete remediation / refurbishment project delivery and on-going maintenance. Duratec is typically directly engaged by the asset owner or operator or, less frequently, by a managing contractor on behalf of the asset owner or operator. The Company performs a small amount of services as a sub-contractor. Duratec generates the majority of its revenues on a schedule of rates, target costing or fixed price basis. Work is awarded under specific contracts, MSAs and/or purchase orders. Performance bonds or bank guarantees are generally required for larger contracts to ensure performance and quality.

As at 30 June 2020, Duratec had \$19.3 million of bank guarantees and \$8.1 million of insurance bonds (neither cash-backed). Standard industry warranty conditions are applicable for other contracts. Duratec has a very low warranty and defect liability claim history.

Duratec has offices across Australia, each with a local team and manager, and is planning to establish a presence in New Zealand within the next 12 to 18 months (subject to any border and/or travel restrictions). This model enables Duratec to provide direct client engagement and a high level of technical understanding and support services via a local presence in each location. In addition, Duratec has dedicated teams across a number of key industries it services.

The majority of Duratec's projects require the provision of services to either operationally "live" assets (such as buildings with tenants or functioning ports) or other assets where minimising downtime is a client priority, such as processing infrastructure in the natural resources and energy sectors. Being a self-performing contractor, Duratec has the technical knowledge and operational flexibility to design and deliver innovative solutions, including access and scheduling, to accommodate these requirements.

Duratec's self-performing model also means it retains and continually builds upon the knowledge and expertise gained from each client project. This in turn enables early identification and diagnosis of client issues, development of pro-active solutions, scheduling flexibility and achievement of high levels of quality and safety performance. Duratec's collaborative approach assists its clients in making informed decisions regarding their assets and underpins the Company's success in delivering challenging and complex projects.

6.3.1. Technical Services Division

Duratec’s Technical Services Division comprises 15 specialist corrosion and civil engineers. The provision of specialist technical services is a mechanism for ECI with clients, even prior to the design phase, through investigations, scoping and durability planning. This is a key enabler and provides a natural gateway for clients to engage the Company’s project delivery services.

The Company’s self-performing model and successful project delivery experience also builds expertise and informs the work of the technical services team. This results in the identification of the root causes of issues and client-focused, fit-for-purpose, practical advice, including feasibility options with design, engineering, material selection and access solutions, together with scheduling of works to minimise client disruption. This is a key point of difference from traditional pure consultancy or construction businesses and an important competitive advantage for Duratec.

As noted in Section 6.1.1, Duratec has recently established the SID within the Technical Services Division. The SID integrates inspection and progress reporting into a managed 3D platform for infrastructure owners and operators. By combining machine learning and visualisation, Duratec is creating increased efficiencies for its clients through changing the way infrastructure is inspected and managed. This new technology assists infrastructure owners with site tours, scheduling and planning, online asset and data retrieval and identifying the spatial trends and interactions of their assets. Further, within the SID is a dedicated team which provides customised analysis of algorithms and deformation monitoring by leveraging rapid and precise spatial data capture methods.

6.3.2. National Defence Division

In 2011, Duratec achieved Federal Safety Accreditation. This enabled the Company to tender for projects that are directly funded by the Australian Federal Government with a value of \$4 million or more. In 2015, Duratec secured its first Department of Defence contract for the full refurbishment of the low-level bridge at the Garden Island Defence base in Western Australia. In 2016, Duratec established a dedicated National Defence Division (NDD) in order to provide national coverage with continuous direct client contact by experienced managers, enhance its reputation, build capability and be better informed of client requirements.

The NDD is responsible for all aspects of service provision to defence from estimation and bidding through to project delivery. It currently:

- › has more than 160 dedicated personnel (from 12 personnel in 2017), including approximately 20 project managers and approximately 25 engineers (including 13 HOTO engineers);
- › has dedicated teams spread across 15 of Duratec’s offices throughout Australia;
- › is working on 67 separate defence projects across 35 defence bases throughout Australia; and
- › is the largest industry revenue segment for Duratec, generating approximately \$121.2 million in revenue in FY19 and approximately \$132.7 million in revenue in FY20.

Duratec is regarded as a market leader in the defence industry given its geographic reach, diversity of industry experience and technical expertise, track record of delivery and quantum of projects undertaken. Duratec’s extensive “on-base” presence provides a deep understanding of Defence’s requirements and significant advantages in competing for future work.

Figure 1. Duratec’s Operating Model



As shown in the table below, both the total number and average value of projects Duratec undertakes for the Department of Defence have been steadily increasing over the last three financial years. Current contract values undertaken by Duratec range from approximately \$0.4 million to approximately \$30.0 million and Duratec intends to continue to pursue larger individual project values.

Defence is a key industry for Duratec for several reasons, including:

- **high barriers to entry:** due to client requirements, demonstrated contractor performance and capabilities and Federal safety accreditation;
- **size of the opportunity:**
 - the Defence Estate and Infrastructure Group (DEIG), which is part of the Department of Defence, is responsible for more than 330

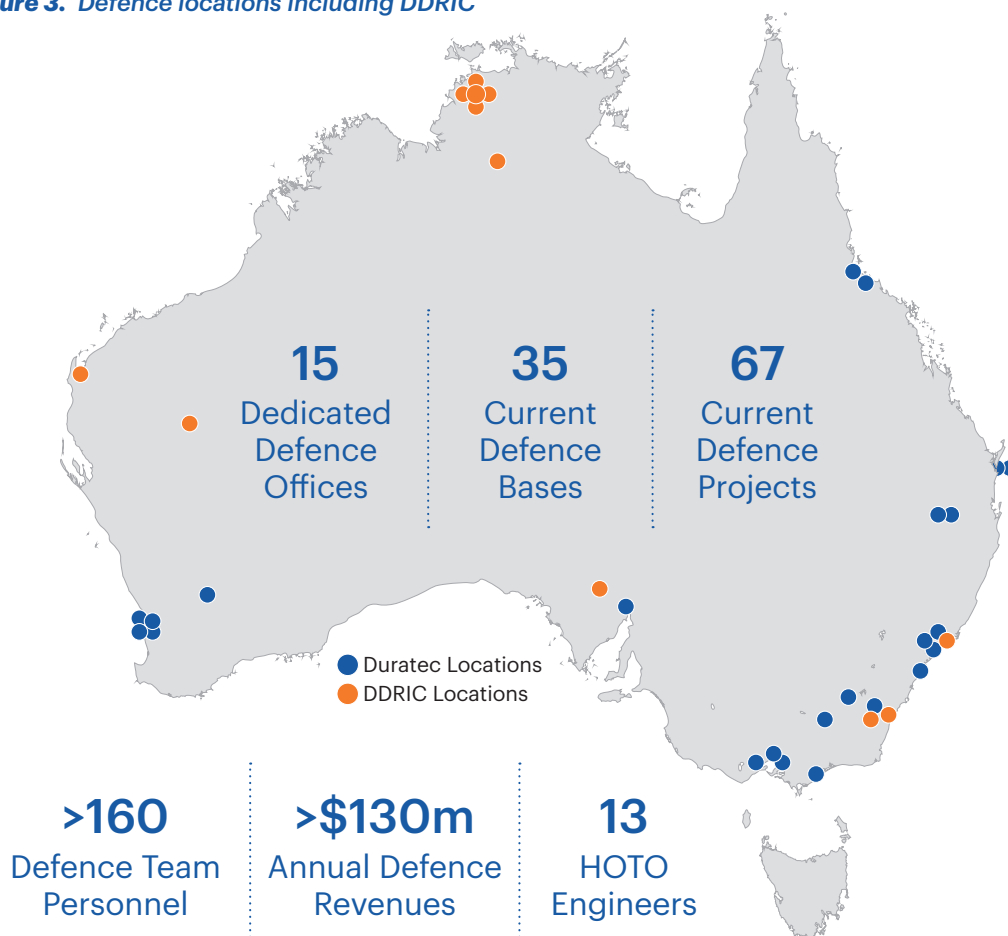
managed properties and maintains and operates more than 30,000 buildings. The gross replacement value of the estate is approximately \$68 billion (excluding land and assets under construction);

- DEIG has a budget in excess of \$5.5 billion, with around 1,600 civilian and 140 military staff. Due to latent conditions of the DEIG assets, there are opportunities for legitimate variations such as asbestos and PFAS replacement;
 - Australia has 72 major bases, with numerous training areas and other minor establishments across the Australian army, navy and air force; and
 - See Section 7 for further details.
- **pipeline:** aggressive publicly available expenditure budgets for the DEIG provide an excellent line-of-sight on potential upcoming opportunities.

Figure 2. Duratec Defence Projects

Financial Year	Revenue derived from defence (million)	Number of defence projects completed ⁹	Average defence project value (million) ⁹
FY18	\$39.9	30	\$1.3
FY19	\$121.2	33	\$3.6
FY20	\$132.7	62	\$2.1

Figure 3. Defence locations including DDRIC



9. Excludes projects with revenue less than \$100,000

6.3.3. Building Facades and Cladding Team

Duratec has substantial experience and expertise in facade condition assessment and full facade restoration (including original cladding and cladding replacement). The Company has established a dedicated building facades and cladding team with broad industry relationships to identify and pursue the significant work opportunities that are available. Duratec has delivered approximately \$12 million in recladding projects nationally and is currently bidding on a number of those opportunities and has recently been awarded a Phase 1 Design and Document contract precursor to potential award of Phase 2 Recladding Works contractor status on a significant opportunity in Western Australia.

Building facades which are poorly designed and constructed or not properly maintained (and therefore suffer deterioration) create significant structural, safety and building code compliance issues. Building fabric and cladding (including combustible cladding) constitute the largest percentage of defects by construction systems across Australia. Specialised expertise is required to remediate facade and cladding issues, including regarding material selection and application, engineering design of access systems and works scheduling.

6.3.4. Dundee Rock JV

In 2017, Duratec established Duratec Australia- Dundee Rock JV Pty Ltd as an incorporated joint venture with Dundee Rock. The purpose of the Dundee Rock JV, which trades as DDR Indigenous Contractors (**DDRIC**), is to commit to the genuine engagement of indigenous personnel, create an environment for training and the provision of meaningful work and up-skilling as well as to capitalise on the significant work opportunities available. Dundee Rock holds a 51% interest in the Dundee Rock JV with Duratec holding a 49% interest. Robert (Phil) Harcourt, Duratec's Managing Director, is a director of DDRIC.



6.4 Experienced Leadership Team of Industry Specialists

Duratec's core leadership team and broader senior management group are well-regarded specialists in their fields with extensive industry experience. Over the last 10 years, this team has developed strong client relationships based on a high degree of customer focus, understanding and quality delivery.

DDRIC is a contractor and project manager delivering engineering, building and maintenance projects across Australia. DDRIC has Supply Nation certification making it eligible to tender for works requiring this certification, including Northern Territory Department of Defence opportunities. DDRIC's service offering includes:

Construction

- › temporary buildings;
- › fuel and water infrastructure
- › energy systems; and
- › non-process infrastructure.

Building maintenance

- › painting;
- › electrical and fire systems;
- › plumbing and roofing;
- › heating, ventilation and air-conditioning;
- › hard landscaping and fencing; and
- › mess and kitchen upgrades.

Civil

- › concrete and detailed civil works;
- › demolition and rehabilitation; and
- › underground services.

DDRIC is financially strong, with FY19 revenue of \$10.8 million, of which approximately 93% was from defence contracts and 7% from mining infrastructure remediation. In FY20, DDRIC had unaudited revenue of \$33.4 million, with approximately 88% coming from defence contracts and the balance from mining infrastructure remediation.

DDRIC comprises approximately \$42.0 million¹⁰ of the overall \$1.4 billion Duratec Pipeline (see Section 6.9). DDRIC provides a continued growth opportunity for Duratec, especially in the defence and natural resources sectors as a result of State and Federal indigenous procurement policies.

¹⁰ This reflects Duratec's relative percentage share of DDRIC

6.5 History of Growth and Diversification

Duratec was originally focused on the Western Australian and Northern Territory markets. In 2014, following a period of successful project delivery and growth during which Duratec became a dominant participant in those markets, Duratec commenced establishing offices in key strategic locations across the Eastern States of Australia to provide a national presence.

Duratec’s growth to date has been predominantly organic. In 2017 and 2018, Duratec made two small strategic acquisitions to strengthen its access and specialist technical services capabilities.

Duratec has a demonstrated history of sustained growth in both revenue and profit. For the period FY18 to FY20, Duratec achieved a CAGR of 39.9% for pro forma revenue, 76.2% for pro forma EBITDA and 99.5% for pro forma NPAT.

Duratec has been able to maintain strong and consistent historical margins due to:

- high quality advice, performance and delivery;
- the specialist nature of its services;
- servicing multiple market segments with a broad range of clients;

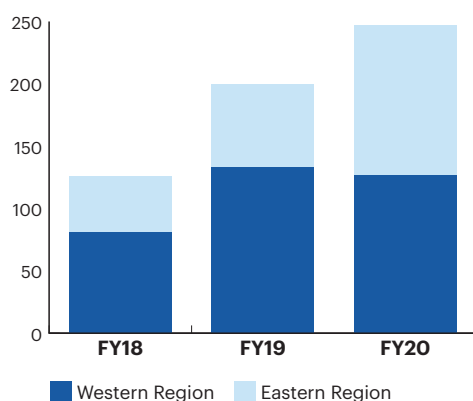
- having local teams in strategic locations around Australia;
- the often-critical nature of the services provided; and
- the fragmented nature of the competitive landscape.

Duratec has significant diversification of revenue and earnings across geographies, clients and industries, which assists in reducing the risk profile of the business. Duratec expects this diversification to continue as it executes its growth strategy across Australia and New Zealand (subject to any border and/or travel restrictions). The Company’s historical revenue by region and industry is presented in the graphs below.

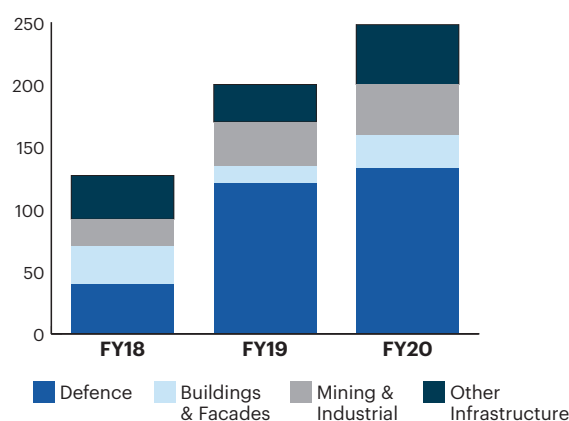
In FY20, Duratec undertook approximately 1,780 individual client projects spread across 550 clients. In FY19, approximately 56% of revenue was derived from Duratec’s five largest clients and approximately 66% of revenue from the top 10 clients. In FY20, approximately 55% of revenue was derived from Duratec’s five largest clients and approximately 66% of revenue from the top 10 clients. While the defence industry accounted for approximately 54% of revenue in FY20, this was spread across 62 projects, which included contracts procured directly with 7 different defence procurement teams as well as contracts with numerous third party contractors who in turn were engaged by the Department of Defence).

Figure 4. Pro forma Revenue by industry and region

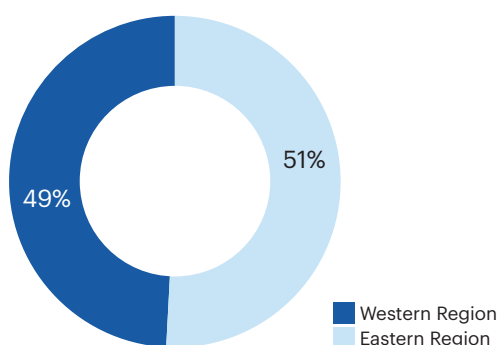
By Region



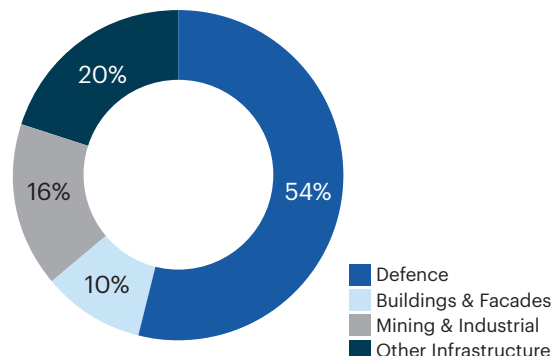
By Industry



FY20 by Region



FY20 by Industry



6.6 Demand and Growth Drivers

Duratec has built a solid reputation for successful delivery to its clients, which has underpinned its growth to date. Demand for Duratec's services in Australia (and other jurisdictions) is increasing, with key drivers including:

- ▶ **Asset age and location:** The asset base in Australia and New Zealand is ageing and requires an increasing level of sustaining maintenance (as ageing impacts structural integrity, compliance and performance). The majority of these assets in Australia and New Zealand are located in highly corrosive environments, being coastal, marine and rural locations with saline water usage and exposure.
- ▶ **Growing asset base:** There is an increasing number of steel and concrete structures, especially metropolitan high-rise buildings, industrial and natural resources infrastructure and general civil infrastructure (such as bridges, dams and fuel installations), which all require protection, on-going maintenance, remediation and/or refurbishment. There has been significant growth in infrastructure spending in recent years, particularly in the Eastern States of Australia, which is forecast to continue (see Section 7 for additional detail).
- ▶ **Poor original building works:** Increasing levels of defects are being identified in existing buildings, particularly in high-rise apartment developments. These defects are due to a number of factors, including design deficiencies and/or lack of quality control in the construction process. The privatisation of building certification has also been identified as a contributing factor.
- ▶ **Stricter building codes:** Continuing trend of stricter codes across Australia will require greater technical expertise in both construction and remediation work in order for existing buildings to be and remain compliant (for example, combustible cladding replacement).
- ▶ **Asset capability and capacity expansion:** Existing infrastructure assets require upgrades, structural strengthening and scale expansion solutions to service growing demand for increased utilisation, new loading capabilities and other requirements. Asset owners are also seeking to extend the life of existing assets as opposed to demolishing and rebuilding them (which can also have an environmental benefit).

6.7 Growth Strategy

Based on the Company's experience and the above demand drivers, key areas of potential future growth identified by Duratec include:

- ▶ defence;
- ▶ building facades, including combustible cladding;
- ▶ high-rise commercial and residential buildings;
- ▶ the Eastern States and New Zealand infrastructure markets; and
- ▶ natural resources (including DDRIC).

Duratec is focused on continuing to grow its business and delivering sustainable earnings growth to its shareholders. To capitalise on the demand and growth drivers discussed above, Duratec has established specific growth initiative teams of senior personnel. These teams meet regularly to review and implement (with Board oversight and guidance) the Company's growth strategies which are focused on the following:









- ▶ **Continued investment:** In the capacity and expertise of the Duratec team to maintain the Company's market leading position.
- ▶ **Geographic expansion and diversification:** Continued penetration of the large Australian east coast markets through the opening of new branches in key regional locations and continuing to diversify and build the Company's reputation in existing branches combined with the intended expansion into New Zealand (subject to any border and/or travel restrictions).
- ▶ **Growth sectors:** A targeted business development and operational team approach to high growth sectors requiring specialist expertise, in particular Department of Defence projects and commercial and residential high-rise building remediation, including facades and flammable cladding replacement.
- ▶ **Increased project scale and service diversity:** Seeking new projects of increasingly larger scale, together with pro-active and reactive diversification of services. The Company believes it has the appropriate people and processes in place (including sophisticated bidding and contract management systems) to successfully perform and manage larger contracts within appropriate risk parameters.
- ▶ **Repeat and new business opportunities:** growing the Company's client base by identifying and developing new client opportunities, together with a focus on expanding the scope and scale of services provided to existing clients, by delivering high quality, client-focused outcomes. Duratec will endeavour to increase annuity type maintenance, protection and refurbishment service delivery under MSAs and longer-term contracts, together with identifying innovative techniques to win projects and improve margins.
- ▶ **Acquisition opportunities:** opportunistically identifying and pursuing complementary acquisition opportunities, particularly on the east coast of Australia and New Zealand. Duratec believes its specialised workforce provides significant operational leverage to win and execute a materially larger revenue base (including substantially larger contract values) with only a relatively small increase in the overall number of specialised/technical and corporate personnel.

6.8 Past Projects

A selection of Duratec's completed projects that highlight the Company's expertise and capabilities is set out below:

Figure 5. Select Completed Projects

Trusted partner of government and leading corporates – focused on asset owners and managers

Industry	Client	Service Examples
 Defence	<ul style="list-style-type: none"> Department of Defence 	<ul style="list-style-type: none"> Heritage restoration / maintenance upgrade works to the Victorian Barracks HMAS Stirling wharf concrete repairs, bridge repairs, wharf extension, fender steelwork HMAS Albatross building works, Garden Island electrical works, Campbell Barracks building works
 Commercial & Residential Buildings	<ul style="list-style-type: none"> Crown Perth WA Dept of Finance BGIS 	<ul style="list-style-type: none"> Major refurbishment works on the facade at Crown Perth Major refurbishment works on the facade at heritage listed Dumas House Facade refurbishment at historic City of Perth Electricity and Gas Department building
 Natural resources	<ul style="list-style-type: none"> Newmont BHP, Rio Tinto, FMG 	<ul style="list-style-type: none"> Boddington CIL tank repair program Concrete remediation, communication tower footings, chimney stack repair, flooring repairs
 Industrial & Utilities	<ul style="list-style-type: none"> Yara Pilbara Chevron 	<ul style="list-style-type: none"> Corrosion under insulation repairs on ammonia storage tank feed line, cooling tower basin repairs Gorgon chemical proofing
 Power & Energy	<ul style="list-style-type: none"> Stanwell Corporation AGL Torrens Island Pty Ltd 	<ul style="list-style-type: none"> Concrete remediation services at Tarong Power Station Stack condition assessment at Torrens Island Power Station
 Ports	<ul style="list-style-type: none"> Pilbara Port Authority Port of Melbourne Southern Regional Ports 	<ul style="list-style-type: none"> Rope access work, fender replacements, coating touch ups Swanson Dock concrete and cathodic protection repairs Fender replacement works at Bunbury Ports
 Transport infrastructure	<ul style="list-style-type: none"> DM Roads City of Kingston (VIC) NSW Dept of Industry 	<ul style="list-style-type: none"> Rehabilitation and painting of heritage listed Ryde Bridge Concrete and steel bearing plate repairs and steel reinforcement at Wells Road Bridge Meadowbank Bridge refurbishment
 Water infrastructure	<ul style="list-style-type: none"> Fulton Hogan Water Corporation (WA) Wood 	<ul style="list-style-type: none"> Condition assessment and remediation of concrete elements at Glenelg waste water treatment plant Inspections, tank floor repairs, concrete remediation and waterproofing at multiple locations Tank refurbishment and coating projects across various Melbourne waste water network sites



6.9 Duratec's Orderbook and Pipeline

As at 31 July 2020, Duratec had an orderbook of \$145 million¹¹. The orderbook is split 57% Western Region (being Western Australia and Northern Territory) and 43% Eastern Region (being the other Australian states and territories). Duratec expects 86% of the orderbook to be delivered in FY21 and the balance in FY22.

The orderbook does not include potential revenue from current and on-going client MSAs as the Company only recognises potential income based on receipt of specific purchase orders under these MSAs (revenue from which was approximately \$24 million in FY19 and \$22 million in FY20).

As at 31 July 2020, Duratec had a total pipeline¹¹ of \$1.4 billion (**Pipeline**). The Pipeline comprises:

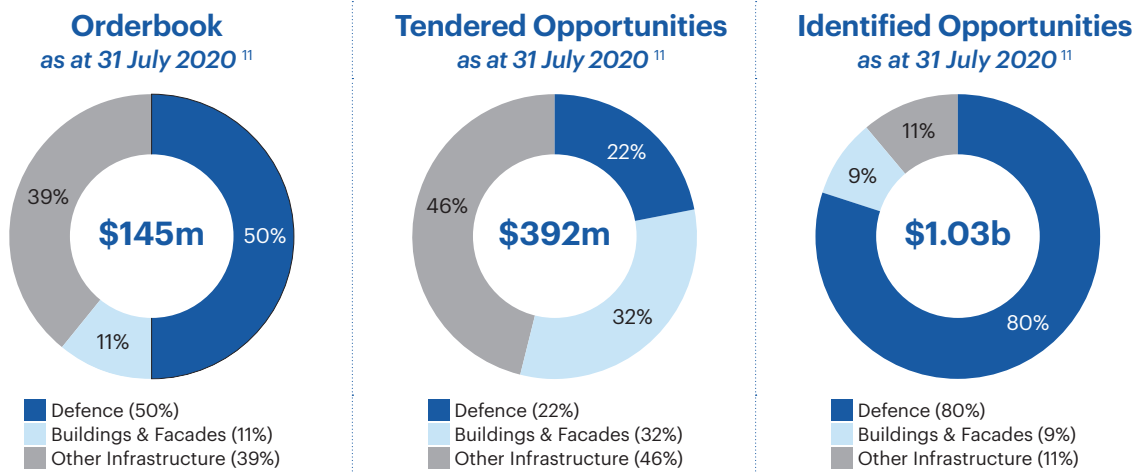
- current tenders of \$392 million, which is split 33% Western Region (being Western Australia and the Northern Territory) and 67% Eastern Region (being the other Australian states and territories); and

- identified opportunities of \$1.03 billion which is split 29% Western Region and 71% Eastern Region (including New Zealand).

Both the orderbook and pipeline are well distributed across regions, contract size, projects and client industry groups.

In relation to identified opportunities, the relative composition by sector is affected by the Company's ability to reliably identify and probability weight each opportunity. There is significantly greater clarity and line of sight for defence opportunities, as compared to opportunities in buildings and facades for example. Accordingly, defence opportunities are attributed a higher probability weighting in the pipeline, as compared to building and facades opportunities. The Company believes there are significant opportunities in the building and facades and other infrastructure sectors.

Figure 6. Duratec's Orderbook and Pipeline











11. Includes relevant percentage shares of JVs (50% of DEJV and 49% of DDRIC). The category "Other Infrastructure" also includes Mining and Industrial work.

6.10 Key Current Projects

A selection of Duratec's key current projects that highlight the Company's expertise and capabilities is set out below.

Figure 7. Select Current Projects

Trusted partner of government and leading corporates – focused on asset owners and managers

Industry	Client	Service
 Defence	<ul style="list-style-type: none"> Department of Defence 	<ul style="list-style-type: none"> Steel driven piles and concrete deck construction work to the Stirling Armaments Wharf Extension Concrete construction, vehicle shelters and fuel, electrical and hydraulic infrastructure Building electrical upgrade at Randwick Barracks (NSW)
 Commercial & Residential Buildings	<ul style="list-style-type: none"> Brookfield Property Partners Victorian School Authority Melbourne University 	<ul style="list-style-type: none"> Major building façade refurbishment at 108 St Georges Terrace (WA) Replacement of combustible facade Replacement of combustible facade
 Natural resources	<ul style="list-style-type: none"> Pilbara Iron Newmont Rio Tinto Dampier Salt 	<ul style="list-style-type: none"> Concrete and steel structure remediation Blasting and painting works and concrete protective linings Mooring Dolphin concrete repairs, impressed current cathodic protection and fender change outs
 Industrial & Utilities	<ul style="list-style-type: none"> Yara Pilbara Chevron Tianqi Lithium Australia 	<ul style="list-style-type: none"> Corrosion under insulation repairs on ammonia storage tank feed line, cooling tower basin repairs Gorgon chemical proofing Chemical resistant protective coating system application
 Power & Energy	<ul style="list-style-type: none"> Bluescope Kansai Electric and Sumitomo 	<ul style="list-style-type: none"> Power plant condition assessments Assets integrity survey and maintenance planning at Bluewaters Power Station (WA)
 Ports	<ul style="list-style-type: none"> Flinders Ports Tasmania Ports 	<ul style="list-style-type: none"> Concrete remediation works and fender replacements at Port Adelaide Berth 18 Berth 6 Concrete remediation works
 Transport infrastructure	<ul style="list-style-type: none"> Sydney Trains Victoria Roads 	<ul style="list-style-type: none"> Blasting and painting of steelwork at Cockle Creek Bridge (NSW) Remedial works including design and construction of Impressed Current Cathodic Protection for roadway concrete structures at Martha Cove (VIC)
 Water infrastructure	<ul style="list-style-type: none"> Tasmania Water Fulton Hogan Water Corporation (WA) 	<ul style="list-style-type: none"> Reservoirs tank blasting and protective coating at St Leonards (TAS) Concrete investigations and remediation at Glenelg Wastewater Treatment Plant (SA) Clarifier tank corrosion repairs at Wanneroo Groundwater Treatment Plant (WA)



6.11 People and Culture

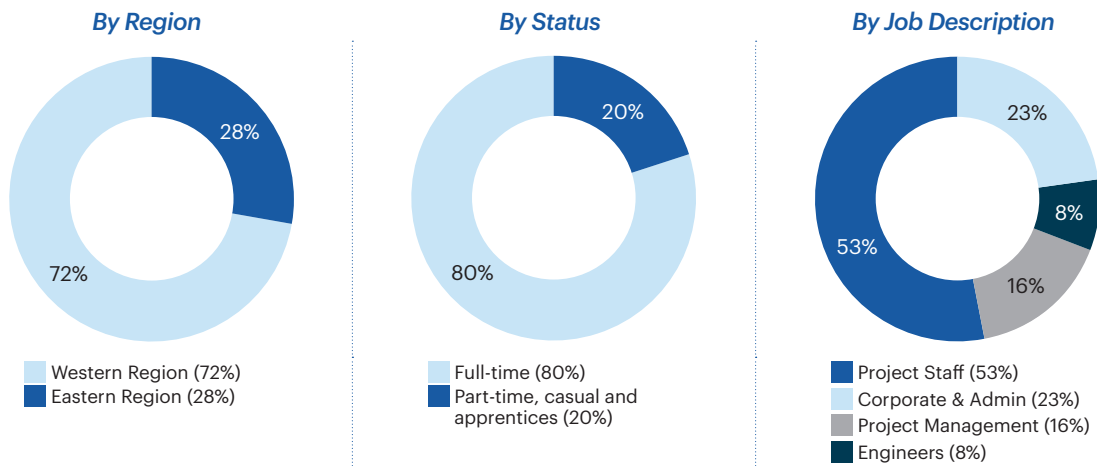
Duratec's workforce comprises approximately 675 specialist technicians, engineers, project managers and corporate support personnel. The mix of specialist employees varies on each project which allows Duratec to accommodate multiple projects or tendering opportunities while retaining key personnel to ensure the highest levels of safety and client service are maintained.

The Company has a comprehensive induction process and on-going training to support employees

as part of continual improvement and proactive development of unique innovative solutions.

Duratec's initiatives in health, safety, environmental and quality management (**HSEQ**), youth training, indigenous engagement and support of local communities, has been frequently acknowledged by industry and government bodies. Duratec is proud of the numerous awards it has received in recognition of its commitment to building a sustainable future.

Figure 8. Employee Breakdown as at 30 June 2020



6.12 The Impact of COVID-19 and Duratec's Response

The global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has been and will likely continue to have a significant impact on global economic activity, including in Australia and New Zealand.

To date, the COVID-19 pandemic has not materially impacted the Company's operations, with only a small number of projects ceasing and others being delayed which has resulted in only a limited number of redundancies. The Company did record a small number of positive cases by employees who had contact with three sites in Victoria. However, the Company promptly implemented its COVID-19 management plan and procedures by ensuring the employees self-quarantined, notifying the client and all relevant authorities, ceasing work on the site to allow it to be sanitised by a special hygiene industrial cleaning company and notifying all personnel who had contact with the employee. The cases did not have a material effect on the Company's financial performance or reputation and resulted in minimal delays to the work on the relevant sites. All affected employees have since recovered, tested negative and returned to work. However, any future measures by the Federal and/or various state governments, or large clients, to limit or shut access to work sites could adversely impact Duratec's revenue and profitability whilst those measures are in place.

As demonstrated above, the Company was well prepared for and acted quickly in relation to the COVID-19 pandemic. A number of strategic operational measures were already in place before the pandemic commenced, which helped to minimise the risk and interruption to the business and ensure the continuation of operations on a normal basis (to the maximum extent that was possible). These included sophisticated information technology systems and remote capabilities, and local teams and business units based in the Company's offices Australia-wide (to provide continuity of service to clients).

As noted above, the Company has implemented a COVID-19 management plan across its business in order to minimise the risk of infection for individuals. Actions taken include a roster system utilising two alternating work teams being implemented on some resource project sites. Working from home arrangements have been implemented for all office-based staff and has worked effectively. Hygiene and social distancing procedures have been implemented and widely embraced across work sites. The Company's COVID-19 management plan is reviewed and updated based on the latest guidance from health professionals and the government as the situation develops.

6.13 Business Management Systems and HSEQ

Duratec's business systems model incorporates HSEQ policies, procedures, plans, and tools to support managing every aspect of the business.

Duratec implements best-practice management systems that support the business in delivering projects safely, to a high standard and with minimal environmental impact. Duratec aims for continual improvement in all it does and is focused on ensuring its systems continually evolve to support the sustainable growth of the business. Business planning procedures are utilised complete with business case procedures for system improvement, initiative submission, review, approval and implementation as an integral part of the continuous improvement process.

Duratec holds the following third-party HSEQ accreditations:



Duratec's management team are committed to providing and maintaining a safe work environment for employees, sub-contractors and others affected by its work. Duratec believes that all accidents are preventable and fosters a culture of ZERO HARM. Management plays an important role in demonstrating leadership in all aspects of HSEQ to the workforce and instilling a culture of accountability which encourages reporting of safety matters. Supervisors are recognised as having the biggest impact on safety performance of the workforce and therefore are important role models in Duratec's safety culture. They are actively involved in implementing and co-ordinating key safety management activities.

Figure 9. Duratec Health and Safety Statistics¹²

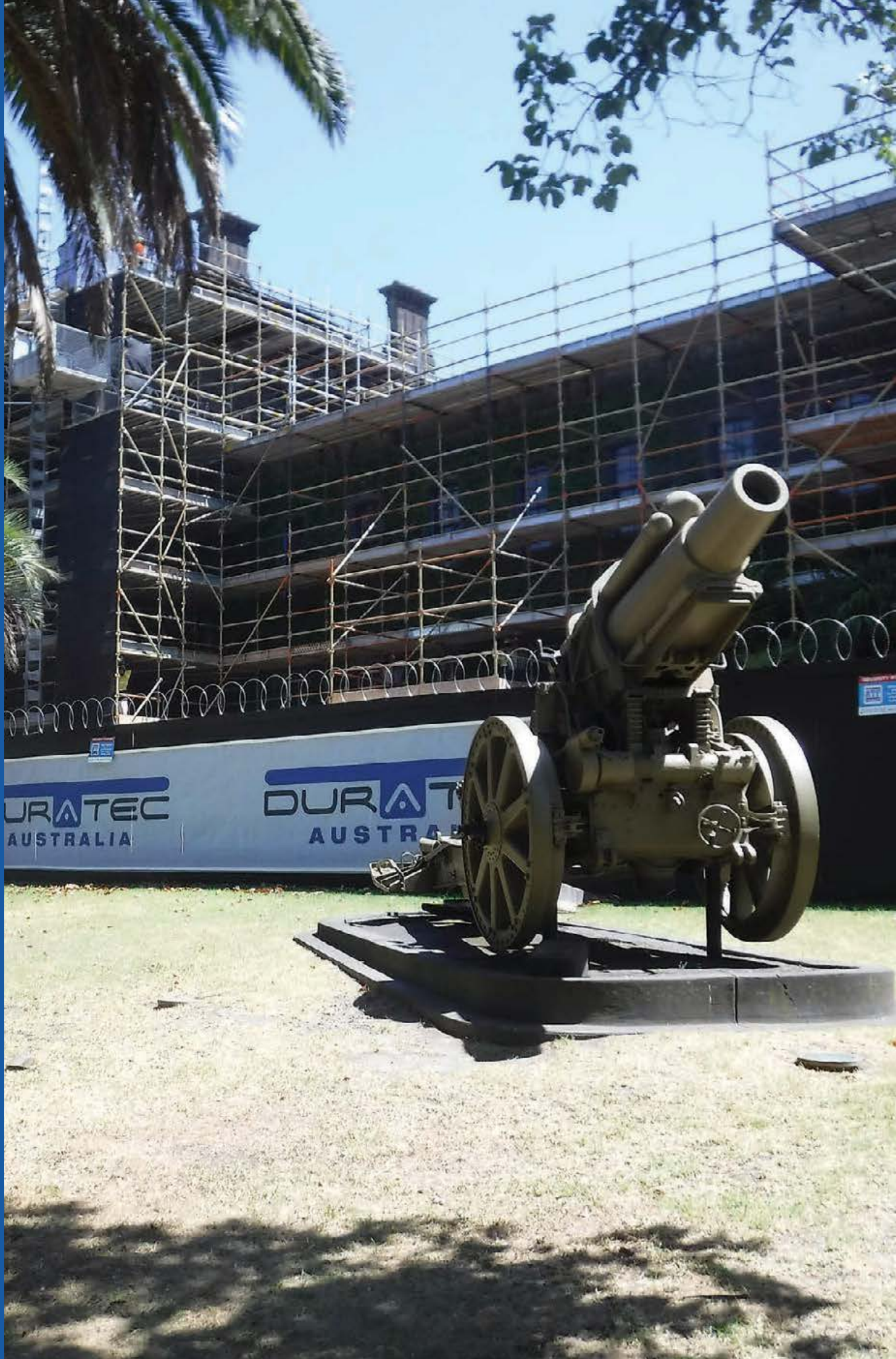
Period	LTIFR ¹³	TRIFR ¹⁴	AIFR ¹⁵	Hours worked
FY18	0.98	11.70	70.30	1,023,684
FY19	0.71	3.55	46.22	1,406,142
FY20	0.00	6.33	49.59	1,895,400

¹² Duratec is a 49% shareholder in DDRIC. DDRIC has several contracts with the Department of Defence. In July 2020, an employee of a subcontractor engaged by DDRIC working on a Defence project died on site. The incident was investigated and the cause of the death was found to be from natural causes and not work-related.

¹³ Lost time injury frequency rate based upon all injuries per million hours worked.

¹⁴ Total recordable injury frequency rate based upon all injuries per million hours worked.

¹⁵ All injury frequency rate of all injuries per million hours worked



7. Industry Overview

7.1 Introduction

Duratec provides its services to a range of industries, currently principally in Australia. The level of sector activity relevant to Duratec’s services is largely driven by the necessity to protect and restore assets from the destructive effects of corrosion, wear and tear, poor initial build quality, changing building codes and increased utilisation or load capacity requirements. The key industries that Duratec services are outlined below.

7.2 Key Industries

The industries that Duratec services are broadly categorised as follows:

- (a) defence;
- (b) commercial and residential high-rise buildings and heritage structures;
- (c) natural resources; and
- (d) industrials and utilities.

7.2.1. Defence

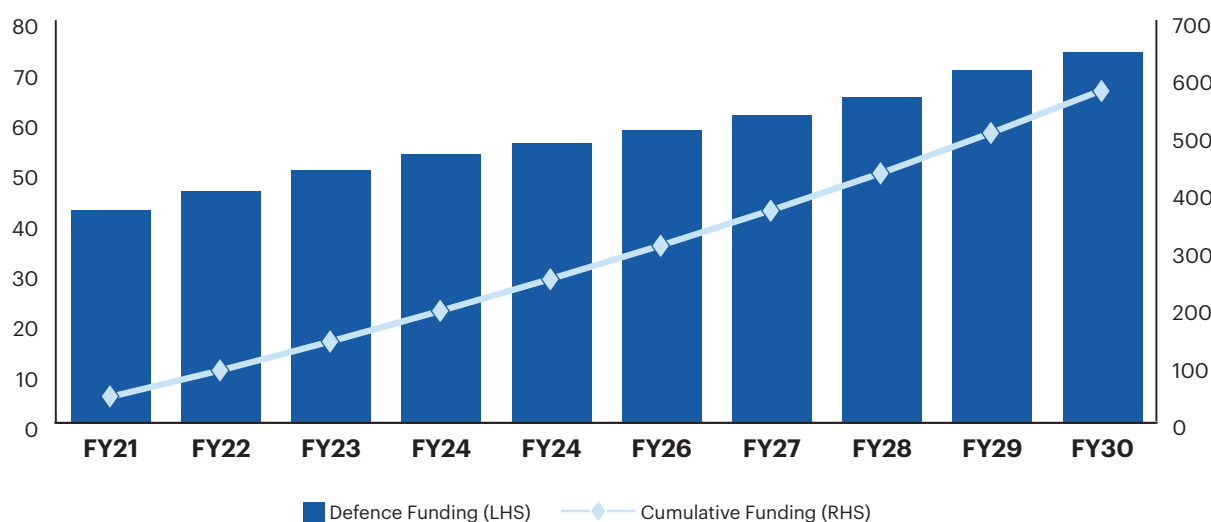
The Australian Federal Government has committed to fund a significant expansion in Australia’s defence industry, with annual funding expected to reach approximately \$74 billion and cumulative funding estimated to reach \$575 billion by FY30¹⁶. The Commonwealth Government is targeting annual spend of 2% of GDP by 2020–21¹⁷.

The Government has provided funding certainty to the Department of Defence so it can deliver on its strategy set out in the 2016 Defence White Paper and updated strategy outlined in the 2020 Defence Strategic Update and 2020 Force Structure Plan.

The Government has provided a 10-year forecast of funding with funding per annum shown above. The Defence budget is comprised of three major categories¹⁹:

- (a) **Acquisition of New Capability:** military equipment, facilities and infrastructure and information and communications technology;
- (b) **Sustainment of Existing Capability:** costs of sustaining existing capability in service and the estimated costs of planned future capability yet to be introduced in service; and
- (c) **Workforce:** largely comprised of military employee expense (approximately 80%).

Figure 10. Defence Funding until FY30 (\$ billions)¹⁸



¹⁶. Department of Defence, 2020 Strategic Update.

¹⁷. The Hon Christopher Pyne, A Safer Australia – Budget 2019-20 – Defence overview, April 2019.

¹⁸. Department of Defence, 2020 Strategic Update.

¹⁹. Department of Defence, 2020 Force Structure Plan.

Figure 11. Department of Defence Budget by category

Categories	2020-21 \$ million	2025-26 \$ million	2029-30 \$ million	2020-21 %	2025-26 %	2029-30 %
Acquisition	14,439	22,881	29,170	34%	39%	40%
Sustainment	12,619	18,196	23,762	30%	31%	32%
Workforce	13,504	15,640	19,229	32%	27%	26%
Operating	1,501	1,456	1,522	4%	3%	2%
Operations	87	3	3	0%	0%	0%
Total Funding	42,151	58,175	73,687	100%	100%	100%

Total Defence spend is expected to increase at an annualised 5.7% over the next five years to reach \$55.6 billion by FY25. Up to FY30, investment in acquisition capabilities will grow by \$14.8 billion to \$29.2 billion and investment in sustainment will grow by \$11.2 billion to \$23.8 billion²⁰.

Defence capability is intrinsically linked to the efficiency and effectiveness of its estate. Ranges, bases, airfields, training facilities and supporting infrastructure are continually corroded and degraded, rendering them inefficient and, at times, unusable. The Department of Defence has established an integrated investment program that undertakes redevelopment and refurbishment works, in addition to the introduction of new facilities²¹.

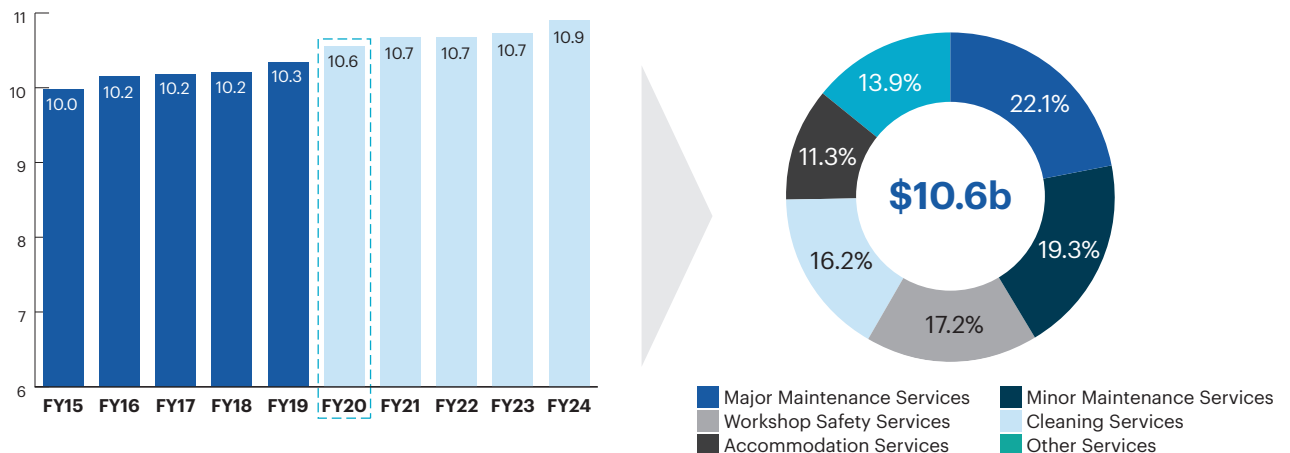
The Department of Defence has committed significant resources to new investment in facilities and infrastructure, whilst maintaining existing assets. Companies that operate within the industry have a significant opportunity to grow as a result of increasing demand for their services as the Government meets its stated objectives. As more opportunities come to market, businesses that have existing relationships and the required accreditation (e.g. Duratec) will be well positioned to compete for tenders.

7.2.2. Commercial and Residential High-Rise Buildings and Heritage Structures

Buildings in Australia are exposed to harsh weather conditions and require ongoing maintenance and facade refurbishments to maintain aesthetics and structural integrity. There are also growing market concerns regarding current and historical building construction quality. In order for commercial and residential high-rise buildings to either become or remain compliant with building codes, remediation and refurbishment services may be required.

The facilities management industry in Australia is expected to grow at 1.2% p.a. through to FY25²². Currently industry revenue is approximately \$10.6 billion, growing to approximately \$11.2 billion by FY25. The two largest contributors to facilities management revenue in Australia are major and minor maintenance services, which are markets serviced by Duratec.

Figure 12. Australian Facilities Management Services - Revenue and Market Segments in FY20 (\$ billions)²²



20. Department of Defence, 2020 Strategic Update.

21. Presentation by Steve Grzeskowiak, Deputy Secretary Estate & Infrastructure Group.

22. IBIS World Industry Report, Facilities Management Services in Australia, October 2019.

Revenue is expected to grow throughout the forecast period, with businesses continuing to outsource non-core activities. This may provide opportunities for companies that operate within these markets, like Duratec.

Within Australia there has been an increased number of investigations and audits being undertaken to identify defects within commercial and residential buildings. Results of these investigations and audits have highlighted the current and ongoing need for protection and maintenance works on these structures.

A joint study was conducted by Griffith University and Deakin University, the results of which were published in June 2019, whereby 212 buildings were investigated for defects across several states (NSW, VIC and QLD) in Australia. It was determined that there were 3,227 defects across these buildings. Structural and safety defects were spread across multiple locations, emphasising the poor construction quality around Australia. Of the defects uncovered, the below were the most common.

Figure 13. Percentage of defects by construction system in multi-owned residential buildings across Australia ²³

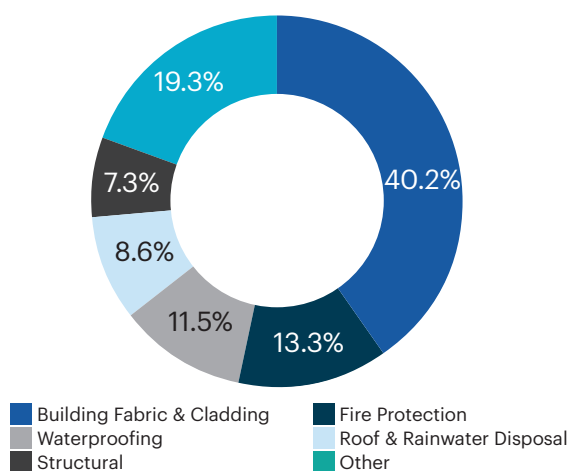
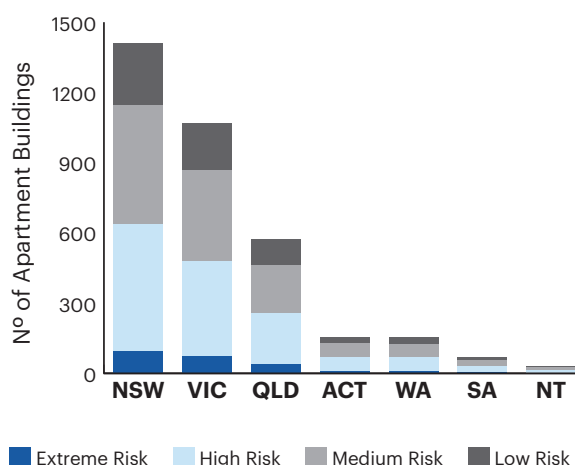


Figure 13 shows the wide-ranging issues that were detected and the defects that can occur within commercial and residential high-rise buildings. Of the defects detected, building fabric and cladding issues was the most common, representing a significant emerging market. It was determined that 85% of buildings inspected contained at least one defect. This reflects the significant opportunity that exists for protection, remediation and refurbishment services on buildings.

Based on analysis by Equity Economics and Development Partners, it is estimated that the cost to building owners and State, Territory and Federal Governments of addressing structural and safety defects in apartment buildings built in the last ten years, alone, is approximately \$6.2 billion²⁴. Of that \$6.2 billion, a significant portion will be required to rectify combustible cladding. There are an estimated 3,400 residential apartment buildings across Australia with combustible cladding, as shown below in Figure 14.

Figure 14. Estimated number of Australian apartment buildings with combustible cladding²⁴



The Victorian Government has committed \$600 million²⁵ to assist with the rectification or replacement of combustible cladding material on 'extreme' risk buildings. It is estimated that buildings with extreme and high risk combustible cladding will cost approximately \$1.7 million per building to rectify²⁴. The total market opportunity for the rectification of combustible cladding in Australia is difficult to quantify. These investigations only refer to residential apartment buildings, but the same issues are present on commercial structures. Businesses that provide combustible cladding rectification works have a significant opportunity to provide their services to commercial and residential high-rise buildings around Australia.

²³. Nicole Johnston (Deakin) with Sacha Reid (Griffith), *An Examination of Building Defects in Residential Multi-owned Properties*, June 2019.

²⁴. Equity Economics and Development Partners, *The Cost of Apartment Building Defects*.

²⁵. The Hon Daniel Andrews, *Tackling High-risk Cladding to keep Victorians Safe* (media release), July 2019.

7.2.3. Natural Resources

Natural Resources (including oil & gas), exploration, production and maintenance expenditure are all expected to increase in future years²⁶. Capital expenditure reached record levels from 2012–2013 (see Figure 15). As the installed production capacity increases and ages, an uplift in maintenance expenditure is expected. Mining production facilities are exposed to harsh weather conditions and corrosive environments, which cause asset fatigue and a reduction in structural integrity and safety. These factors drive demand for maintenance services in the natural resources industry.

The significant level capital expenditure from 2011 to 2015 has led to a subsequent increase in maintenance spend. Maintenance spend on resources and heavy industry increased from \$5.6 billion in FY17 to \$6.6 billion

in FY20. Maintenance spend is expected to continue to grow from \$6.6 billion in FY20 to reach approximately \$7.4 billion by FY24 (assuming its relative percentage share from Figure 18 remains constant)²⁹.

Mining and resources investment over the next few years is expected to be driven by asset owners seeking to maintain and repair resources infrastructure as asset lifespans reach mid-life and beyond. Given the increase in production over the past decade, the level of sustaining capital expenditure is likely to be higher than before the mining boom to maintain the increased levels of production.

The Australian Mines & Metals Association has identified \$41 billion³⁰ worth of capital projects that are likely to be installed across the nation over the five years to 2024. All of these assets are located in aggressive environments which necessitate regular maintenance.

Figure 15. Mining in Australia – Actual Expenditure (\$ billions)²⁷

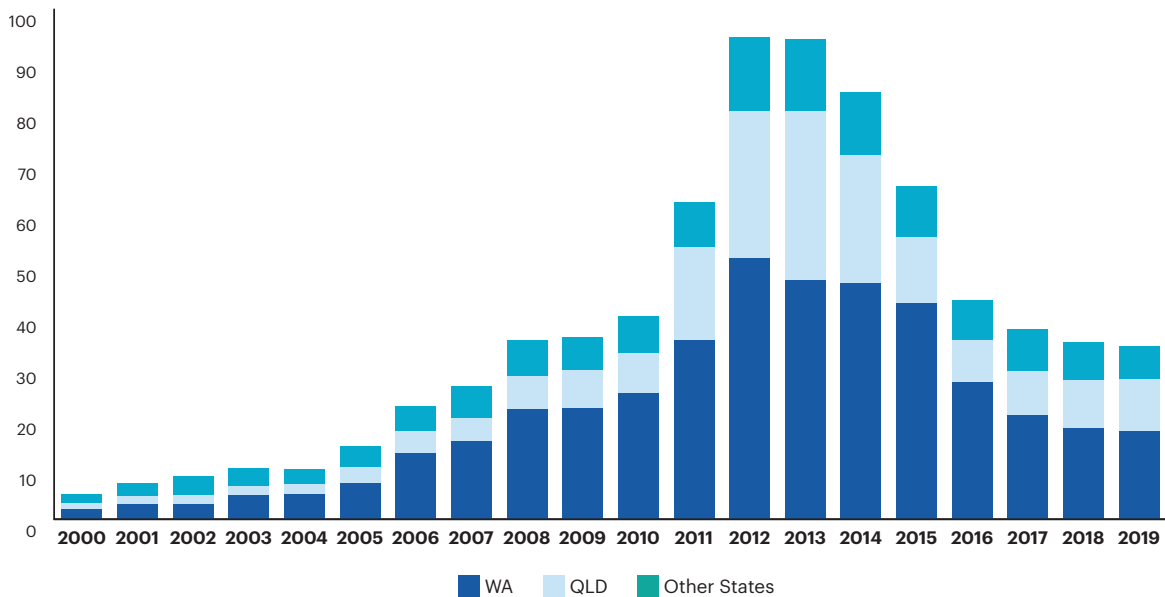
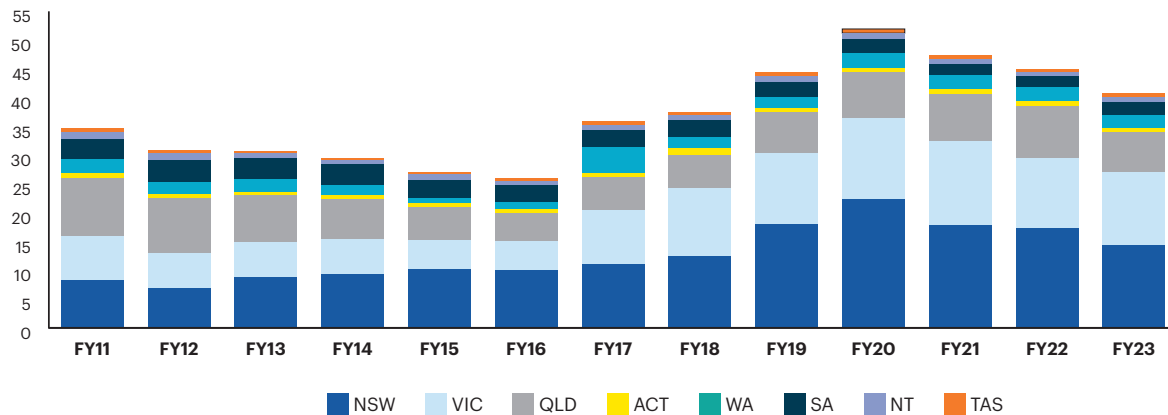


Figure 16. Committed Government Infrastructure Funding by Jurisdiction (\$ billions)²⁸



26. BIS Oxford Economics, Australian mining industry poised for stronger growth in 2018 and beyond, December 2017.

27. Australia Bureau of Statistics, Actual Expenditure by Type of Asset and Industry, February 2020.

28. Infrastructure Partnerships Australia.

29. IBIS World Industry Report, Infrastructure Maintenance Services in Australia, February 2020.

30. AMMA Australian Resources & Energy Group: Securing the next wave of major project investment, November 2019.

7.2.4. Industrial and Utilities

The industrial and utilities sectors, including power and energy, marine, electrical, pipelines, transport, and water and wastewater infrastructure, deliver services and provide amenity as a result of significant investments made in relevant classes of infrastructure.

Significant levels of capital expenditure on new infrastructure projects by the public and private sector create long-term requirements for maintenance and sustaining capital expenditure. Australian state Governments have announced approximately \$185 billion for investment across the country over the period FY20 to FY23. In 2019, the Australian Federal Government committed to a 10-year investment program including \$100 billion across the period into transport infrastructure. Infrastructure investment will remain close to record highs for the medium term given the importance of Australia's transport infrastructure in contributing to international competitiveness and ongoing population growth.

Figure 16 illustrates the large amount of committed government funding for infrastructure in Australian states that has occurred or will occur in the coming years. This investment is expected to result in increasing levels of maintenance work in future years, providing significant opportunities for companies that provide maintenance services, like Duratec.

Much of Australia's energy infrastructure is fixed, costly and ageing with over 40,000³¹ kilometres of electricity transmission and more than 100,000 kilometres of transmission and distribution pipelines that deliver gas around Australia³². Coal fired power stations are still responsible for generating over 60%³³ of Australian electricity. The energy sector is also undergoing a significant transformation with ongoing capital investment required for new power generation from renewable sources in regional and remote locations. Coal fired generation is expected to be gradually retired.

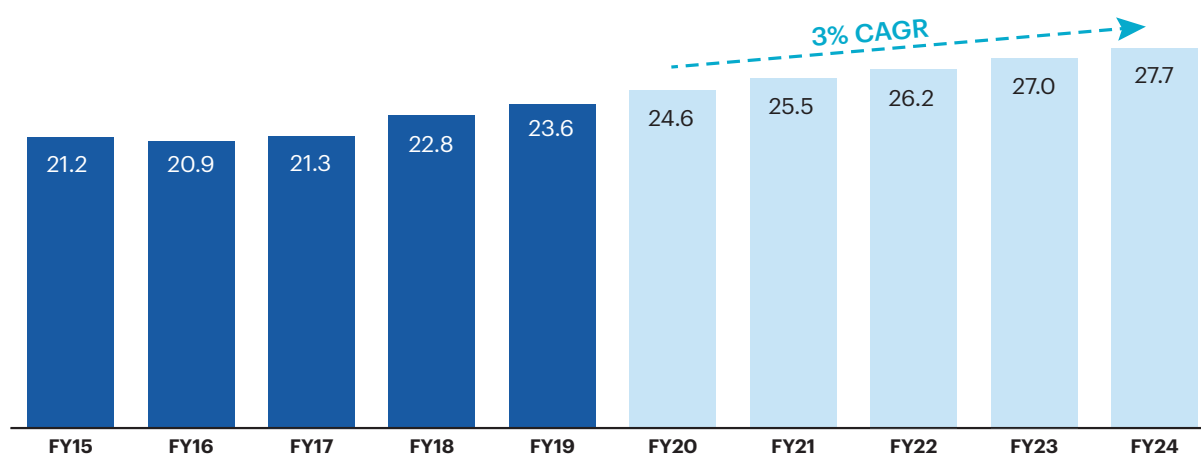
In 2035, half the existing capacity is expected to remain online despite the fact that approximately three-quarters of Australia's coal-fired power stations are operating beyond their original design life and some have had extensive refits³³.

Transportation investment combined with an increased population and demand for goods and services, is expanding the traffic at over 70 major and regional ports in Australia, including the handling of bulk commodities for export and containers for exports and imports³⁴. The private sector is increasingly a major player in port operations, with investment in new port construction, expansion and upgrades expected in most Australian key terminals and bulk facilities over the next decade.

Australia has a vast road network incorporating many road bridges. Many of these bridges have been constructed using reinforced concrete. Deterioration may start to occur and require inspection and maintenance services to ensure they are safe and reliable. The Australian Government commenced a Bridges Renewal Program in 2015-16, to support bridge upgrade and replacement. The Government committed to providing \$640 million from 2015-16 to 2022-23, with an ongoing commitment of \$85 million thereafter³⁵.

As identified in the Australian Infrastructure Audit 2019, like other infrastructure, the water sector is being affected by factors such as a growing population, climate change and user expectations. The risks to Australia's water storage and supply infrastructure is compounded by many of its assets reaching the end of their lifecycle, and approaching full capacity³⁶. As well as significant State government maintenance and expansion investment, the Australian Federal Government is providing \$1.5 billion of funding to fast track the construction of 22 water infrastructure projects³⁷.

Figure 17. Infrastructure Maintenance Services in Australia – Expenditure (\$ billions)³⁸



31. Infrastructure Australia, Australian Infrastructure Audit 2019.

32. The Australian Pipelines and Gas Association Ltd (APGA).

33. Energy Networks Australia, Energy Insider: The Demise of Coal, 18 July 2019.

34. Ports Australia, The Challenges of a growing population and the role of Ports in face those challenges, May 2019.

35. Department of Infrastructure, Transport, Regional Development and Communications.

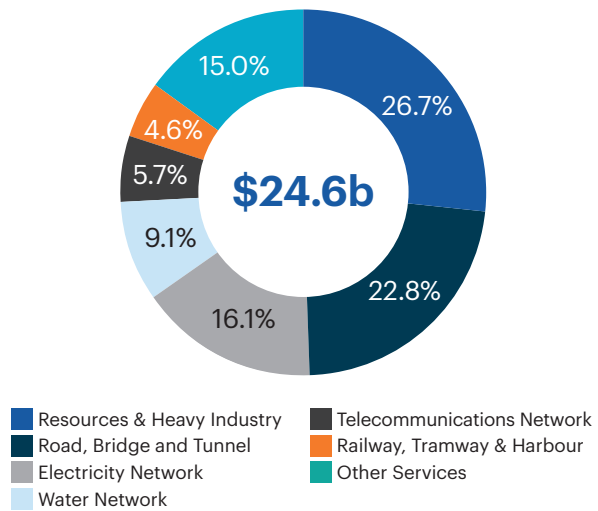
36. Infrastructure Australia, Australian Infrastructure Audit 2019.

37. National Water Grid Authority.

38. IBIS World Industry Report, Infrastructure Maintenance Services in Australia, February 2020.

The increasing level of capital expenditure has led to an increase in maintenance spend in the past five years. Maintenance spend on infrastructure increased from \$21.2 billion in FY15 to \$23.6 billion in FY19. Through the forecast period, maintenance spend is expected to grow from \$24.6 billion in FY20 to \$27.7 billion in FY24³⁹.

Figure 18. Infrastructure Maintenance Services in Australia – Market Segments FY20³⁹



7.3 COVID-19 and the Impact on the Industries Duratec Services

The COVID-19 pandemic is having a profound effect on the global economy with many industries facing an unprecedented level of business interruption.

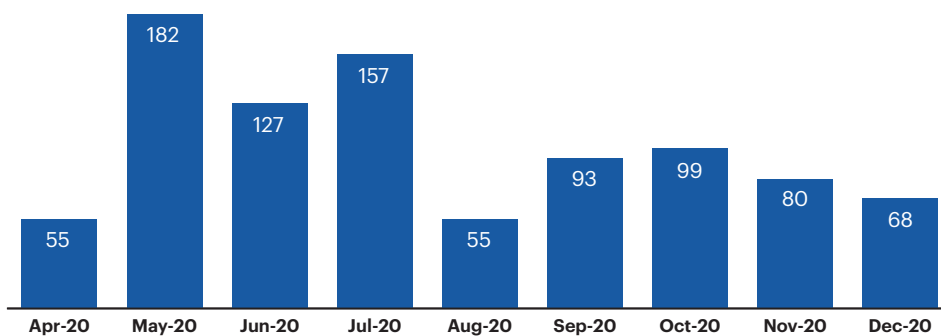
In contrast to industries such as airlines, tourism and retail which have been heavily impacted, the industries serviced by Duratec have continued to operate with relatively less disruption and their operational procedures have evolved to ensure ongoing compliance with government mandated movement restrictions and distancing requirements.

The Australian Federal Government has recognised the need to adapt fiscal policy to support the economy and has committed a total of \$320 billion across forward estimates, representing 16.4% of annual GDP⁴⁰.

7.3.1. Defence

Given the Department of Defence is directly funded by Australian Federal Government appropriations, the Department of Defence may have a role in stimulating and supporting the economy through this recovery phase. Subsequent to COVID-19 becoming a global issue, the Estate Works Program (EWP) has grown to \$900 million for the 9 months to December 2020 (see Figure 19). Historically the pipeline has been worth approximately \$600 million per annum. This significant increase in investment is approximately double the historical EWP monthly expenditure. As part of the expanded EWP, certain specific tendering opportunities will be restricted to Indigenous Enterprise which Duratec can access through its Joint Venture with DDRIC.

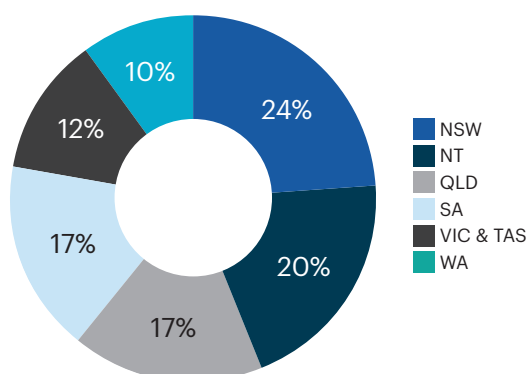
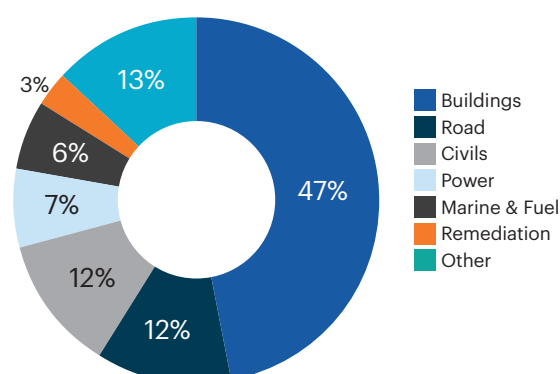
Figure 19. Estate Works Program Tenders by Month (\$ millions)⁴¹



39. IBIS World Industry Report, Infrastructure Maintenance Services in Australia, February 2020.

40. Australian Government, Economic Response to the Coronavirus, March 2020.

41. Defence Estate Works Program Update Procurement Activities from May – December 2020, using midpoint of each tender range.

Figure 20. Estate Works Program Tenders by State⁴²**Figure 21. Estate Works Program Tenders by Type**⁴²

7.3.2. Commercial and Residential High-Rise Buildings

While the level of tenant activity in most commercial high-rise buildings has reduced, there has been no change to the key drivers of maintenance activity in relation to commercial and residential high-rise buildings, which are: weather related exposure and un-remediated construction defects.

7.3.3. Natural Resources

Businesses operating in the natural resources industry have been deemed an essential service, hence most have continued to operate throughout the COVID-19 pandemic. Companies have implemented changes to existing policies and procedures and making workforce changes such that operational personnel reside within acceptable proximities to site.

Whilst it is too early to predict the long-term impact of COVID-19, commodity prices have remained strong. The Index of commodity prices; Non-rural component – Bulk commodities (based on export price movements); A\$ published by the RBA rose from 97.6 in December 2019 to 103.1 in August 2020⁴³.

7.3.4. Industrial and Utilities

Infrastructure spending by public utility providers has historically been a mechanism the Australian Government has used to stimulate the economy in times of low economic activity, due to its multiplier effect⁴⁴.

The Australian Government will support jobs by delivering \$1.5 billion in infrastructure investment⁴⁵. This consists of \$1 billion in 'shovel ready' projects and \$500 million targeted road safety works. Additionally, the Government has announced a priority list of 15 major infrastructure projects to be fast-tracked, estimated to be worth \$72 billion in public and private investment⁴⁶. These significant levels of investment in infrastructure will provide a larger pipeline of opportunity to asset protection and remediation service providers, like Duratec.

⁴². Defence Estate Works Program Update Procurement Activities from May – December 2020, using the midpoint of each tender range.

⁴³. Reserve Bank of Australia, Index of Commodity Prices, August 2020.

⁴⁴. Australian Treasury, Australia's Response to the Global Financial Crisis, June 2009.

⁴⁵. Australian Government, Department of Infrastructure, Transport, Regional Development and Communications: Infrastructure investment response to COVID-19.

⁴⁶. CEDA, State of the Nation forum, June 2020.

7.4 Competition

The asset protection, remediation and refurbishment industry participants compete on multiple levels, including:

- › service quality;
- › service offering;
- › price;
- › expertise and experience; and
- › safety.

There are varying participants within the market, ranging from engineering consultants, multi-disciplinary construction and maintenance firms and project managers with sub-contractor relationships.

Within the industry there are significant barriers to entry, including:

- › depth of technical knowledge and capability;
- › obtaining and retaining skilled employees with deep industry knowledge;
- › financial strength and stability;
- › ability to price appropriately throughout the tendering process;
- › leading edge systems and processes to ensure operations are safe and services are delivered effectively and efficiently;
- › depth and breadth of client relationships;
- › business scale including geographic coverage;
- › Federal Safety Accreditation; and
- › Commonwealth Indigenous Procurement Policy.

Given the specialist needs required to tender and deliver maintenance services for specific contracts, it is not uncommon for service providers to tender for contracts with other specialist providers. The market consists of many participants, however given the spread of industries, locations and services performed, competitors can differ by sector, geography and services.

Potential competitors include:

7.4.1. Defence

- › BARPA Construction Services
- › St Hillier's Pty Ltd
- › FK Gardner & Sons Pty Ltd
- › Wilken Service Pty Ltd
- › Kennelly Constructions Pty Ltd
- › Spotless P & F Contracting
- › Arete Australia Pty Ltd
- › Ducon Building Solutions
- › Programmed Ltd

7.4.2. Commercial and Residential High-Rise Buildings

- › Freyssinet Australia
- › SRG Global Limited
- › RM Watson Pty Ltd
- › Built (NSW) Holdings Pty Ltd
- › Eptec Group

7.4.3. Infrastructure and Natural Resources

- › Freyssinet Australia
- › Central Systems Pty Ltd (part of Resource Development Group Limited)
- › SRG Global Limited
- › Monadelphous Group Limited
- › Altrad Services APAC
- › Marine & Civil Maintenance Pty Ltd
- › Kaefer Integrated Services Australia
- › Eptec Group
- › Nucoat
- › SPC Engineering
- › TAMS Group
- › VEC Civil Engineering Pty Ltd



8. Details of the Offer

8.1 The Offer

The Offer:

- (a) is an initial public offer of up to 48,000,000 New Shares to be issued by the Company and 57,850,000 Sale Shares to be sold by SaleCo (**IPO Offer**); and
- (b) includes an offer of Rights under the IPO Rights Offer to certain employees and members of senior management who receive an IPO Rights Offer Invitation Letter (**IPO Rights Offer**).

All Shares under the IPO Offer will be issued or transferred at the offer price of \$0.50 per Share.

The Shares offered under this Prospectus will represent approximately 44.6% of the Shares on issue on completion of the Offer.

All Shares issued under this Prospectus will be fully paid and will rank equally in all respects with the Shares already on issue. The Offer is made on the terms, and is subject to the conditions, detailed in this Prospectus.

8.2 Sale of Sale Shares by Selling Shareholders

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Sale Shares by the Selling Shareholders.

Each of the Selling Shareholders has executed a deed in favour of, and for the benefit of, SaleCo under which they agreed to sell their Shares to SaleCo free from encumbrances and third-party rights. The sale of the Sale Shares under the deed is conditional only on ASX providing written confirmation that the Company will be included in the Official List and that the Shares will be admitted to quotation on the ASX in accordance with ASIC Corporations (Short Selling) Instrument 2018/274 (Cth). The Sale Shares which SaleCo acquires from Selling Shareholders will be transferred by SaleCo to successful applicants at the Offer Price.

8.3 Structure of the Offer

The Offer comprises:

- (a) the IPO Offer, made up of:
 - (i) **the Broker Firm Offer:** which is open to Australian resident retail clients of Brokers who have received a firm allocation from their Broker;
 - (ii) **the Institutional Offer:** which consists of an invitation to bid for Shares made to Institutional Investors in Australia and New Zealand;

- (iii) **the Employee Priority Offer:** which is open to Duratec employees in Australia who have received an invitation from the Company;

- (iv) **the Priority Offer:** which is open to selected Australian and New Zealand residents who have received a Priority Offer invitation from the Company; and

- (b) **the IPO Rights Offer:** which is open to certain employees and members of senior management who receive an IPO Rights Offer Invitation Letter to apply for Rights under the Company's Employee Equity Plan.

No general public offer will be made under the Offer.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 8.7.

Details of the Institutional Offer and the allocation policy under it are described in Section 8.8.

Details of the Employee Priority Offer and the allocation policy under it are described in Section 8.9.

Details of the Priority Offer and the allocation policy under it are described in Section 8.10.

The allocation of Shares between the Broker Firm Offer, Institutional Offer, the Employee Priority Offer, and the Priority Offer will be determined by the Lead Manager and Underwriter in consultation with the Company and SaleCo having regard to the allocation policies described in Sections 8.7, 8.8, 8.9 and 8.10.

The Company and SaleCo after consultation with the Lead Manager and Underwriter, reserve the right in their absolute discretion not to issue or sell any Shares to Applicants under the Offer.

8.4 Conditions of the Offer

The Offer is conditional upon the Company receiving ASX approval for quotation of the Shares. No Shares will be issued if this condition is not satisfied.

8.5 Underwriting

The IPO Offer is fully underwritten by Euroz. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager and Underwriter to terminate the Underwriting Agreement, is set out in Section 13.10.1.

8.6 Purpose of Offer and Use of Funds

The IPO Offer is being conducted to facilitate an application by the Company for admission to the Official List of the ASX and to position the Company to achieve the following objectives:

- raise capital to fund the future project pipeline and growth opportunities;
- increase the Company's profile and brand recognition;
- expand equity participation by the Company's management;
- facilitate the sale of Sale Shares by the Selling Shareholders through SaleCo;
- facilitate the listing of Duratec on the ASX and to enable access to capital markets; and
- provide a liquid market for Shares and an opportunity for people to invest in Duratec.

The proceeds of the Offer will be applied to:

- Working capital and administration costs including wages, salaries, occupancy costs, professional consultants' fees, and compliance and regulatory costs associated with operating Duratec as an ASX-listed company.

- acquiring the Sale Shares from Selling Shareholders; and
- paying the expenses of the Offer.

Whilst the Company intends to pursue a growth strategy as disclosed in section 6.7, which may include potential strategic acquisitions that provide complementary services to the Company's core capabilities and/or facilitate entry and penetration into new markets, no immediate acquisition opportunity has been identified by the Company. Accordingly, the Company has not yet determined the funds required to pursue acquisition opportunities. Any decision to invest in a particular opportunity will be disclosed by the Company in accordance with its continuous disclosure obligations.

The purpose of the IPO Rights Offer is to assist in the motivation, retention and reward of certain employees and members of senior management who receive an IPO Rights Offer Invitation Letter.

The Company intends to apply funds raised from the Offer, together with existing cash reserves, over the next two years following admission of the Company to the Official List of ASX as follows:

Source of Funds	million	%
Cash proceeds received from issue of New Shares	\$24.0	45.3%
Cash proceeds received from the sale of Sale Shares by SaleCo	\$28.925	54.7%
Total	\$52.925	100.0%
Use of Funds ^A	million	%
Proceeds to Selling Shareholders	\$28.925	54.7%
Working Capital ^B	\$20.8	39.3%
Expenses of the Offer	\$3.2	6.0%
Total	\$52.925	100.0%

Notes:

A. This table is a statement of current intentions as at the date of this Prospectus. Actual use of funds may differ from the budgeted use of funds as a result of the Company's obtained results from ongoing business activities, intervening events and new circumstances. The Board may alter the way funds are applied in the future. All the proceeds received by SaleCo for the sale of the Sale Shares will be paid to the Selling Shareholders and will not be available for the purpose of Company activities.

B. Working capital and administration costs include wages, salaries, occupancy costs, professional consultants' fees, and compliance and regulatory costs associated with operating Duratec as an ASX-listed company. The Company does not consider that there will be any surplus funds from the IPO Offer.

8.7 Broker Firm Offer

8.7.1. Who May Apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have received a firm allocation of Shares from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer. The Broker Firm Offer is not open to persons in the United States.

8.7.2. How to Apply

If you have received a firm allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions.

Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry. Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Application Form. 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 before 5.00pm (Perth time) on the Closing Date or any earlier closing date as determined by your Broker.

Applications for Shares must be for a minimum of 4,000 Shares and thereafter in multiples of 500 Shares and payment for the Shares must be made in full at the Offer Price of \$0.50 per Share.

There is no maximum number or value of Shares that may be applied for under the IPO Offer. However, the Company, SaleCo and the Lead Manager and Underwriter reserve the right to reject or scale back any Applications under the IPO Offer. The Company and SaleCo may determine a person to be eligible to participate in the IPO Offer and may amend or waive the IPO Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

The Broker Firm Offer opens at 12.00 pm (Perth time) on 15 October 2020 and is expected to close at 5.00 pm (Perth time) on 22 October 2020. The Company and SaleCo in consultation with the Lead Manager and Underwriter, may elect to close the IPO Offer early or extend the IPO Offer, or accept late Applications either generally or in particular cases. The IPO Offer may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation. The Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, SaleCo the Lead Manager and Underwriter and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application, Application Form or application monies.

Your Broker should explain this procedure to you in further detail. If you have a firm allocation of Shares and are in any doubt about what action to take, you should immediately contact the Broker who has made you the firm offer.

8.7.3. Payments Methods

Applicants under the Broker Firm Offer must pay their application monies to their Broker in accordance with instructions provided to you by that Broker.

8.7.4. Allocation Policy Under the Broker Firm Offer

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients and they (and not the Company, SaleCo or the Lead Manager and Underwriter) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

8.7.5. Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the Applicant to apply for the amount of Shares specified in 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, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants.

The Lead Manager and Underwriter, in agreement with the Company and SaleCo reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by an Applicant in completing their Application.

8.8 Institutional Offer

8.8.1. Invitations to Bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and New Zealand to apply for Shares. The Lead Manager and Underwriter has separately advised Institutional Investors of the application procedures for the Institutional Offer.

8.8.2. Allocation Policy Under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer has been or will be determined by the Lead Manager and Underwriter with the agreement of the Company and SaleCo. The Lead Manager and Underwriter and the Company and SaleCo have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager and Underwriter. The allocation policy was influenced, but not constrained, by the following factors:

- ▶ number of Shares bid for by particular Applicants;
- ▶ the timeliness of the bid by particular Applicants;
- ▶ the Company's desire for an informed and active trading market following Listing;
- ▶ the Company's desire to establish a wide spread of Institutional Shareholders;
- ▶ overall level of demand under the Broker Firm Offer and Institutional Offer;
- ▶ the size and type of funds under management of particular Applicants;
- ▶ the likelihood that particular Applicants will be long term Shareholders; and
- ▶ other factors that the Company, SaleCo and the Lead Manager and Underwriter considered appropriate.

8.9 Employee Priority Offer

Up to 2,700,000 Shares are offered under the Employee Priority Offer which will be allocated at the discretion of the Company and SaleCo. The Employee Priority Offer is open to Duratec employees in Australia who have received an invitation from the Company and SaleCo. The Company and SaleCo reserve the right in their absolute discretion not to issue any Shares under the Employee Priority Offer or to allocate a lesser number of Shares.

If you have received an invitation to participate in the Employee Priority Offer, you must complete the online Employee Priority Offer Application Form and submit it with your application monies in accordance with the instructions on the Employee Priority Offer Application Form.

The Employee Priority Offer is expected to open at 12.00 pm (Perth time) on 15 October 2020 and is expected to close at 5.00 pm (Perth time) on 22 October 2020.

8.10 Priority Offer

The allocation of Shares among Applicants in the Priority Offer will be determined by SaleCo and the Company in consultation with the Lead Manager and Underwriter. The Priority Offer is open to selected Australian and New Zealand residents who have received a Priority Offer invitation from the Company. The Company and SaleCo reserve the right in their absolute discretion not to issue any Shares under the Priority Offer or allocate a lesser number of Shares.

If you have received an offer to participate in the Priority Offer, you must complete the online Priority Offer Application Form and submit it with your application monies in accordance with the instructions on the Priority Offer Application Form.

The Priority Offer is expected to open at 12.00 pm (Perth time) on 15 October 2020 and is expected to close at 5.00 pm (Perth time) on 22 October 2020.

8.11 Employee IPO Rights Offer

The Company will be offering a one-off grant of Rights to certain employees and members of the senior management team as part of the IPO on the ASX (**IPO Rights Offer**) under the Duratec Employee Equity Plan (**Employee Equity Plan**). A description of the Rights is set out in Section 13.7. The issue of Rights under the IPO Rights Offer is subject to and conditional on the receipt of a waiver from ASX of Listing Rule 1.1 (Condition 12) which provides that if an entity seeking admission to the Official List has options or performance rights on issue, the exercise price for each underlying security must be at least 20 cents in cash. The Company has applied for this waiver.

8.11.1. Who can apply

Only those Applicants who have received an IPO Offer Invitation Letter may apply for Rights under the Employee Equity Plan.

The IPO Rights Invitation Letter will detail the terms of the IPO Rights Offer, including the allocation of Rights, together with a personalised Application Form.

8.11.2. How to apply

If you are an Applicant under the IPO Rights Offer, no payment is required for Rights issued to Applicants under the IPO Rights Offer.

If you have received an IPO Rights Offer Invitation Letter from the Company inviting you to acquire Rights under the Employee Equity Plan and you wish to apply for those Rights, you should complete the personalised Application Form accompanying the letter and submit this to the Share Registry by 5.00pm (Perth time) on the Closing Date.

Applicants under the IPO Rights Offer will be entitled to apply for that number of Rights offered by the Company under the IPO Rights Offer Invitation Letter. The allocation of Rights under the IPO Rights Offer has been determined by the Company.

8.12 Discretion Regarding the Offer

The Company and SaleCo may withdraw the Offer at any time before the issue of Shares and Rights to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant application monies will be refunded (without interest). The Company, SaleCo and the Lead Manager and Underwriter also reserve 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 applied or bid.

8.13 Application Monies

Application monies received under the Offer will be held in a special purpose bank account until Shares are issued or transferred to successful Applicants. The Company, however, will be entitled to retain any interest that accrues on the bank account and each Applicant waives the right to claim interest.

Applicants under the Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied, will receive a refund (without interest) for all or part of their application monies, as applicable. No refunds due solely to rounding will be provided. 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.

8.14 Issue

Subject to the ASX granting conditional approval for the Company to be admitted to the Official List, the issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Holding statements for Shares issued to the Issuer Sponsored Sub-register and confirmation of issue for Clearing House Electronic Sub-register System (CHESS) holders will be mailed to Applicants being issued Shares pursuant to the Offer as soon as practicable after their issue.

8.15 Commencement of Trading

It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants trading in Shares prior to receiving a holding statement do so at their own risk. The Company, SaleCo, the Share Registry and the Lead Manager and Underwriter disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by a broker or otherwise.

Shares are expected to commence trading on ASX on a normal settlement basis in accordance with the key dates at the start of this Prospectus.

8.16 Restrictions on Distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand.

This Prospectus does not constitute an offer or invitation for issue or sale of Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, resold, pledged or transferred directly or indirectly, in the United States.

Each Applicant under the Offer 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 U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold, resold, pledged or transferred in the United States;
- › it is not in the United States;
- › it has not and will not send this 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 and New Zealand.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

8.17 ASX Listing, Registers and Holding Statements

8.17.1. Application to the ASX for Listing and Quotation of Shares

The Company has applied for admission to the Official List of the ASX and quotation of the Shares on the ASX. The Company's ASX code will be 'DUR'.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the 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.

If the Company does not make such an application within seven days after the date of this Prospectus, or if permission is not granted for the Official Quotation of Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all application monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to certain conditions (including any waivers obtained by the Company from time to time).

8.17.2. CHESS and Issuer Sponsored Holdings

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.18 Future Dividends

Subject to the Company's Dividend Policy as well as the requirements of the Corporations Act, the Directors anticipate that the first post-Listing dividend to Shareholders will become payable with respect to FY21 paying out between 30% and 50% of the Company's net profit after tax. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. The Company's Dividend Policy is detailed in Section 10.8.

8.19 Pre-IPO Dividends

Prior to Listing, each Existing Shareholder will receive Pre-IPO Dividends that total approximately \$0.13 per Share. The payment of the Pre-IPO Dividends is conditional on Completion of the Offer. Shareholders who acquire Shares under the Offer will not receive the Pre-IPO Dividends.

8.20 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, SaleCo, the Lead Manager and Underwriter, their officers, employees and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offer.

9. Board, Management and Corporate Governance

9.1 Board of Directors

The Board comprises a Non-Executive Chairman, a Non-Executive Director, the Managing Director and an Executive Director.

9.1.1. Martin Brydon, Non-Executive Chairman

Martin is currently a Non-Executive Director of the New Zealand and Australian listed company Fletcher Building Limited and resides in Perth.

Martin has more than 30 years' experience in the Australian construction materials and building products industries commencing as an electrical engineer at Cockburn Cement Limited (CCL) in WA before moving into roles in operations management, sales & marketing and general management before ultimately becoming Chief Executive Officer.

When CCL was merged into Adelaide Brighton Limited (ABL) in 1999, Martin became Executive General Manager - Strategy and Business Development and worked closely with the Managing Director in formulating and executing strategy. This included ABL entering the downstream businesses of concrete and concrete aggregates and masonry products through a series of acquisitions.

Martin was appointed Chief Executive Officer of ABL in May 2014 and was appointed to the ABL Board as Managing Director in November 2015. He retired from ABL in January 2019. During his tenure, ABL grew to have a market capitalisation of over \$4 billion and was included in the S&P ASX100 index.

Mr Brydon is an independent Director as in the Board's view (having regard to the factors relevant to assessing independence as set out in the ASX Corporate Governance Principles and Recommendations) he is free from any business or other relationship that could materially interfere with or reasonably be perceived to materially interfere with the independent exercise of his judgement.

9.1.2. Robert (Phil) Harcourt, Managing Director

Phil is a professional civil engineer with over 44 years of post-graduate experience and over 26 years in the specialist civil remediation industry. During this time Phil had numerous roles including Senior Project Engineer to CEO of Savcor Finn Pty Ltd, and Chief Operations Officer of the publicly listed company Savcor Group.

Phil, along with Chris Oates and Deane Diprose, established Duratec in 2010 and in the role of Managing Director has led the Company through

a period of rapid growth to become a highly recognised and reputable specialist civil remediation contracting company.

As Managing Director, Phil is responsible for the overall management and financial performance of the Company, Health, Safety, Environment and Quality, strategic planning, new business opportunities, risk management and business development.

9.1.3. Gavin Miller, Non-Executive Director

Gavin is a certified practising accountant, chartered secretary and graduate of the Australian Institute of Company Directors. He has over 30 years of financial and commercial management experience in various industries, including manufacturing, utilities and civil construction.

As Executive Chairman of Ertech, the Company's largest shareholder, Gavin is responsible for Ertech's corporate strategy, risk management, governance and financial performance.

9.1.4. Chris Oates, Executive Director

Chris holds a Bachelor of Science in Construction Management and Economics and has over 25 years' experience in the construction and remediation industries. As General Manager and Executive Director of Duratec, Chris is responsible for the general management of the Company in Western Australia and the Northern Territory. He has been involved in securing and delivering a wide range of projects across numerous sectors, including mining & resources, oil & gas, water & wastewater, transport infrastructure, marine as well as direct engagement with projects on Department of Defence bases across Australia. Chris is a registered builder across the business in several states and territories.

9.2 Key Executive Management

Listed below are the key executive managers of Duratec (other than the Company's executive Directors).

Key Executive Managers	Role	Background	Years with Duratec
Deane Diprose	Operations Manager	39 years in building, construction and remediation.	10
Oliver McKeon	General Manager (Eastern Region)	12 years in remediation engineering.	10
Paul Ryan	Chief Financial Officer	14 years banking and finance and 17 years accounting experience.	2

9.3 Directors' Shareholding Qualifications, Remuneration and Interests

Except as disclosed in the Prospectus, no Director or proposed Director of the Company, or firm in which a Director or proposed Director is a partner, has any interest, or has received or is entitled to receive any sum for services rendered by either him or the firm to induce him to become or qualify him as a Director, or otherwise in connection with the promotion or formation of the Company or in the property proposed to be acquired by the Company in connection with its promotion or formation.

9.3.1. Shareholding Qualifications & Remuneration

The Directors are not required under the Constitution of the Company to hold any Shares in order to qualify as Directors.

The Constitution provides that the Non-Executive Directors are entitled to remuneration for their

services as Directors as determined by the Company in general meeting. A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for any disbursements or any other out of pocket expenses incurred as a result of the Directorship or any special duties.

9.3.2. Directors' interests in Securities

Set out below are details of the interests of the Directors in the Shares and other securities of the Company immediately prior to lodgement of the Prospectus with the ASIC for registration as well as their annual remuneration. Interests include those held directly and indirectly.

Name	Position	Annual Remuneration or Directors fees (as applicable)	Shares directly held as at date of Prospectus	Shares held after completion of Offer
Martin Brydon	Non-Executive Chairman	\$125,000	Nil	50,000
Robert (Phil) Harcourt (Dencort Pty Ltd as trustee for the Harcourt Family Trust, an entity associated with Robert (Phil) Harcourt)	Managing Director	\$450,000	29,533,389	26,533,389
Gavin Miller	Non-Executive Director	\$70,000	Nil	20,000
Chris Oates (Chris John Oates and Pamela Michelle Oates as trustee for the Oates Family Trust, an entity associated with Chris Oates)	Executive Director	\$400,000	29,533,389	26,533,389

Martin Brydon and Gavin Miller each intend to subscribe for Shares under the IPO Offer.

9.3.3. Executive Director and Management Remuneration

The Company's Managing Director, Chief Financial Officer, General Manager, General Manager (Eastern Region) and Operations Manager are employed under individual contracts of employment. The contracts set out:

- the individual's total fixed compensation, including fixed cash remuneration and the Company's superannuation contribution;
- eligibility to participate in the Company's bonus scheme (if applicable);
- notice and termination provisions; and
- express provisions protecting the Company's confidential information.

The Company makes contributions with respect to the senior executives to complying superannuation funds in accordance with relevant superannuation legislation and the individual contracts of employment.

A summary of the employment agreements for the Directors and key management personnel is set out below.

Robert Philip Harcourt (Phil Harcourt)

Managing Director

Principal Terms of Employment Agreement

The Company has entered into an employment agreement with Mr Robert Philip Harcourt in respect of his employment as the Managing Director of the Company. The principal terms of the employment agreement are as follows:

- (a) Mr Harcourt will receive a total remuneration of \$450,000 per annum (including superannuation entitlements and motor vehicle allowance);
- (b) Mr Harcourt will be eligible to participate in the Company's short term incentive scheme and long term incentive scheme as approved by the Board.
- (c) Mr Harcourt will be included in the discretionary portion of the Company's bonus scheme;
- (d) the Company may terminate the agreement by giving Mr Harcourt one month's written notice, or payment by the Company to Mr Harcourt of one month's salary in lieu of such notice if:
 - (i) Mr Harcourt breaches his employment agreement and the breach is not remedied within 14 days;
 - (ii) in the reasonable opinion of the Board, Mr Harcourt demonstrates incompetence or is neglectful of his duties, provided that he has been counselled on two separate occasions and has been provided a reasonable opportunity of at least a month to remedy the matters complained of by the Board; or
 - (iii) Mr Harcourt refuses or neglects to comply with any lawful reasonable direction or order given by the Company and has failed to rectify this within 21 business days.
- (e) the Company may terminate Mr Harcourt's employment immediately without notice in circumstances of:

- (i) gross misconduct;
 - (ii) if Mr Harcourt is convicted of any major criminal offence which brings the Company into lasting disrepute;
 - (iii) if Mr Harcourt materially breaches the Company's Code of Conduct, policies or procedures; or
 - (iv) if Mr Harcourt discloses, communicates, uses or misuses price sensitive information without the prior consent of the Board.;
- (f) the Company may at its sole discretion terminate the agreement by giving Mr Harcourt six months' written notice, or payment by the Company to Mr Harcourt of six months' salary in lieu of such notice;
 - (g) Mr Harcourt may terminate the agreement:
 - (i) by giving the Company six months' written notice; or
 - (ii) immediately if at any time the Company commits any serious or persistent breach of any of the provisions contained in the agreement and the breach is not remedied within 28 days of receipt of written notice from Mr Harcourt to the Company;
 - (h) throughout and at all times after the termination of Mr Harcourt's employment, Mr Harcourt must not use or attempt to use for his advantage or gain any confidential information obtained during his employment; and
 - (i) throughout and for 12 months after Mr Harcourt's employment, Mr Harcourt must not, either on his own or for any other firm, company or person, engage or be concerned in any business or person that could be reasonably regarded as a market competitor of the Company, or solicit, canvass, interfere with or endeavour to entice away any employee or client of the Company or its related corporations.

Paul Ryan

Chief Financial Officer

Principal Terms of Employment Agreement

The Company has entered into an employment agreement with Mr Paul Ryan in respect of his employment as the Chief Financial Officer of the Company. The principal terms of the employment agreement are as follows:

- (a) Mr Ryan will receive a total remuneration of \$240,900 per annum (including superannuation entitlements);
- (b) either party may terminate the agreement by giving the other party four weeks' written notice, or payment by the Company to Mr Ryan of four weeks' salary in lieu of such notice;
- (c) the Company may terminate Mr Ryan's employment immediately without notice in circumstances of gross misconduct, or immediately by notice if Mr Ryan does not remedy a breach of the terms of this employment agreement within 21 days of the breach, neglects

his duties, is guilty of misconduct, convicted of a criminal offence which affects his position, or is of unsound mind; and

- (d) throughout and at all times after the termination of Mr Ryan's employment, Mr Ryan must not use any confidential information obtained in the course of his employment, except for purposes directly related to furthering the business objectives of the Company.

Chris Oates

General Manager

Principal Terms of Employment Agreement

The Company has entered into an employment agreement with Mr Chris Oates in respect of his employment as the General Manager of the Company. The principal terms of the employment agreement are as follows:

- (a) Mr Oates will receive a total remuneration of \$400,000 per annum (including superannuation entitlements and motor vehicle allowance);
- (b) Mr Oates will be included in the discretionary portion of the Company's bonus scheme;
- (c) the Company may terminate the agreement by giving Mr Oates one month's written notice, or payment by the Company to Mr Oates of one month's salary in lieu of such notice if:
 - (i) Mr Oates breaches his employment agreement and the breach is not remedied within 14 days;
 - (ii) in the reasonable opinion of the Board, Mr Oates demonstrates incompetence or is neglectful of his duties, provided that he has been counselled on two separate occasions and has been provided a reasonable opportunity of at least a month to remedy the matters complained of by the Board; or
 - (iii) Mr Oates refuses or neglects to comply with any lawful reasonable direction or order given by the Company and has failed to rectify this within 21 business days.
- (d) the Company may terminate Mr Oates' employment immediately without notice in circumstances of:
 - (i) gross misconduct;
 - (ii) if Mr Oates is convicted of any major criminal offence which brings the Company into lasting disrepute;
 - (iii) if Mr Oates materially breaches the Company's Code of Conduct, policies or procedures; or
 - (iv) if Mr Oates discloses, communicates, uses or misuses price sensitive information without the prior consent of the Board.
- (e) the Company may at its sole discretion terminate the agreement by giving Mr Oates three months' written notice, or payment by the Company to Mr Oates of three months' salary in lieu of such notice;

- (f) Mr Oates may terminate the agreement:

- (i) by giving the Company three months' written notice; or
- (ii) immediately if at any time the Company commits any serious or persistent breach of any of the provisions contained in the agreement and the breach is not remedied within 28 days of receipt of written notice from Mr Oates to the Company;

- (g) throughout and at all times after the termination of Mr Oates' employment, Mr Oates must not use or attempt to use for his advantage or gain any confidential information obtained during his employment; and

- (h) throughout and for six months after Mr Oates' employment, Mr Oates must not, either on his own or for any other firm, company or person, engage or be concerned in any business or person that could be reasonably regarded as a market competitor of the Company or solicit, canvass, interfere with or endeavour to entice away any employee or client of the Company or its related corporations.

Oliver McKeon

General Manager (Eastern Region)

Principal Terms of Employment Agreement

The Company has entered into an employment agreement with Mr Oliver McKeon in respect of his employment as the General Manager (Eastern Region) of the Company. The principal terms of the employment agreement are as follows:

- (a) Mr McKeon will receive a total remuneration of \$293,750 per annum (including superannuation entitlements and motor vehicle allowance);
- (b) Mr McKeon will be included in the discretionary portion of the Company's bonus scheme;
- (c) either party may terminate the agreement by giving the other party four weeks' written notice, or payment by the Company to Mr McKeon of four weeks' salary in lieu of such notice;
- (d) the Company may terminate Mr McKeon's employment immediately without notice in circumstances of gross misconduct or immediately by notice if Mr McKeon does not remedy a breach of the terms of this employment agreement within 21 days of the breach, neglects his duties, is guilty of misconduct, convicted of a criminal offence which affects his position, or is of unsound mind; and
- (e) throughout and at all times after the termination of Mr McKeon's employment, Mr McKeon must not use any confidential information obtained during his employment, except for purposes directly related to furthering the business objectives of the Company.

Deane Diprose

Operations Manager

Principal Terms of Employment Agreement

The Company has entered into an employment agreement with Mr Deane Diprose in respect of his employment as the Operations Manager of the Company. The principal terms of the employment agreement are as follows:

- (a) Mr Diprose will receive a total remuneration of \$400,000 per annum (including superannuation entitlements and motor vehicle allowance);
- (b) Mr Diprose will be included in the discretionary portion of the Company's bonus scheme;
- (c) either party may terminate the agreement by giving the other party five weeks' written notice, or payment by the Company to Mr Diprose of five weeks' salary in lieu of such notice;
- (d) the Company may terminate Mr Diprose's employment immediately without notice in circumstances of wilful or fraudulent misconduct or immediately by notice if Mr Diprose does not remedy a breach of the terms of this employment agreement within 21 days of the breach, neglects his duties, is guilty of misconduct, convicted of a criminal offence which affects his position, or is of unsound mind;
- (e) throughout and at all times after the termination of Mr Diprose's employment, Mr Diprose must not use or attempt to use for his advantage or gain any confidential information obtained during his employment; and
- (f) throughout and for 12 months after Mr Diprose's employment, Mr Diprose must not, either on his own or for any other firm, company or person, solicit, interfere with or endeavour to entice away any employee or client of the Company or its related corporations.

9.3.4. Non- Executive Director Letters of Appointment**Martin Brydon**

Non-Executive Director (Chairman)

The Company has entered into a letter of appointment with Mr Martin Brydon in respect of his employment as the Non-Executive Chairman of the Company. The principal terms of the letter of appointment are as follows:

- (a) Mr Brydon will receive an annual director fee of \$125,000 (including superannuation entitlements), Committee fees when required to participate in a Board Committee, and reimbursement of reasonable expenses;
- (b) the Company may terminate Mr Brydon's appointment as non-executive Director, and Mr Brydon may resign from his appointment as non-executive Director, in accordance with the provisions of the Company's Constitution, the ASX Listing Rules (once applicable) or the provisions of any applicable law; and

- (c) the Company may call a meeting to remove Mr Brydon as Director if:

- (i) he engaged in gross misconduct or wilful breach of his duties; or
- (ii) if he has a material conflict of interest such that the Company determines that he cannot properly perform his role as a Director of the Company.

The letter of appointment contains additional provisions considered standard for agreements of this nature.

Gavin Miller

Non-Executive Director

The Company has entered into a letter of appointment with Mr Gavin Miller in respect of his employment as a Non-Executive Director of the Company. The principal terms of the letter of appointment are as follows:

- (a) Mr Miller will receive an annual director fee of \$70,000 (including superannuation entitlements), Committee fees when required to participate in a Board Committee, and reimbursement of reasonable expenses;
- (b) the Company may terminate Mr Miller's appointment as Non-Executive Director, and Mr Miller may resign from his appointment as Non-Executive Director, in accordance with the provisions of the Company's Constitution, the ASX Listing Rules (once applicable) or the provisions of any applicable law; and
- (c) the Company may call a meeting to remove Mr Miller as Director if:
 - (i) he engaged in gross misconduct or wilful breach of his duties; or
 - (ii) if he has a material conflict of interest such that the Company determines that he cannot properly perform his role as a Director of the Company.

The letter of appointment contains additional provisions considered standard for agreements of this nature.

9.3.5. Pre-IPO Dividends and Proceeds from the Offer

The Existing Shareholders are selling a portion of their shareholdings into the Offer via SaleCo and will receive the Offer Price for each Share sold by them, as well as receiving Pre-IPO Dividends of approximately \$0.13 per Share whose payment is conditional on Completion of the Offer as follows:

Shareholder Name	Pre-IPO Dividends	Proceeds from Shares sold via SaleCo
Ertech	\$12,776,400	\$24,350,000
Dencort Pty Ltd as trustee for the Harcourt Family Trust (Entity associated with Robert (Phil) Harcourt)	\$3,931,200	\$1,500,000
Kent Colony Ventures Pty Ltd as trustee for the Diprose Richards Family Trust (Entity associated with Deane Diprose)	\$3,931,200	\$1,500,000
Chris John Oates and Pamela Michelle Oates as trustee for the Oates Family Trust (Entity associated with Chris Oates)	\$3,931,200	\$1,500,000
Oliver McKeon as trustee for the MT Pockets Business Trust (Entity associated with Oliver McKeon)	\$630,000	\$75,000

9.4 Related Party Transactions

In addition to the Transitional Services Agreement and the Joint Venture Agreement which are summarised in Section 13.9, Duratec has also entered into a number of leases with Ertech (set out below). As at the date of this Prospectus, Ertech holds a 50.7% interest in the Company and a 50.28% interest in Fortec. As the leases were entered into before the Company was a public company member approval was not sought for the Company's entry into the leases. In any event, the Directors consider the leases to be on arm's length commercial terms.

9.4.1. Karratha Lease

The Company has a commercial lease agreement with Ertech in respect of 3890 Coolawanyah Road, Karratha Industrial Estate WA 3890 with a 5-year term which commenced 1 November 2012. The lease also contains an option to renew for a further 2-year term. Starting rent of \$65,000 (plus GST) per annum is payable in monthly instalments by the Company as well as all outgoings in respect of the premises. As the initial lease term has expired the Company is now on a month by month tenancy which means that the lease may be terminated by a month's notice provided by either the Company or Ertech.

9.4.2. Duratec New Motivation Drive Head Lease - 108 Motivation Drive

The Company has a commercial lease agreement with Jimann Pty Ltd ACN 009 172 436 as trustee for the Ertech Pty Ltd Superannuation Fund (Jimann) in respect of its head office, 108 Motivation Drive, Wangara WA 6065. The lease has a 5-year term which commenced on 1 July 2019 with an option to renew for a further 2-year term. Starting rent of \$225,000 (plus GST) per annum is payable in monthly instalments by the Company as well as all outgoings in respect of the premises. The Company will be taken to have repudiated the lease where rent is in arrears for more than 14 days after a formal demand is made on the Company by Jimann. The lease may also be terminated where:

- there has been a breach not remedied within 28 days' notice to the Company;
- the Company suffers a prescribed insolvency event;
- the Company deserts or vacates the premises; or
- the premises are totally damaged or destroyed so as to be unfit for occupation.

9.4.3. Ertech & Fortec Sub-Lease - 108 Motivation Drive

Duratec has agreed to sub-let a portion of the Premises leased to it under the New Motivation Drive Head Lease referred to above comprising an area of approximately 2,412.2 square metres to Ertech (Ertech Area), including the use of 4 parking bays, the driveway access and the common area. The sub-lease has a 5-year term which commenced 1 July 2019 and an option to renew for a further 5-year term. The rent at the commencement of the sublease was \$58,412 (plus GST) per annum payable in monthly instalments, Ertech must also pay 26% of the outgoings in respect of the Ertech Area. Ertech will be taken to have repudiated the lease where rent is in arrears for more than 14 days after a formal demand is made on Ertech by the Company. The lease may also be terminated:

- if there has been a breach that is not remedied within 28 days' of notice being provided to Ertech;
- if Ertech suffers a prescribed insolvency event or deserts or vacates the premises;
- on the giving of six months' notice; or
- by either party where the premises are totally damaged or destroyed so as to be unfit for occupation.

Duratec has also agreed to sub-let a portion of the premises leased to it under the New Motivation Drive Head Lease (approximately 816.2 metres) to Fortec including the use of 4 parking bays and the driveway and common areas. The terms largely mirror the sublease with Ertech except that the rent payable at the commencement was \$19,108 (excluding GST) per annum and 8.5% of the outgoings.

9.4.4. Fortec Deed of Indemnity

Due to licensing delays associated with Fortec, there are a small number of contracts in Queensland, that are in Duratec's name but Fortec actually performs the work and receives the revenue.

Duratec and Fortec have entered into a deed of indemnity pursuant to which Fortec has agreed to indemnify Duratec in respect of liabilities arising from these contracts.

The Company has in place a Conflicts of Interest Policy which will be followed before the Company enters into any possible future related party transactions.

9.5 Legal or Disciplinary Action

No Director (or company that the Director was a director of at the relevant time) has, in the 10 year period ending on the date of this Prospectus, had any legal or disciplinary action against the Director that is relevant to the Director's role in the Company and a potential investor's decision to apply for Shares.

9.6 Insolvent Companies

No Director has been an officer of a company that entered into a form of external administration because of insolvency while the Director was an officer of the company or within 12 months of the Director ceasing to be an officer of the company.

9.7 Employee Equity Plan

The Company has established the Employee Equity Plan (Employee Equity Plan) to assist in the motivation, retention and reward of Directors, executives and other employees (Participants) that may be invited to participate in the Employee Equity Plan from time to time.

The Employee Equity Plan is designed to align the interests of employees with the interests of shareholders by providing an opportunity for employees to receive an equity interest in the Company, as well as facilitate conduct and good risk practices.

The Rules of the Employee Equity Plan (Employee Equity Plan Rules) provide flexibility for the Company to grant rights, options and/or restricted shares (each an Award) as incentives, subject to the terms of individual offers and the satisfaction of performance and/or vesting conditions determined by the Board from time to time.

The key terms of the Employee Equity Plan Rules are set out below. The IPO Rights Offer (as set out in 8.10 and 9.7.1 and the FY21 Employee Equity Plan Award (as set out in 9.7.2) will be granted in accordance with the Employee Equity Plan Rules. The Company anticipates that it will issue a maximum of up to 17,775,000 securities under its Employee Equity Plan over the next 3 years. This number includes the securities it is proposing to issue under the IPO Rights Offer and the FY21 Employee Equity Plan Award.

Key Terms

Invitation to Participate

The Board may, from time to time, in its absolute discretion, operate the Employee Equity Plan, determine which employees (including Directors) are eligible to participate in the Employee Equity Plan, invite employees to participate and grant Awards to employees. The Board may determine the type and number of Awards to be issued under the Employee Equity Plan and any other terms of issue of the Awards.

Types of Securities

The Company may grant rights, options and/or restricted shares (each defined below) as Awards, subject to the terms of the individual offers.

Options are an entitlement to acquire a Share subject to the satisfaction of applicable conditions and the exercise of the Option on terms and conditions determined by the Board.

Rights are an entitlement to acquire a Share on the terms and conditions as determined by the Board.

Restricted Shares are Shares allocated under the Employee Equity Plan that are subject to dealing restrictions until vesting.

Terms of Participation

Participants are deemed to have agreed to be bound by:

- (a) the Employee Equity Plan Rules;
- (b) the terms of the invitation letter received from the Company;
- (c) the Constitution of the Company;
- (d) the Company's Securities Trading Policy; and
- (e) any other relevant Company policies.

Participant Shareholder Entitlements

For each Right or Option allocated, a Participant shall not be entitled to vote, receive dividends or distributions or have any other rights of a shareholder in respect of the Rights or Options until the underlying Shares are allocated following vesting and, if applicable, exercise of the Options.

For each Restricted Share allocated, a Participant is entitled to vote, receive dividends or distributions, and have any other rights of an ordinary shareholder.

Lapse of Awards

Subject to the Board's absolute discretion, a Participant's unvested Awards will lapse in whole or in part upon the earliest of:

- (a) the date specified in the grant letter, or if no date is specified, 15 years after the Award was granted to the participant;
- (b) a circumstance or event described in the Employee Equity Plan Rules or the grant letter that has the effect of lapsing an Award; or
- (c) any condition imposed under the Employee Equity Plan rules or a grant letter not being satisfied.

Transferability

Unless the Board determines otherwise, an Award is only transferable with the written consent of the Board.

Vesting of Awards

The Board will determine the extent to which Awards vest and the date that the Awards will vest.

In making this determination the Board will, to the extent relevant to the Award:

- (a) test or measure the applicable vesting conditions and determine the extent to which the conditions have been satisfied and Awards vest; and
- (b) determine whether any dealing restrictions apply after vesting of Awards.

Ceasing Employment

If a Participant ceases to be an employee by reason of termination for cause (including gross misconduct), all Awards (whether vested or unvested) will lapse immediately, unless determined otherwise by the Board. Upon the employee's resignation, any unvested Awards will lapse immediately, while vested Awards that require exercise will lapse if the Participant does not exercise the Award within 60 days of ceasing employment.

Unless determined otherwise by the Board, if a Participant ceases to be an employee due to death, all unvested Awards will immediately vest and be transferred to the Participant's estate.

In all other circumstances, if a participant ceases to be an employee prior to the Awards vesting, a pro-rata number of the Participant's unvested Awards may vest (based on the proportion of the period that has elapsed at the time of cessation) on the original vesting date. Any remaining unvested Awards lapse immediately.

However, the Board retains absolute discretion to determine the treatment of vested or unvested Awards or the number of unvested Awards that will vest or lapse upon a Participant ceasing to be an employee.

Variations of Capital

If there is a variation of capital event the Board in its absolute discretion may adjust:

- (a) the number of Rights or Options to which a Participant is entitled (including granting or lapsing Rights or Options);
- (b) the exercise price of Rights or Options; or
- (c) the amount payable for the acquisition of a Right or Option.

It is intended that the Board would exercise its discretion to ensure that Participants do not enjoy a windfall gain and do not suffer a material detriment as a result of any corporate action.

If new Rights or Options are granted as part of such an adjustment, or Shares are allocated to a Participant with respect to Restricted Shares as a result of a Variation of Capital, such Awards will, unless the Board determines otherwise, be subject to the same terms and conditions as the original

Awards, including without limitation, any condition.

If there is a reorganisation of capital, the rights of each Participant who has been allocated Awards will be adjusted in the manner required by the Listing Rules applying at the time of the reorganisation.

If there is a pro-rata issue or bonus issue of new Shares to Shareholders:

- (a) each Participant who has been allocated Restricted Shares will participate in the issue in the same manner as Shareholders;
- (b) each Participant who has been allocated Rights or Options may not participate in the new issue unless his or her Rights or Options have vested and if applicable been exercised in accordance with these Employee Equity Plan Rules; and
- (c) the exercise price, or number of Shares over which the Rights or Options may vest or may be exercised, as applicable, will, in the case of a pro-rata issue, be adjusted in accordance with Listing Rule 6.22.2 (or any replacement rule) and, in the case of a bonus issue, be adjusted in accordance with Listing Rule 6.22.3 (or any replacement rule).

Change of Control

Upon a change of control event, the Board may determine in its absolute discretion the treatment of the Participant's Awards and the timing of such treatment.

If the Board does not exercise its discretion, a pro-rata number of the Participant's unvested Awards will vest (based on the proportion of the period that has elapsed at the time of a change of control).

Where a Participant holds a vested Award at the date of the Change of Control:

- (a) for each vested Right or Option requiring exercise, the Participant shall have 30 days from the date of the change of control, or such other period as the Board determines, in which to exercise the Award. Any Awards not exercised within this period will lapse;
- (b) for each vested Right not requiring exercise, the Company shall have 30 days from the date of the change of control, or such other period as the Board determines, in which to settle the Award; or
- (c) for each vested Restricted Share, the Company shall have the disposal restrictions lifted within 30 days from the date of the change of control, or such other period as the Board determines.

Variation or Clawback of Awards

The Board may:

- (a) vary downwards (including to nil) the number of Shares in respect of which an Award vests;
- (b) transfer Shares held by or on behalf of a Participant or former Participant to a holding determined by the Board;
- (c) where Shares have been sold, require a Participant or former Participant to pay an amount to the Company; or
- (d) determine any treatment in relation to an Award the Board deems fit,

if in its discretion the Board determines that the performance of the group, the Participant or a former Participant justifies the variation.

Other Terms

Notwithstanding any provision in these Rules or the Grant Letter, no Award or Shares may be granted, issued, allocated, acquired, transferred or otherwise dealt with under the Rules if doing so would contravene the Constitution, the Corporations Act, Listing Rules, or any other applicable Law or require the Company or a Group Company to pay, provide or procure the payment or provision of money or benefits which would require Shareholder approval under Part 2D.2, Division 2 of the Corporations Act, unless Shareholder approval has been obtained.

The Employee Equity Plan Rules contain customary and usual terms for dealing with administration, variation, suspension and termination of any incentive plan.

9.7.1. Employee IPO Rights Offer

In order to align key employees with shareholders from the IPO, the Company will offer Rights to certain employees under the Employee Equity Plan. The Directors will not be participating in the IPO Rights Offer. A total of 4,825,000 Rights will be offered under the IPO Rights Offer which is equal to approximately 2.0% of the total issued share capital on completion of the Offer on a fully diluted basis. The Company intends that the grant of IPO Rights will be one off. The rights attaching to the Rights the subject of the IPO Rights Offer are contained in section 13.7.

9.7.2. FY21 Employee Equity Plan Award

The Company intends to grant Rights to certain Directors, employees and members of senior management under the Employee Equity Plan Rules as determined by the Board (**EEP Award**). The key features of the FY21 EEP Award are outlined below.

The Rights will be granted subject to the following Vesting Conditions:

- (a) 50% of Rights will vest to the extent that a Relative Total Shareholder Return (TSR) performance condition is achieved over the period from 15 October 2020 to 15 October 2023 (**Performance Period**); and
- (b) 50% of the Rights will vest to the extent that an absolute Earnings Per Share (**EPS**) performance condition is achieved over the Performance Period.

- (c) Under the TSR condition, the Company's TSR (being (Share Price at Test Date – Share Price at Start Date) + (Dividends Paid) / Share Price at Start Date) will be assessed against targets for threshold performance of 6% per annum compounded over the Performance Period and for stretch performance of 10% per annum compounded over the Performance Period.

The vesting schedule is as follows for TSR performance over the Performance Period:

Less than 6% per annum compounded	0% vesting
6% per annum compounded	50% vesting
Between 6% and 10% per annum compounded	Pro-rata vesting between 50% and 100%
At or above 10% per annum compounded	100% vesting

- (d) Under the EPS Condition, the Company's EPS will be tested against targets for threshold performance of an average of 3 cents per share in each of the 2021, 2022 and 2023 financial years and for stretch performance of an average of 5 cents per share in each of the 2021, 2022 and 2023 financial years. The vesting schedule is as follows for EPS performance in the 2021, 2022 and 2023 financial years:

Less than 3 cents per share	0% vesting
3 cents per share	50% vesting
Between 3 cents and 5 cents per share	Pro-rata vesting between 50% and 100%
At above 5 cents per share	100% vesting

Once the performance measurement calculation has been finalised the company will allot and issue the equivalent number of Shares at nil consideration on the basis of one Share per vested Right for all Rights exercised.

9.8 Corporate Governance

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals, and monitoring of the business and affairs of the Company on behalf of its members.

The Company is cognisant of the Corporate Governance Principles and Recommendations (4th edition) as published by ASX Corporate Governance Council and acknowledges that the 8 principles set out in that document are fundamental to good corporate governance.

The Board believes that the structure of the Company, its management and business practices provide a basis of governance which meets the essential corporate governance principles articulated by ASX in that publication.

One of the key objectives of the Board is to ensure timely, transparent and accurate communication with all members and compliance with all regulatory requirements (including its ASX continuous disclosure requirements once Listed). To this effect the Board has established a number of committees.

The Board has formally adopted a Corporate Governance Policy for the Company. Under this Corporate Governance Policy, the Board has established:

- (a) an Audit and Risk Committee whose primary function is to provide additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its statutory reporting requirements.
- (b) a Nomination and Remuneration Committee:
 - (i) to review the composition of the Board to ensure the Board has an appropriate mix of expertise and experience and to assess and review the performance of the Directors of the Company; and
 - (ii) to review and report to the Board on matters concerning executives' and Directors' remuneration.

- (c) an Environment, Sustainability & Governance and Safety Committee to assist the Board in delivering responsible environmental and social business practice that lead to both the creation of strong economic returns for our Shareholders and shared value for our stakeholders.

The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations 4th Edition (ASX Recommendations) for Australian-listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but rather guidelines designed to produce an outcome that is of high quality and integrity. Under the ASX Listing Rules, Duratec will be required to provide a statement in its annual report, or the URL of the page on its website where such a statement is located, disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where Duratec does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

This Section sets out the approach that Duratec will take to corporate governance following its admission to the Official List of the ASX. Relevant charters and policies have been adopted by Duratec prior to admission to the Official List of the ASX and made available on the Company's website at www.duratec.com.au.

Please find below a high-level summary of the Company's current departures from the ASX Corporate Governance Principles and Recommendations:

Departure from ASX Corporate Governance Principles and Recommendations	Reason for departure
<p>2.4 A majority of the board of a listed entity should be independent Directors.</p>	<p>The board is not comprised of a majority of independent Directors. The current Board composition comprises an independent Non-Executive Chairman, and three non-independent Directors. Given all the circumstances attendant upon the Company (including its objectives, the nature and extent of its actual and proposed operations, its capital base and other resources, the costs associated with a board comprised of more than the current number and the need for a board comprised of persons with a blend and diversity of traits, skills, gender, experience, expertise, entrepreneurialism, innovation, tenacity, vision and dedication in order to enliven the prospects of creating value for shareholders) it is thought by the Board that to appoint further Directors (whose perceived independence is beyond doubt) or to procure the departure of one of the existing Directors, is unnecessary. The composition of the Board is considered appropriate at this time because it will ensure continuity in relation to the Company's business and affairs. The composition of the Board will be reviewed annually.</p>
<p>4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> (i) the charter of the committee; (ii) the relevant qualifications and experience of the members of the committee; and (iii) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The function of the audit committee falls to the Audit and Risk Committee which is comprised of the full board with Byron Keegan (Commercial Manager) and Paul Ryan participating for risk matters. Mr Miller is the chair of the audit committee.</p> <p>The composition of the Audit and Risk Committee is considered to be appropriate given the Company's current circumstances. However, the Audit Committee structure will be reviewed over time and as the composition of the Board develops.</p> <p>The <i>Audit Committee Charter</i> is included in the corporate governance section on the Company's website.</p>

Departure from ASX Corporate Governance Principles and Recommendations	Reason for departure
<p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent director, and disclose: <ol style="list-style-type: none"> (i) the charter of the committee; (ii) the members of the committee; and (iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The function of risk management falls to the Audit and Risk Committee and is comprised of the full board with Byron Keegan (Commercial Manager) and Paul Ryan participating for risk matters. Its membership does not currently comprise only Non-Executive Directors or a majority of independent Directors. The composition of the Committee is considered to be appropriate given the Company's current circumstances. However, the Risk Management Committee structure will be reviewed over time and as the composition of the Board develops.</p> <p>The <i>Risk Management Committee Charter</i> is included in the corporate governance section on the Company's website.</p>
<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent director, and disclose: <ol style="list-style-type: none"> (i) the charter of the committee; (ii) the members of the committee; and (iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Company has established a Remuneration and Nomination Committee comprised of the full board. Mr Brydon is the chair of this committee.</p> <p>Its membership does not currently comprise a majority of independent Directors. The composition of this committee is considered appropriate given the Company's current circumstances. However, the Remuneration and Nomination Committee structure will be reviewed over time and as the composition of the Company's Board develops.</p> <p>The <i>Remuneration Committee Charter</i> is included in the corporate governance section on the Company's website.</p>

The Company intends to keep its Shareholders up to date on all material information through its website (www.duratec.com.au) and/or the ASX platform under its ASX ticker code DUR.

9.9 Summary of Key Policies

A summary of Duratec's proposed approach to corporate governance is set out below:

9.9.1. Composition of the Board

Consistent with the size of Duratec and its activities, Duratec's Board will comprise the four Directors referred to in Section 9.1 of this Prospectus. The current Duratec Board comprises two non-executive Directors, one of whom is also the Chairman (**Chairman**) and two executive Directors (**Executive Directors**) one of whom is the Managing Director. The ASX Corporate Governance Council recommends that a majority of the Directors on a board should be independent. Duratec does not presently follow that recommendation. The composition of the Duratec Board is considered appropriate at this time and will be regularly reviewed going forward.

9.9.2. Roles and Responsibilities of the Duratec Board

The Duratec Board will be responsible for all matters relating to the running of Duratec. The Duratec Board's role is to govern Duratec, rather than to manage it. In governing Duratec, the Board must act in the best interests of Duratec as a whole. Without putting a limit on the general role of the Duratec Board, the principal functions and responsibilities will include:

- (i) maintaining and increasing shareholder value;
- (ii) providing leadership to Duratec by guiding the development of an appropriate culture and values and always acting in a manner consistent with Duratec's culture and code of conduct;
- (iii) overseeing the development and implementation of an appropriate strategy for Duratec;
- (iv) ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings with the Chairman being the key interface between Duratec and its shareholders;
- (v) overseeing the control and accountability systems that ensure Duratec is progressing towards the goals set by Duratec and in line with Duratec's purpose, the agreed corporate strategy, legislative requirements and community expectations;
- (vi) ensuring robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- (vii) being responsible for Duratec's senior management and personnel;
- (viii) delegating appropriate powers to the Managing Director / Chief Executive Officer, management and committees, to ensure the effective day-to-day management of the business and monitoring the exercise of these powers; and
- (ix) making all decisions outside the scope of these delegated powers.

9.9.3. Duratec Board Committees

From time to time, the Duratec Board may establish committees as it considers necessary or appropriate to assist it in carrying out its responsibilities.

The Board has established an audit and risk committee, nomination and remuneration committee as well as an environment, social, governance and safety committee. The committees' compositions are outlined in the Corporate Governance table above.

9.9.4. Duratec Board Processes

The Duratec Board processes will be governed by the constitution of Duratec, which is summarised in Section 13.6 of this Prospectus.

9.9.5. Resources Available to the Duratec Board

In executing its role and responsibilities, the Duratec Board will have access to senior management. The Duratec Board will also have the authority to seek information from employees and external parties, to obtain outside legal or other professional advice at the expense of Duratec, and to ensure company officers attend Duratec Board meetings as appropriate.

The Chairman of the Duratec Board will be responsible for leadership of the Duratec Board, for efficient organisation and conduct of Duratec's Board functions and for the briefing of all Duratec Directors in relation to issues arising at Duratec Board meetings. The Chairman of the Duratec Board is also responsible for shareholder communication and arrangement of Duratec's Board performance evaluation.

Details of Duratec's key policies and practices and the charters for the Duratec Board and each of its committees is available on the Duratec website.



10. Financial Information

10.1 Introduction

The financial information contained in this Section 10 includes historical financial information for Duratec for the financial years ended 30 June 2018 (**FY18**), 30 June 2019 (**FY19**) and 30 June 2020 (**FY20**).

The Company does not consider that it has a reasonable basis on which to include forecast financial information.

This Section 10 includes:

- ▶ statutory historical financial information, comprising:
 - ▶ Duratec's statutory historical consolidated income statements for FY18, FY19 and FY20 (**Statutory Income Statements**), as set out in Section 10.3.1;
 - ▶ Duratec's statutory historical consolidated cash flow statements for FY18, FY19 and FY20 (**Statutory Cash Flow Statements**), as set out in Section 10.5.1; and
 - ▶ Duratec's statutory historical consolidated statement of financial position as at 30 June 2020 (**Statutory Statement of Financial Position**), as set out in Section 10.6;

(together, the **Statutory Financial Information**); and

- ▶ pro forma historical financial information, comprising:
 - ▶ Duratec's pro forma historical consolidated income statements for FY18, FY19, and FY20 (**Pro Forma Income Statements**), as set out in Section 10.3;
 - ▶ Duratec's pro forma historical consolidated cash flow statements for FY18, FY19 and FY20 (**Pro Forma Cash Flow Statements**), as set out in Section 10.5; and
 - ▶ Duratec's pro forma historical consolidated statement of financial position as at 30 June 2020 (**Pro Forma Statement of Financial Position**), as set out in Section 10.6;

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

The Statutory Financial Information and the Pro Forma Financial Information are together referred to as the **Financial Information**.

Duratec has a 30 June financial year end.

In addition, Section 10 summarises:

- ▶ the basis of preparation and presentation of the Financial Information (refer to Section 10.2);
- ▶ information regarding certain non-IFRS financial measures (refer to Section 10.2.5);
- ▶ the pro forma adjustments to the Statutory Financial Information (refer to Sections 10.3.1, 10.5.1 and 10.6);
- ▶ information regarding liquidity and capital resources (refer to Section 10.6.1);
- ▶ information regarding Duratec's contractual obligations, commitments and contingent liabilities (refer to Section 10.2.5);
- ▶ management's discussion and analysis of the Financial Information (refer to Section 10.7);
- ▶ Duratec's proposed dividend policy (refer to Section 10.8); and
- ▶ a description of Duratec's significant accounting policies (see Section 10.9).

The information in Section 10 should also be read in conjunction with the risk factors set out in Section 12 and other information contained in this Prospectus.

All amounts disclosed in Section 10 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$1,000. There may be differences between totals and sums of components in figures or tables contained in this Prospectus due to rounding.

10.2 Basis of Preparation and Presentation of the Financial Information

10.2.1. Overview

The Directors are responsible for the preparation and presentation of the Financial Information included in this Prospectus, which is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flow and financial position of Duratec.

The Statutory Financial Information has been extracted without adjustment from the audited consolidated financial statements of Duratec, which include the income, expenses, cash flows, assets and liabilities of Duratec and its controlled entities (**the Group**).

The Statutory Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board, and Duratec's accounting policies. Duratec's significant accounting policies are described in Section 10.9.

The financial statements of Duratec for FY18 and FY19 were audited by Ernst & Young. Ernst & Young issued unmodified audit opinions on these financial statements.

The financial statements of Duratec for FY20 were audited by RSM Australia Partners. RSM Australia Partners issued an unmodified audit opinion on these financial statements.

The audited financial statements of Duratec will be released to the ASX and are available for inspection at the registered office of Duratec during normal trading hours.

The Pro Forma Financial Information has been prepared in accordance with the recognition and measurement principles of AAS other than that it includes certain adjustments that have been prepared in a manner consistent with AAS, that reflect the impact of certain transactions as if they had occurred on or before 30 June 2020. In order to present the Financial Information on a consistent basis, the Pro Forma Financial Information has been prepared in accordance with the AAS which are applicable to the financial year ended 30 June 2020, including AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*.

The Pro Forma Financial Information for FY18, FY19 and FY20 does not reflect the actual financial results and cash flows of Duratec for the periods indicated. However, the Directors believe that it provides useful information as it permits investors to examine what the Directors consider to be the underlying financial performance and cash flows of the business presented on a consistent basis and including the incremental costs which Duratec expects to incur as a publicly listed company.

The Financial Information is presented in an abbreviated form and it does not include all of the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements

applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, Section 10.2.5 describes certain non-IFRS financial measures that Duratec uses to manage and report on the business that are not defined under or recognised by AAS or IFRS.

Investors should note that past results are not a guarantee of future performance.

10.2.2. Independent Limited Assurance Report

The Financial Information (as defined above) has been reviewed by RSM Corporate Australia Pty Ltd (**RSM**) in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* as stated in its Independent Limited Assurance Report set out in Section 11. Investors should note the scope and limitations of the Independent Limited Assurance Report.

10.2.3. Going Concern

The Financial Information has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and discharge of liabilities in the normal course of business. The Directors have made enquiries and nothing has come to their attention to suggest that the entity is not continuing to earn profit from continuing operations up to the date of this Prospectus. Having considered the financial position, financial performance and the prospects of the company, the Directors consider that there are reasonable grounds to believe that Duratec will be able to continue as a going concern following completion of the Offer.

10.2.4. Preparation of the Pro Forma Financial Information

The Pro Forma Financial Information has been prepared solely for the purpose of inclusion in this Prospectus. The Pro Forma Financial Information has been derived from the Statutory Financial Information of Duratec and adjusted for the effects of the pro forma adjustments.

As at 30 June 2020 and throughout the period for which Financial Information is presented, Duratec has held a 40% interest in Fortec Australia Pty Ltd (**Fortec**). On 31 August 2020 Duratec divested its 40% shareholding in Fortec by way of a dividend in specie to the Company's shareholders (**the Fortec Transaction**).

As at 1 July 2017, Duratec held a 70% interest in Duratec Australia (ES) Pty Ltd (**DAES**). On 30 November 2018, Duratec acquired an additional 20% of the issued share capital of DAES and, on 22 November 2019, Duratec acquired the remaining 10% of the issued share capital of DAES such that DAES became a wholly owned subsidiary of Duratec with effect from 22 November 2019 (together the **DAES Transactions**).

The Fortec Transaction and the DAES Transactions are together referred to as the **Corporate Transactions**. The Pro Forma Financial Information is presented as if DAES had always been a wholly owned subsidiary of Duratec and as if Duratec had never held a shareholding in Fortec.

The table in Section 10.3.1 sets out the pro forma adjustments made to the Statutory Income Statements of Duratec and a reconciliation of net profit after tax (**NPAT**) between the Statutory Income Statements and the Pro Forma Income Statements.

The table in Section 10.5.1 sets out the pro forma adjustments made to the Statutory Cash Flow Statements of Duratec and a reconciliation of the net increase in cash and cash equivalents between the Statutory Cash Flow Statements and the Pro Forma Cash Flow Statements. Pro forma adjustments were made to the Statutory Cash Flow Statements to reflect the cash impact of the pro forma adjustments made to the Statutory Income Statements.

The Pro Forma Income Statements and the Pro Forma Cash Flow Statements have been presented to reflect the impact of the Corporate Transactions, the Offer and the Listing as if they had occurred at 1 July 2017, that is at the start of the period covered by the Pro Forma Financial Information.

The table in Section 10.6 sets out the pro forma adjustments to the Statutory Statement of Financial Position as at 30 June 2020, and a reconciliation of the Statutory Statement of Financial Position to the Pro Forma Statement of Financial Position. Pro forma adjustments were made to the Statutory Statement of Financial Position to reflect the impact of the Corporate Transactions, the Offer and certain related transactions as if they had occurred as at 30 June 2020.

In preparing the Pro Forma Financial Information, Duratec's accounting policies, as summarised in Section 10.9, have been consistently applied throughout the periods presented.

10.2.5. Explanation of Certain Non-IFRS Financial Measures

Duratec uses certain measures to manage and report on its business which are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 10 and under Regulatory Guide 230 *Disclosing Non-IFRS Financial Information* published by ASIC as "non-IFRS financial measures".

The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **EBITDA** is earnings before interest expense, taxation, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation, and before interest expense and taxation.
- **EBIT** is earnings before interest expense and taxation.
- **Net Cash** is cash and cash equivalents less interest-bearing borrowings and property lease liabilities.
- **Net tangible assets** are net assets after excluding goodwill, right-to-use assets and the related lease liability arising from the application of AASB 16 to leases.
- **Net working capital** is trade and other receivables, contract assets and inventories, less trade and other payables, contract liabilities and the current portion of employee entitlement provisions.
- **Capital expenditure** is expenditure on acquiring, upgrading and improving fixed assets such as land, buildings and plant and equipment.

Although the Directors believe that these measures provide useful information about the financial performance and financial position of Duratec, they should be considered as supplements to the income statement, cash flow statement and balance sheet measures that have been presented in accordance with AAS and IFRS and not as a replacement for them. As these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, so the way Duratec calculates these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures.

10.3 Pro Forma Income Statements

Table 10.3 sets out a summary of the Pro Forma Income Statements of Duratec for FY18, FY19 and FY20. The Pro Forma Income Statements are reconciled to the Statutory Income Statements of Duratec in Table 10.3.1.

Table 10.3 Summary of Pro Forma Income Statements

Currency: A\$000	FY18	FY19	FY20
Revenue	126,347	200,424	247,283
Cost of sales	(102,620)	(162,149)	(199,364)
Gross profit	23,727	38,275	47,919
Other income	261	394	634
Share of net profits of associates and joint ventures	-	135	1,271
Employee benefits expense	(9,870)	(14,949)	(19,347)
Administration expense	(6,228)	(7,373)	(7,995)
Occupancy expense	(934)	(983)	(1,098)
Other expenses	(65)	(9)	1
Total expenses	(17,097)	(23,314)	(28,439)
EBITDA	6,891	15,490	21,385
Depreciation	(1,876)	(2,999)	(3,825)
Impairment	(90)	-	(9)
EBIT	4,925	12,491	17,551
Finance costs	(207)	(369)	(587)
Profit before income tax	4,718	12,122	16,964
Tax expense	(1,641)	(3,656)	(4,722)
Net profit after tax	3,077	8,466	12,242

Key Operating Metrics:

Total revenue growth	n/a	58.6%	23.4%
Gross margin	18.8%	19.1%	19.4%
EBITDA growth	n/a	124.8%	38.1%
EBITDA margin	5.5%	7.7%	8.6%
EBIT growth	n/a	153.6%	40.5%
EBIT margin	3.9%	6.2%	7.1%
NPAT growth	n/a	175.1%	44.6%
NPAT margin	2.4%	4.2%	5.0%

10.3.1. Statutory Income Statements and reconciliation to Pro Forma Income Statements

Table 10.3.1 sets out a summary of the Statutory Income Statements of Duratec for FY18, FY19 and FY20 and details of the pro forma adjustments that have been made, for each period, to the Statutory Income Statements in preparing the Pro Forma Income Statements.

Table 10.3.1: Summary of the Statutory Income Statements and Pro Forma Adjustments

Currency: A\$000	Note	FY18	FY19	FY20
Revenue		126,347	200,424	247,283
Cost of sales		(102,620)	(162,149)	(199,364)
Gross profit		23,727	38,275	47,919
Other income		261	394	874
Share of net profits of associates and joint ventures		200	758	1,791
Employee benefits expense		(9,870)	(14,999)	(19,500)
Administration expense		(2,365)	(6,126)	(7,606)
Occupancy expense		(1,574)	(1,964)	(1,098)
Other expenses		(65)	(9)	1
Total expenses		(13,874)	(23,098)	(28,203)
EBITDA		10,314	16,329	22,381
Depreciation		(1,255)	(2,194)	(3,825)
Impairment		(90)	-	(9)
EBIT		8,969	14,135	18,547
Finance costs		(133)	(309)	(587)
Profit before income tax		8,836	13,826	17,960
Tax expense		(2,816)	(4,167)	(4,949)
Net Profit after tax		6,020	9,659	13,011

Adjustments for:

Corporate Transactions	1	(497)	(938)	(1,019)
Other income	1	-	-	(240)
Share of net profits of associates and joint ventures	1	(200)	(623)	(520)
Administration expense - shared services cost recovery	1	(297)	(315)	(259)
Administration expense - listed company costs	2	(750)	(750)	(750)
Administration expense - offer costs	3	-	-	717
Administration expense - bad debts	4	(2,816)	(182)	(97)
AASB 16 impact	5	(55)	116	-
Occupancy expense	5	640	981	-
Depreciation	5	(621)	(805)	-
Finance costs	5	(74)	(60)	-
Employee benefits expense	6	-	50	153
Income tax expense	7	1,175	511	227
Pro forma net profit after tax		3,077	8,466	12,242

Notes:

- On 31 August 2020 Duratec divested its 40% shareholding in Fortec by way of a dividend in specie to the Company's shareholders. Duratec's other income and its share of net profit of associates and joint ventures has been presented in the Pro Forma Income Statements as if this divestment had occurred prior to the commencement of the earliest period presented. Dividends paid by Fortec to Duratec, Duratec's share of the net profit of Fortec and charges for shared services paid by Fortec to Duratec have therefore been excluded from the Pro Forma Income Statements for all periods.
- From Completion of the Offer, Duratec will incur incremental costs associated with being a publicly listed company, which the Directors have estimated at \$750,000 per annum. A pro forma adjustment has therefore been made to present the Pro Forma Financial Information as if the Company had been listed on the ASX throughout the period presented.
- A portion of the costs of the Offer and the Listing were recognised as an expense in Duratec's consolidated income statement for the financial year ended 30 June 2020. As these costs are one-off in nature, they have been added back in presenting the Pro Forma Financial Information.
- In FY17, the Company wrote off an amount of approximately \$3.5 million (excluding GST) owed by a customer that became insolvent. The customer subsequently repaid approximately \$2.8 million in FY18, \$182,000 in FY19 and \$97,000 in FY20, with these bad debt recoveries being recognised as a reversal of bad debt in Administration expenses in the Statutory Income Statements. An adjustment has been made to exclude this income in the Pro Forma Income Statements.
- The Company adopted AASB 16 Leases, which is applicable to financial reporting periods commencing on or after 1 January 2019, at the beginning of FY20 (see Significant Accounting Policies - Section 10.9). A pro forma adjustment has therefore been made to present the Pro Forma Income Statements as if the Company had adopted this accounting standard prior to the commencement of the earliest period presented and on the assumption that AASB 16 applied to all material office leases throughout the period presented.
- In connection with the DAES Transactions, former shareholders of DAES were given the opportunity to earn non-recurring management incentive payments in FY19 and FY20 above the level possible within the framework of the normal management incentive arrangements. As these costs are one-off in nature, they have been added back in presenting the Pro Forma Financial Information.
- An adjustment has been made to reflect the tax effect of the above adjustments, using an effective tax rate of 30%.

10.4 Segment Information

In accordance with Australian Accounting Standard AASB 8 *Operating Segments*, Duratec has determined that its reporting segments, based on differences in services provided, comprise Defence, Mining & Industrial, Buildings & Facades and Other (which relates to energy, ports, transport and water). In accordance with AASB 8 *Operating Segments*, operating segments are those in which the chief operating decision-maker received information for the purpose of resource allocation and assessment of segment performance.

Table 10.4: Summary of Statutory Historical Segmental Revenue and Gross Profit

Currency: A\$000	FY18	FY19	FY20
Revenue for reportable segments			
Defence	39,920	121,210	132,748
Mining & Industrial	21,973	35,748	40,511
Buildings & Facades	29,825	13,265	25,585
Other	34,629	30,201	48,439
Total Revenue	126,347	200,424	247,283
Gross profit for reportable segments			
Defence	7,068	22,568	25,033
Mining & Industrial	6,516	7,862	9,968
Buildings & Facades	5,891	3,015	5,355
Other	4,252	4,830	7,563
Total gross profit for reportable segments	23,727	38,275	47,919
Unallocated amounts (including corporate overheads)	(13,503)	(21,946)	(25,547)
Depreciation and amortisation	(1,255)	(2,194)	(3,825)
Finance costs	(133)	(309)	(587)
Profit before income tax	8,836	13,826	17,960
Tax expense	(2,816)	(4,167)	(4,949)
Net profit after tax	6,020	9,659	13,011



10.5 Pro Forma Cash Flow Statements

Table 10.5 sets out Duratec's Pro Forma Cash Flow Statements for FY18, FY19 and FY20. The Pro Forma Cash Flow Statements are reconciled to the Statutory Cash Flow Statements in Table 10.5.1.

Table 10.5: Summary of Pro Forma Cash Flow Statements

Currency: A\$000	FY18	FY19	FY20
Cash Flows from Operating Activities			
Receipts from customers	119,556	201,394	279,335
Payments to suppliers and employees	(100,272)	(169,691)	(254,882)
Interest received/other income	239	121	262
Interest paid	(207)	(369)	(464)
Income tax paid	(2,603)	(4,683)	(4,027)
Net cash provided by operating activities	16,713	26,772	20,224
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment	46	165	210
Purchase of property, plant and equipment	(2,832)	(4,668)	(5,223)
Dividends received	-	-	127
Net cash used in investing activities	(2,786)	(4,503)	(4,886)
Cash Flows from Financing Activities			
Proceeds from borrowings	1,956	3,499	3,044
Repayment of borrowings	(950)	(1,541)	(1,990)
Repayment of lease liabilities	(566)	(921)	(1,053)
Payment of dividends	(4,732)	(1,238)	(10,228)
Loan payments made to related parties	-	(620)	(48)
Net cash used in financing activities	(4,292)	(821)	(10,275)
Pro forma net increase in cash held	9,635	21,448	5,063



10.5.1. Statutory Cash Flow Statements and reconciliation to Pro Forma Cash Flow Statements

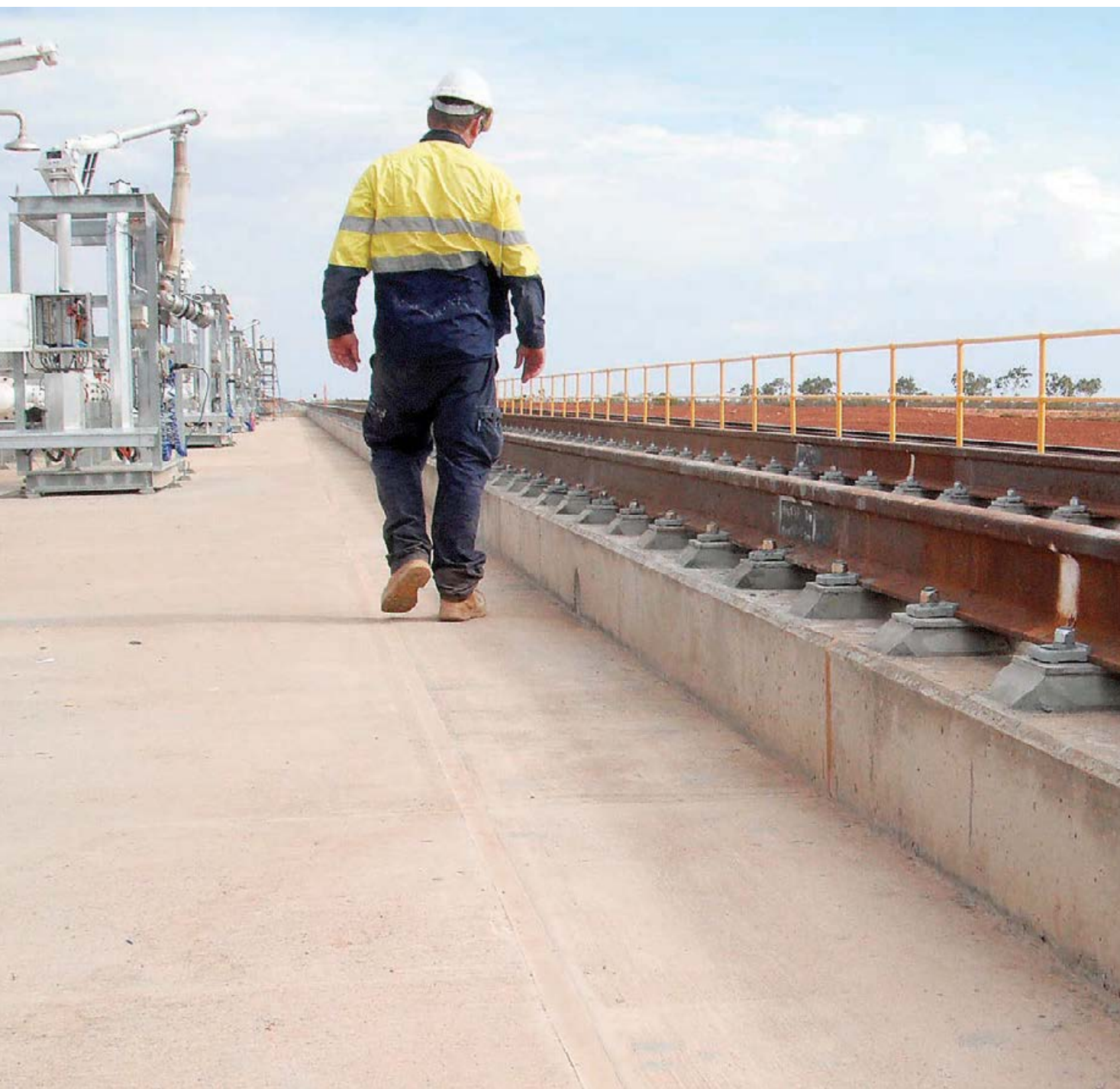
Table 10.5.1 sets out a summary of the Statutory Cash Flow Statements of Duratec for FY18, FY19 and FY20 and details of the pro forma adjustments that have been made for each period to the Statutory Cash Flow Statements to reflect the cash impact of the pro forma adjustments made in preparing the Pro Forma Income Statements.

Table 10.5.1: Summary of Statutory Cash Flow Statements and Pro Forma Adjustments

Currency: A\$000	Note	FY18	FY19	FY20
Cash Flows from Operating Activities				
Receipts from customers		122,669	201,891	279,691
Payments to suppliers and employees		(100,162)	(169,922)	(254,899)
Interest received/other income		239	121	262
Interest paid		(133)	(309)	(464)
Income tax paid		(3,762)	(5,057)	(4,129)
Net cash provided by operating activities		18,851	26,724	20,461
Cash Flows from Investing Activities				
Proceeds from sale of property, plant and equipment		46	165	210
Purchase of property, plant and equipment		(2,832)	(4,668)	(5,223)
Acquisition of shares in subsidiaries		(179)	(500)	-
Dividends received		-	-	367
Net cash used in investing activities		(2,965)	(5,003)	(4,646)
Cash Flows from Financing Activities				
Proceeds from borrowings		1,956	3,499	3,044
Repayment of borrowings		(950)	(1,541)	(1,990)
Repayment of lease liabilities		-	-	(1,053)
Payment of dividends		(4,732)	(1,238)	(10,228)
Loan payments made to related parties		-	(620)	(48)
Net cash used in financing activities		(3,726)	100	(10,275)
Net increase in cash held		12,160	21,821	5,540
Cash and cash equivalents at beginning of year		1,755	13,915	35,736
Cash and cash equivalents at end of year		13,915	35,736	41,276
Statutory net increase in cash held		12,160	21,821	5,540
Administration expense - bad debts	1	(2,816)	(182)	(97)
Listed company costs	2	(750)	(750)	(750)
Offer costs	3	-	-	717
AASB 16 impact	4	-	-	-
Occupancy expense	4	640	981	-
Interest paid	4	(74)	(60)	-
Repayment of lease liabilities	4	(566)	(921)	-
Corporate Transactions	5, 6	(118)	185	(499)
Dividends received	5	-	-	(240)
Shared services costs recovered	5	(297)	(315)	(259)
Acquisition of shares in subsidiaries	6	179	500	-
Employee benefits expense	7	-	-	50
Income tax paid	8	1,159	374	102
Pro forma net increase in cash held		9,635	21,448	5,063

Notes:

1. An adjustment has been made to receipts from customers to reflect the position that would have occurred had a significant customer that became insolvent and settled its account with Duratec between FY18 and FY20, met its obligations to the Company when they became due and payable in FY17.
2. An adjustment has been made for the estimated incremental costs of \$750,000 per annum associated with Duratec being a publicly listed company.
3. An adjustment has been made to remove the costs of the Offer and the Listing incurred in FY20 as these costs are one-off in nature.
4. An adjustment has been made to present the Pro Forma Cash Flow Statements as if the Company had adopted AASB 16 prior to the commencement of the earliest period presented and on the assumption that AASB 16 applied to all material office leases throughout the period presented.
5. Adjustments have been made to remove dividends received from Fortec and shared services costs paid by Fortec to Duratec. On 31 August 2020, Duratec divested its 40% shareholding in Fortec by way of a dividend in specie to the Company's shareholders.
6. An adjustment has been made to remove payments made in relation to the acquisition of 100% of the issued share capital of MEnD Consulting Pty Ltd, net of cash acquired, in FY18 and the acquisition of an additional 20% of the issued share capital of DAES in FY19.
7. An adjustment has been made to remove non-recurring management incentive payments made to former shareholders of DAES which were above the level possible within the framework of the normal management incentive arrangements.
8. An adjustment has been made for the tax effect of the pro forma adjustments made in the Pro Forma Income Statements



10.6 Statutory and Pro Forma Statement of Financial Position

Table 10.6 sets out the Pro Forma Statement of Financial Position of Duratec, which is based on the Statutory Statement of Financial Position as at 30 June 2020 and pro forma adjustments made to take into account the proceeds of the Offer, related Offer costs, the effects of the Corporate Transactions and certain other pro forma adjustments as if they had occurred as at 30 June 2020.

The Pro Forma Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of Duratec's view of its financial position upon Completion of the Offer or at a future date.

Table 10.6: Statutory and Pro Forma Statement of Financial Position as at 30 June 2020

Currency: A\$000	Notes	Statutory	Adjustments For Post Balance Sheet Date Events	Offer Related Adjustments	Pro Forma
Current Assets					
Cash and cash equivalents	1,2,3	41,276	(25,633)	20,774	36,417
Trade and other receivables		19,597	-	-	19,597
Contract assets		6,249	-	-	6,249
Inventories		273	-	-	273
Other current assets		966	-	-	966
Total current assets		68,361	(25,633)	20,774	63,502
Non-current Assets					
Trade and other receivables		36	-	-	36
Investments accounted for using the equity method	3	2,749	(1,343)	-	1,406
Plant and equipment		10,259	-	-	10,259
Right of use assets		3,055	-	-	3,055
Deferred tax assets		2,142	-	-	2,142
Other assets		78	-	-	78
Total non-current assets		18,319	(1,343)	-	16,976
Total assets		86,680	(26,976)	20,774	80,478
Current Liabilities					
Trade and other payables		34,932	-	-	34,932
Contract liabilities		15,681	-	-	15,681
Interest bearing borrowings		1,708	-	-	1,708
Current tax liabilities		500	-	-	500
Property lease liabilities		1,163	-	-	1,163
Provisions		4,934	-	-	4,934
Total current liabilities		58,918	-	-	58,918
Non-current Liabilities					
Interest bearing borrowings		3,867	-	-	3,867
Property lease liabilities		2,043	-	-	2,043
Deferred tax liabilities		432	(343)	-	89
Provisions		612	-	-	612
Total non-current liabilities		6,954	(343)	-	6,611
Total liabilities		65,872	(343)	-	65,529
Net assets		20,808	(26,633)	20,774	14,949
Equity					
Issued Capital	2	500	-	22,920	23,420
Reserves		(231)	-	-	(231)
Retained Profits	1,2,3	20,539	(26,633)	(2,146)	(8,240)
Total equity		20,808	(26,633)	20,774	14,949

Notes:

- The Directors intend to pay Pre-IPO Dividends totalling \$25.2 million to the Existing Shareholders. The payment of the Pre-IPO Dividends is conditional on Completion of the Offer.
- A pro forma adjustment has been made to account for the net proceeds of the Offer of \$20.8 million (being the Offer amount of \$52.925 million less the SaleCo amount of \$28.925 million and costs of the Offer which had not been paid by 30 June 2020 of \$3.2 million).
- The Pro Forma Statement of Financial Position presents the divestment of the Company's 40% shareholding in Fortec by way of a dividend in specie to the Company's shareholders on 31 August 2020 as if it had occurred as at 30 June 2020, including the associated tax implications.

10.6.1. Liquidity and Capital Resources

Following Completion of the Offer, Duratec's principal sources of funds will be its existing cash balances and unused bank facilities, the net proceeds of the Offer and cash flow from operations. Duratec expects that it will have sufficient cash flow from operations to meet its business needs during the financial year ending 30 June 2021 and will have sufficient working capital to carry out its stated objectives.

A summary of the proposed use of the proceeds of the Offer is set out in Section 8.6.

10.6.2. Contractual Obligations, Commitments and Contingent Liabilities

As at 30 June 2020, Duratec had lease commitments for offices under non-cancellable leases totalling \$3.2 million, relating to its offices around Australia. The leases expire between March 2021 and November 2024. The liabilities under these leases and the related right-of-use assets are included in the Statutory and Pro Forma Statements of Financial Position set out in Table 10.6.

Duratec uses bank guarantee and performance bond facilities to guarantee contract completion obligations. These guarantees and insurance bonds can be called upon only in the event of a failure by the Company to meet its obligations under the contract and are therefore reflected as contingent liabilities. The potential financial effect of contingent liabilities that may become payable in relation to bank guarantees and performance bonds was \$27.5 million at 30 June 2020.

10.7 Management Discussion and Analysis of the Financial Information

This Section 10.7 includes a discussion of key factors that affected Duratec's operating and financial performance during the period of the Financial Information.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected or are assumed to affect the Company's historical operating and financial performance, or everything that may affect the Company's operations and financial performance in the future.

10.7.1. Revenue

Revenue is generated by Duratec primarily from providing asset remediation, protection and refurbishment services to customers to extend the lives of their assets.

The key drivers of Duratec's revenue include:

- volume of projects undertaken; and
- average value of projects undertaken.

Duratec has a strong base of repeat customers. Established relationships built on responsiveness to customer needs, recommending innovative work programs and delivering service quality that exceeds stakeholder expectations are the fundamental drivers of increased project volume and ongoing opportunities to tender for larger projects. This has translated into strong revenue growth, particularly in relation to revenue from projects on sites owned or operated by the Department of Defence ("Defence Projects") which are reported in the Defence segment.

The nature of contractual arrangements Duratec enters into with customers depends on the requirements of the customer and the complexity and scale of the project. Typical arrangements are as follows:

- large and/or complex projects typically involve the negotiation of a detailed contract, specific to the project;
- multi-year service agreements entered into with certain customers with ongoing service requirements, predominantly in the mining and industrial sector; and
- projects undertaken on the basis of purchase orders.

Duratec's revenue increased by \$74.1 million to \$200.4 million in FY19 from \$126.3 million in FY18, equating to growth in revenue of 58.6%. This was primarily driven by organic growth across the country including:

- increase in revenue from Western Australian operations of \$48.4 million;
- increase in revenue from New South Wales operations of \$18.3 million;
- increase in revenue from Victorian operations of \$2.6 million;
- increase in revenue from Northern Territory operations of \$3.6 million;
- decrease in revenue from Queensland operations of \$1.1 million;
- increase in revenue from South Australian operations of \$1.1 million; and
- increase in revenue from Tasmanian operations of \$1.1 million.

Included in the state-based figures above is an increase in revenue from the Defence segment of \$81.3 million, an increase in revenue from the Mining & Industrial segment of \$13.8 million, a decrease in revenue from the Buildings & Facades segment of \$16.6 million and a decrease in revenue from the Other segment of \$4.4 million.

Duratec's revenue increased by \$46.9 million to \$247.3 million in FY20 from \$200.4 million in FY19, equating to growth in revenue of 23.4%. This was primarily driven by organic growth across the country including:

- decrease in revenue from Western Australian operations of \$5.0 million;
- increase in revenue from New South Wales operations of \$20.2 million;
- increase in revenue from Victorian operations of \$12.6 million;
- decrease in revenue from Northern Territory operations of \$0.9 million;
- increase in revenue from Queensland operations of \$14.3 million;
- increase in revenue from South Australian operations of \$2.4 million;
- increase in revenue from Tasmanian operations of \$1.2 million; and
- increase in revenue from Australian Capital Territory of \$2.1 million.

Included in the state-based figures above is an increase in revenue from the Defence segment of \$11.5 million, an increase in revenue from the Mining & Industrial segment of \$4.8 million, an increase in revenue from the Buildings and Facades segment of \$12.3 million and an increase in revenue from the Other segment of \$18.2 million.

10.7.2. Cost of Sales and Gross Margins

Cost of sales includes all costs incurred directly in providing services to customers, such as labour costs, materials and consumables and subcontractor charges. These expenses are typically strongly correlated with revenue.

Gross margin varies across projects depending on a range of factors including the size and complexity of the project, the nature of the services required, geographic location and nature of the contractual arrangement. However, Duratec has achieved a consistent overall gross margin of approximately 19% over the period FY18 to FY20.

10.7.3. Employee Benefits Expense

This category includes the salaries and bonuses of Duratec's management and non-project staff, as well as their superannuation, leave, payroll tax and staff recruitment expenses. Where employees work on projects as well as on administrative matters and business development, their cost is apportioned between cost of sales and employee benefits expense based on the time spent on each activity.

The employee benefits expense has increased in line with the level of services performed due to administration activity required to manage the increasing workforce.

10.7.4. Administration Expense

This category includes information technology, insurance, motor vehicle, office consumables, professional services, travel costs and bad debts. Administration expense in the Pro Forma Income Statements also includes the incremental costs which Duratec will incur as a publicly listed company, which have been estimated at \$0.75 million per annum.

10.7.5. Occupancy Expense

Office premises rental costs are calculated in accordance with the terms of the relevant lease. As the leases are accounted for in accordance with AASB 16 in the Pro Forma Financial Information, the cost of such leases is reflected below EBITDA, with components of the cost being included in depreciation and interest payable. Occupancy expense in the Pro Forma Income Statements therefore comprises other property-related expenses.

Occupancy expense has increased as a result of a requirement to provide office space for a larger workforce.

10.7.6. Capital Expenditure and Depreciation

Duratec has incurred capital expenditure to accommodate increasing levels of project activity and to provide for future growth. This includes service vehicles, access equipment, blasting and painting facilities and specialised mobile equipment required to deliver services.

As a result, Duratec's depreciation charge increased from \$1.9 million in FY18 to \$3.0 million in FY19 and \$3.8 million in FY20.

10.7.7. Working Capital

Working capital includes trade and other receivables, contract assets, inventories, trade and other payables, contract liabilities and the current portion of employee entitlement provisions.

Working capital is variable due to movements in a range of assets and liabilities. The timing of payments to staff and suppliers and collection of cash receipts from customers contribute to variability. Timing of cash receipts from customers, in particular, varies considerably between projects depending on the nature of the client and the specific contractual arrangements, with some contracts including advance payments.

Working capital variations between periods can be significant. During FY20, the highest month end net working capital balance was negative \$4.3 million and the lowest month end net working capital balance was negative \$28.5 million.

Where possible, Duratec aims for projects to be cash flow positive from commencement of work to minimise any increase in working capital funding requirements as revenue increases.

10.8 Dividend Policy

The Board intends to pay a dividend to Shareholders of between 30% and 50% of Duratec's net profit after tax, franked to the maximum extent permissible by reference to taxation requirements including, but not limited to, the balance of the Company tax consolidated franking account.

Subject to the Dividend Policy the Directors anticipate that the first post-Listing dividend to Shareholders will become payable following release of the Company's financial statements for the year ending 30 June 2021.

No assurances can be given by any person, including the Directors, the Company and SaleCo, about the

payment of any dividend and the level of franking on any such dividend.

The payment of dividends by Duratec is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and financial condition of Duratec, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends, and any other factors the Directors may consider relevant.

10.9 Significant Accounting Policies

Significant accounting policies which have been adopted in the preparation of the Financial Information are as follows.

10.9.1. Basis of Preparation

The Financial Information in this Prospectus has been prepared in accordance with the recognition and measurement principles of 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.

The Statutory Financial Information has been prepared on the basis of the Australian Accounting Standards and Interpretations which had mandatory application for the respective accounting periods presented.

The Pro Forma Financial Information has been prepared in accordance with the Australian Accounting Standards and Interpretations applicable to the financial year ended 30 June 2020. Material accounting policies adopted in the preparation of the Pro Forma Financial Information are presented below and have been consistently applied unless stated otherwise.

The Financial Information, except for the cash flow information, has been prepared on an accruals 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. The amounts presented have been rounded to the nearest \$1,000.

10.9.2. Principles of Consolidation

The consolidated financial information incorporates the assets and liabilities of the Company and its subsidiaries as at 30 June 2020 and their profit or loss, other comprehensive income ('OCI') and cash flows for all financial periods presented. The Company and its subsidiaries are together referred to in this Section 10 as the Group.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss.

Any investment retained is recognised at fair value.

10.9.3. Adoption of New and Revised Standards

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The following new, revised or amended Accounting Standards and Interpretations are most relevant to the Financial Information presented in this Section 10.

i. AASB 9 Financial Instruments

The Group adopted AASB 9 from 1 July 2018. This standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in OCI.

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New impairment requirements use an 'expected credit loss' (ECL) model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The adoption of AASB 9 did not have a material impact on the Group. Given the adoption of AASB 9 did not have a material impact on the Group, no adjustments have been made to the Pro Forma Financial Information in relation to AASB 9.

ii. AASB 15 Revenue from Contracts with Customers

The Group adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of AASB 15 did not have a material impact on the Group. Given the adoption of AASB 15 did not have a material impact on the Group, no adjustments have been made to the Pro Forma Financial Information in relation to AASB 15.

iii. AASB 16 Leases

The Group adopted AASB 16 from 1 July 2019. AASB 16 replaces AASB 117 'Leases' and for lessees eliminates the classification between operating leases and finance leases. Except for short-term leases (less than 12 months) and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier period of the lease, the total expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (earnings before interest, tax, depreciation and amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities.

For lessor accounting, AASB 16 does not substantially change how a lessor accounts for leases.

For the purposes of the Pro Forma Financial Information, adjustments have been made to present the Pro Forma Financial Information as if the Company had adopted AASB 16 prior to the commencement of the earliest period presented and on the assumption that AASB 16 applied to all material office leases throughout the period presented.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and the Group is in the process of assessing the impact thereof.

10.9.4. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted at the statement of financial position date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited

in the statement of comprehensive income except where it relates to items that may be credited direct to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

10.9.5. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for at purchase cost on a first-in/first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

10.9.6. Contract Assets and Contract Liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

10.9.7. Plant and Equipment

Items of plant and equipment are measured on the cost basis less, where applicable, any accumulated depreciation and impairment losses. Assets previously measured at valuation are now carried at deemed cost less, where applicable, any accumulated depreciation.

i. Depreciation

The depreciable amount of all plant and equipment including capitalised lease assets, is depreciated over the asset's useful life commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Machinery	4% - 50%
Furniture, Fittings and Equipment	8% - 50%
Motor Vehicles	16% - 50%
Computers	20% - 100%

The residual values and useful lives of the assets 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 and losses are included in the statement of comprehensive income.

ii. Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income.

iii. Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss in the year the asset is derecognised.

10.9.8. Financial Assets

Financial assets are classified, at initial recognition, as: subsequently measured at amortised cost; fair value through other OCI; or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in Section 10.9.12 Revenue from Contracts with Customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' ('**SPPI**') on the principal amount outstanding.

i. Subsequent Measurement

Financial assets at amortised cost.

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (**EIR**) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

ii. Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (**ECLs**). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

10.9.9. Leases

i. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

ii. Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise fixed payments less any lease incentives receivable,

variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option; and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

10.9.10. Provisions - Employee Benefits

Provisions are recognised when the Company 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 at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

The amounts expected to be paid to employees for their pro-rata entitlement to annual leave and long service leave are accrued annually at current pay rates, having regard to experience of employees' departures and period of service. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred. The Company has no legal obligation to provide benefits to employees on retirement.

10.9.11. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and on call current accounts with banks and other financial institutions.

10.9.12. Revenue from Contracts with Customers

The Group is in the business of providing construction and maintenance services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

i. Construction services

Construction contracts are assessed to identify the performance obligations contained in the contract. The total transaction price is allocated to each individual performance obligation. Typically, the Group's construction contracts contain a single performance obligation.

Work is performed on assets that are controlled by the customer or on assets that have no alternative use to the Group, with the Group having right to payment for performance to date. As performance obligations are satisfied over time, revenue is recognised over time using an input method based on costs incurred to date relative to forecasts to cost to complete.

Fundamental to this calculation is a reliable estimate of the transaction price (total contract revenue). In determining the transaction price, variable consideration including claims and certain contract variations are only included to the extent it is highly probable that a significant reversal in revenue will not occur in the future. Where a variation in scope has been agreed with the customer but the corresponding change in the transaction price has not been agreed the variation is accounted for as variable consideration. The estimate of variable consideration is determined using the expected value approach taking into account the facts and circumstances of each individual contract and the historical experience of the Group and is reassessed throughout the life of the contract.

When it is probable that total contract costs will exceed total contract revenue, the contract is considered onerous and the present obligation under the contract is recognised immediately as a provision. Key assumptions regarding costs to complete contracts include estimation of labour, technical costs, impact of delays and productivity.

Customers are typically invoiced on a monthly basis and invoices are paid on normal commercial terms.

ii. Services contracts

Contracts for performance of maintenance activities cover servicing of assets and involve various activities. These activities tend to be substantially the same with the same pattern of transfer to the customer. Where this is the case, which is the majority of the services contracts, these services are taken to be one performance obligation and the total transaction price is allocated to the performance obligation identified.

Performance obligations are fulfilled over time as the Group largely enhances assets which the customer controls. For these contracts, the transaction price is determined as an estimate of this variable consideration.

iii. Variable consideration

If the consideration in the contract includes a variable amount, the Group estimates the amount of the consideration to which it is entitled in exchange for transferring the goods and services to the customer. The Group includes some or all of this variable consideration in the transaction price only to the extent it is highly probable that

a significant reversal of the cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Certain contracts are subject to claims which are enforceable under the contract. If the claim does not result in any additional goods or services, the transaction price is updated, and the claim accounted for as variable consideration.

iv. Significant financing component

Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer or the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

All revenue is stated net of the amount of goods and services tax (GST).

10.9.13. Interest Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to financial assets.

10.9.14. Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

10.9.15. Borrowing Costs

Borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

10.9.16. Trade and Other Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies for financial assets in section 10.9.8 above.

10.9.17. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are stated with the amount of GST included.

10.9.18. Critical Accounting Estimates and Judgements

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 company.

i. Key estimates

Impairment - general

The Company assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Revenue from contracts with customers

Where performance obligations are satisfied over time, revenue is recognised in the consolidated income statement by reference to the progress towards complete satisfaction of each performance obligation.

For construction contracts, revenue is recognised using an input method based on project to date cost over total expected contract cost of the contract.

Fundamental to this calculation is a reliable estimate of the transaction price (total contract revenue). In determining the transaction price, variable consideration including claims and certain contract variations are only included to the extent it is highly probable that a significant reversal in revenue will not occur in the future. Where a variation in scope has been agreed with the customer but the corresponding change in the transaction price has not been agreed, the variation is accounted for as variable consideration. The estimate of variable consideration is determined using the expected value approach taking into account the facts and circumstances of each individual contract and the historical experience of the Group and is reassessed throughout the life of the contract.

When it is probable that total contract costs will exceed total contract revenue, the contract is considered onerous and the present obligation under the contract is recognised immediately as a provision. Key assumptions regarding costs to complete contracts include estimation of labour, technical costs, impact of delays and productivity.

10.9.19. Investment in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement

have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

In the Statutory Financial Information, Duratec's 40% shareholding in Fortec and its 49% shareholding in DDRIC are accounted for using the equity method. In the Pro Forma Financial Information, its shareholding in DDRIC is accounted for using the equity method, however the Pro Forma Financial Information excludes the investment in Fortec.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of associates and joint ventures' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.



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30 September 2020

The Directors
Duratec Limited
108 Motivation Drive
WANGARA WA 6065

Dear Directors

**Independent Limited Assurance Report
on the Statutory and Pro Forma Financial Information of Duratec Limited**

Introduction

We have been engaged by Duratec Limited (the "Company") to report on the Statutory Financial Information and the Pro Forma Financial Information of the Company for the three years ended 30 June 2020, for inclusion in a prospectus (the "Prospectus") of the Company to be dated on or about 30 September 2020. The Prospectus is in connection with the Company's initial public offering and listing on the Australian Securities Exchange ("ASX"), pursuant to which the Company and Opal SaleCo Limited ("SaleCo") are offering 105,850,000 ordinary shares at an issue price of \$0.50 per share, to raise \$52.925 million before costs (the "Offer").

Expressions and terms defined in the Prospectus have the same meaning in this report.

Background

The Company was incorporated on 22 January 2010 as a proprietary limited company, and converted to a public limited company on 25 March 2020, at which time it changed its name to Duratec Limited. The Company is a subsidiary of Ertech Holdings Pty Ltd, which holds 50.7% of its issued share capital, with the remaining shares being held by its executive directors and management.

In May 2014, the Company established a subsidiary, Duratec Australia (ES) Pty Ltd ("DAES"), in connection with the expansion of its services into New South Wales, Victoria and Queensland. The Company initially held 70% of the ordinary shares in this entity, with the remaining shares being held by management. Between November 2018 and November 2019 the Company bought back these shares, such that since 22 November 2019 DAES has been a wholly owned subsidiary of the Company.

On 31 August 2020 the Company divested its 40% shareholding in Fortec Australia Pty Ltd ("Fortec"), a provider of specialist concrete works, by way of a dividend in specie to the Company's existing shareholders.

The acquisition of the minority interests in DAES and the divestment of the Company's shareholding in Fortec are together referred to in this report and in the Prospectus as the "Corporate Transactions".

**THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING**

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

Scope

Statutory Financial Information

You have requested us to review the following historical financial information included in Section 10 of the Prospectus:

- the statutory consolidated income statements of the Company for the three years ended 30 June 2020, set out in Section 10.3.1 of the Prospectus;
- the statutory consolidated cash flow statements of the Company for the three years ended 30 June 2020, set out in Section 10.5.1 of the Prospectus; and
- the Company's statutory consolidated statement of financial position as at 30 June 2020, set out in Section 10.6 of the Prospectus;

(together, the "Statutory Financial Information").

The Statutory Financial Information has been prepared 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. The Statutory Financial Information has been extracted from:

- the general purpose consolidated financial statements of the Company for the years ended 30 June 2018 and 30 June 2019, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unmodified audit opinions on those financial statements; and
- the general purpose consolidated financial statements of the Company for the year ended 30 June 2020, which were audited by RSM Australia Partners in accordance with Australian Auditing Standards. RSM Australia Partners issued an unmodified audit opinion on those financial statements.

The Statutory 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*.

Pro Forma Financial Information

You have requested us to review the following pro forma historical financial information of the Company included in Section 10 of the Prospectus:

- the Company's pro forma consolidated statement of financial position as at 30 June 2020, including the pro forma adjustments applied to the Statutory Financial Information of the Company to illustrate the events and transactions related to the Corporate Transactions and the Offer as if they had occurred at that date, set out in Section 10.6 of the Prospectus;
- the pro forma consolidated income statements of the Company for the three years ended 30 June 2020, after adjustments made to reflect the operating and capital structure following completion of the Corporate Transactions and the Offer as if it had been in place throughout that period, set out in Section 10.3 of the Prospectus; and
- the pro forma consolidated cash flow statements of the Company for the three years ended 30 June 2020, after adjustments made to reflect the operating and capital structure following completion of the Corporate Transactions and the Offer as if it had been in place throughout that period, set out in Section 10.5 of the Prospectus;

(together, the "Pro Forma Financial Information").



The Pro Forma Financial Information has been derived from the Statutory Financial Information, after adjusting for the effects of the pro forma adjustments described in Sections 10.3.A, 10.5.A and 10.6 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Financial Information of the Company and the events or transactions to which the pro forma adjustments relate. The pro forma statement of financial position has been prepared as if those events or transactions had occurred as at 30 June 2020. The pro forma income statements and the pro forma cash flow statements have been prepared as if the Corporate Transactions and the Offer had occurred at 1 July 2017 and the Company had been listed on the ASX since that date.

Due to its nature, the Pro Forma Financial Information does not represent the Company's actual or prospective financial position, financial performance or cash flows.

Directors' responsibility

The Directors of the Company are responsible for the preparation and presentation of the Statutory Financial Information and the Pro Forma Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Financial Information and included in the Pro Forma Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Statutory Financial Information and Pro Forma Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Financial Information and the Pro Forma Financial Information based on the procedures performed and the evidence we have obtained. We conducted our engagement in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A limited assurance review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance review 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 on the Statutory Financial Information or the Pro Forma Financial Information.

Our engagement did not involve updating or re-issuing any previously issued audit report on any financial information used as a source of the Statutory Financial Information and the Pro Forma Financial Information.

Our procedures included:

- A review of work papers, accounting records and other documents, including those dealing with the extraction of financial information from the Company's audited financial statements;
- Consideration of the appropriateness of the pro forma adjustments described in Sections 10.3.A, 10.5.A and 10.6 of the Prospectus;
- Enquiry of Directors, management, personnel and advisors of the Company;
- The performance of analytical procedures applied to the Statutory Financial Information and the Pro Forma Financial Information;
- A review of the audit workpapers of Ernst & Young and RSM Australia Partners;
- A review of the accounting policies adopted for consistency of application; and
- A check of the application of the stated basis of preparation to the Statutory Financial Information and the Pro Forma Financial Information.

Conclusions

Statutory Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Financial Information, as set out in Sections 10.3.1, 10.5.1 and 10.6 of the Prospectus, is not presented fairly in all material respects, in accordance with the stated basis of preparation.

Pro Forma Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Financial Information, as set out in Sections 10.3, 10.5 and 10.6 of the Prospectus, is not presented fairly in all material respects, in accordance with the stated basis of preparation.

Restriction on Use

Without modifying our conclusions, we draw attention to Section 10.2 of the Prospectus, which describes the purpose of the Statutory Financial Information and the Pro Forma Financial Information being for inclusion in the Prospectus. As a result, the Statutory Financial Information and the Pro Forma Financial Information may not be suitable for use for another purpose.

Consent and Liability

RSM Corporate Australia Pty Ltd has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included. RSM Corporate Australia Pty Ltd has not authorised the issue of the Prospectus. Accordingly, we make no representation regarding, and take no responsibility for, any other documents or material in, or omissions from, the Prospectus.

Disclosure of Interest

RSM Corporate Australia Pty Ltd does not have any interest in the outcome of the Offer, other than the preparation of this report and participation in the due diligence procedures, for which normal professional fees will be received.

RSM Australia Partners is the auditor of the Company.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Justin Audcent', written over a horizontal line.

JUSTIN AUDCENT
Director



12. Risk Factors

This section identifies some, but not all, of the major risks associated with an investment in the Company. Intending Applicants should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for Shares.

12.1 Speculative Nature of Investment

Any potential investor should be aware that subscribing for Shares involves various risks. The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. An investment in Shares of the Company should therefore be considered very speculative.

12.2 Business Risks Associated with the Company

12.2.1. COVID-19 and Associated Market Risk

The global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has been having, and will likely continue to have, a significant impact on global economic activity, capital markets, commodity prices and foreign exchange rates.

To date, the COVID-19 pandemic has not had any material impact on the Company's operations, with a small number of projects ceasing and others being delayed as a result of a small number of employees in Victoria having contracted the virus. However, any future measures by the Federal and/or various state governments, or large clients, to limit or shut access to work sites could adversely impact Duratec's revenue numbers and level of profitability whilst those measures are in place.

Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Company's operations, financial position and prospects.

The Company has implemented a COVID-19 management plan across its business in order to minimise the risk of infection for individuals. Actions taken include a roster system utilising two alternating work teams being implemented on some resource project sites. Working from home arrangements have been implemented for all office-based staff and has worked effectively. Hygiene and social distancing procedures have been implemented and widely embraced across work sites. The Company's COVID-19 management plan is reviewed and updated based on the latest guidance from health professionals

and the government as the situation develops.

12.2.2. Inability to Retain and Attract Key Personnel

The Company depends on the expertise, experience and network of its personnel as its primary assets. The Company's ability to attract and retain personnel will have a direct correlation upon its ability to deliver its project commitments. Additionally, many of the Company's projects are secured through the business relationship, reputation and contacts of its key personnel. Any failure to retain existing employees and recruit and retain additional personnel, may have a negative impact on existing operations and future growth prospects of the Company, and adversely affect the financial performance and/or financial position of the Company.

12.2.3. Reliance on Key Clients

The Company's work on sites owned or operated by the Department of Defence comprise a substantial part of the Company's order book. Any substantial breach to the specifications or requirements of the Department of Defence would have a significant impact on the Company's current and future financial performance as it would impact the continued level of work by the Company on sites owned or operated by the Department of Defence.

12.2.4. Counterparty Risk

The delay or failure of customers or other counterparties to pay their debts or other obligations to the Company when due (as a result of insolvency or other reasons) may have a material adverse impact on the Company's future financial performance, cash flows and position. The Company maintains provisions for bad and doubtful debts, the adequacy of which is regularly reviewed. If these provisions are inadequate, there may be an adverse impact on the Company's future financial performance and position.

12.2.5. Increased Competition from New and Existing Competitors

The Company operates in markets that are competitive and in which a number of companies compete. Competition in these markets is expected to continue, presenting the Company with numerous challenges relating to its ability to maintain growth rates and acceptable margins. If the Company is unable to meet these competitive challenges, it may lose market share to its competitors and experience an overall reduction in its earnings.

12.2.6. Safety

The Company's operations involve risk to both personnel and property as they are often conducted at great heights atop building and infrastructure, are in close proximity to complex operating equipment and may involve work with harmful substances including asbestos, which could give rise to liability for Duratec, including under OHS laws and under general law. Industrial accidents may occur with respect to the Company's activities. In the event of a serious accident, for example resulting in a fatality, or a series of accidents on the same project, substantial claims may be brought against the client and/or the Company or the client may terminate its contractual arrangement with the Company. Notwithstanding the Company's commitment to safety and the preventative measures adopted by the Company there can be no guarantees that an accident will not occur. Such an accident could impact upon the Company's reputation, growth prospects and financial performance.

12.2.7. Key Suppliers/Sub-contractors

The Company works with a number of key suppliers and sub-contractors to allow it to deliver its services. Any delay in supply, delays or failures by sub-contractors when completing work or in encountering operational difficulties may lead to a loss of revenue and increased costs including as a result of the incurrance of liquidated damages under the Company's contracts. There is also a risk that the loss of one or more contracts with key suppliers or sub-contractors (including due to insolvency of the contractor) may lead to an increase in the Company's costs of production. Duratec has considered and continues to consider various mitigants to deal with the loss of a key supplier or sub-contractor including by maintaining a diversified supplier and subcontractor base, but cannot guarantee the loss of a key supplier or sub-contractor will not lead to an increase in costs and/or decrease in revenue.

12.2.8. Time and Cost Overruns on Major Projects

A failure to properly assess and manage project risks and a failure to promptly monitor costs may result in cost overruns which may cause a project to be less profitable than expected or even result in loss making projects. Such projects may also result in payment disputes. Some of the key assessments that impact on time and cost include productivity rates, weather, availability and cost of raw materials, equipment and labour. If such assessments are incorrect and the Company is unable to recover consequential cost increases this may have an adverse impact on the Company's future financial performance and position. The Company has implemented processes which require monthly cost forecasts on each project to ensure prompt action is taken to avoid substantial cost overruns.

12.2.9. Joint Venture Risk

The Company is currently a party to two joint ventures. There is a risk that the Company's joint venture partners may default in their joint venture obligations, not act in the best interests of the joint venture or that the Company may be voted into programs and budgets which are not in line with the Company's strategy. The Company may also be required to contribute to increases in capital expenditure requirements or operating costs where the requirements of projects change or in circumstances where any or all of the joint venture parties are unable to fund their pro rata contributions to expenditure. This may have an adverse effect on the interests and prospects of the Company.

12.2.10. Regulatory Risk

The Company and its services are subject to various laws and regulations including but not limited to accounting standards, tax laws, occupational health and safety laws and building, fire and construction laws and standards. Changes in these laws and regulations (including interpretation and enforcement) could adversely affect the Company's financial performance. Additionally, if the Company fails to remain compliant with these various regulatory requirements, there is a risk that the Company's financial performance could be adversely affected. The Company has procedures to ensure changes in laws and regulations are identified and changes are made to the relevant systems and procedures.

12.2.11. Failure to Gain Market Share and Attract New Clients

The Company's success will depend on its ability to grow its market share and attract clients. This could be impacted by a number of factors including but not limited to:

- (i) cost-effectiveness and pricing of the Company's service offering;
- (ii) the entrance or availability of competitors in the market (including new market entrants);
- (iii) the Company's reputation;
- (iv) staff turnover within the Company's clients which may affect the Company's relationship with its clients; and
- (v) the ability to anticipate and quickly respond to changing technology, opportunities, regulatory requirements and industry standards (i.e. first mover advantage).

Public acceptance and confidence in the integrity of the Company is an important factor in the growth of the business.

If public acceptance or confidence is lost for any reason, this could negatively affect the Company's ability to retain existing clients or attract new clients, which would have a material adverse impact on the Company's growth and profitability. The Company cannot guarantee that it will continue to increase its revenue from existing or new clients. Failure to retain existing clients on the network or attract new clients will materially impact the Company's ability to generate revenue which will have an adverse effect on the Company's operating and financial performance.

12.2.12. Reliance on Business Systems

The design and construction of remediation projects consists of a diverse collection of operations and sequences, which is complex to control. Over the last ten years Duratec has developed its own enterprise resource planning job control and cost system which is used to gather information to create the cost control file for every job.

There is a risk that any key business systems may be adversely affected by a number of factors, including an inability to operate, lack of support to maintain the system, damage, equipment faults, power failure, computer viruses, misuse by employees or contractors, external malicious interventions such as hacking, fire, natural disasters or weather interventions. While the Company has in place disaster recovery systems which would allow the Company to continue to operate where the Company's enterprise resource planning systems lose their functionality the level of the Company's operations would be adversely impacted. Any failure of key business systems may materially affect Duratec's operations and profitability.

12.2.13. Loss and Theft of Data / Failure to Implement Secure Data Controls

The Company's business operations involve the storage of its clients' confidential, and sensitive information. The Company's business could be materially disrupted by privacy or data breaches which may impact the security of a client's information and data. This could occur through theft, unauthorised access (e.g. hacking), unauthorised disclosure of confidential client information (including exploitation of data) or loss of information (e.g. system problems).

While the Company undertakes measures to prevent and detect the occurrence of such security breaches, there is a risk that such measures may not be adequate. Any security breach may result in significant disruption to the Company's business including rendering such operations unavailable for a period of time until the data is restored. A security breach could also have an adverse impact on the Company's growth prospects, operating results, reputation and financial performance.

12.2.14. Litigation

The Company is not currently involved in any material contractual disputes, arbitration or government prosecution matters. Disputes can however, arise during the execution of a project including with regard to payment disputes which may impact the profitability of the project or disputes with employees in relation to workers compensation, unfair dismissals or general protection claims. These disputes may not always be resolved through negotiation with the parties directly and may lead to litigation. While the Company maintains insurance that may cover some losses arising out of disputes and claims, not all claims will be covered by insurance. Accordingly, some claims may have an adverse impact on the Company's reputation and this may have an adverse impact on the Company's growth prospects, operating results and financial performance as well as its ability to win future work.

12.2.15. Growth Systems and Processes

As the size and scale of the Company and its operations continues to expand there is a risk that the Company's current processes and systems may not be sufficient to cope with accelerated growth. This gives rise to the issue that appropriate levels of oversight and governance are not maintained across the Company's operations. As part of the Listing process the Company has reviewed and updated its existing governance framework and will continue to periodically review the adequacy of its systems for its level of operations.

12.2.16. Temporary Works Procedural Breaches

Typically, temporary works can be defined as "structures erected to aid in the construction/remediation of a permanent structure by providing access, support and protection for the structure under construction/remediation, as well as assuring the safety of workers and the public". Failure to implement and comply with the Company's Temporary Works Procedure could result in a serious accident, for example resulting in a fatality, which could lead to substantial claims against the Company, legal proceedings, reputational and financial damage to the Company. The Company maintains project management checks and controls to ensure temporary works are identified and the procedures are implemented.

12.2.17. Termination for Convenience

Many of the Company's customer and supply contracts including its contracts with the Department of Defence as well as certain leases that are holding over on a monthly basis contain a provision entitling the counterparty to terminate the contract at its convenience or for a change of control. There is a risk that a counterparty could decide to terminate one or more of the existing contracts between it and the Company for any reason at all, including, for example, if it is dissatisfied with the Company's performance or administration of a certain project, or if the Company's competitors offer cheaper services. However, the works performed by the Company with respect to the Department of Defence are performed nationally on 35 bases and include in any one year over 80 individual projects varying in contract value from \$0.5 million to approximately \$30.0 million, which de-risks financial dependence on the performance of one very large contract.

The remainder of the business operates in a diverse range of market sectors, geographical locations and clients which provides minimal contract risk.

12.2.18. Loss of Accreditations

The Company holds a Federal Safety Accreditation which is required to complete Australian Government building and construction work as well as Supply Nation accreditation through its joint venture with Dundee Rock.

If the Company fails to remain compliant with various regulatory requirements including any required building licences or fails to maintain the above

accreditations it has the potential to materially impact the Company's financial performance. Similarly, Duratec would not be able to (on its own) tender for government work in which there is an indigenous procurement policy including if the Dundee Rock JV is terminated or where Dundee Rock is no longer able to perform its obligations. To mitigate the risk to business continuity under the Dundee Rock JV a succession plan has been developed and adopted.

The loss of Safety, Quality and Environmental compliance accreditations including Federal Safety Accreditation and/or Supply Nation Accreditation would have a detrimental effect on the Company's ability to tender for, secure and perform works. The Company regularly conducts internal and external compliance audits of its HSEQ systems and implements a process of lessons learned and continuous improvement to ensure these important Accreditations are maintained and complied with.

12.2.19. Access to Financing

Duratec uses bank debt to partially fund its business operations. The Company is subject to various financial and non-financial covenants under the Debt Facilities which could limit its future financial flexibility.

If Duratec's financial performance deteriorates, Duratec may be unable to meet the covenants under the Debt Facilities. This may require Duratec to seek amendments, waivers of covenant compliance or alternative borrowing arrangements, to reduce debt or raise additional equity.

If a breach of covenant under the Debt Facilities were to occur, there is no assurance that a debt financier would consent to an amendment or waiver, or that debt financiers would not exercise enforcement rights, including cancelling the Debt Facilities, requiring immediate repayment or enforcing their security. If a debt financier enforces its security over the relevant assets of Duratec and forces a sale of the secured property, there is a risk that the value received may be less than the amount of the secured obligations and may be less than the optimal sale price. If Duratec is unable to repay or refinance the Debt Facilities upon maturity or in the event of a breach of covenant, Duratec may have to seek further equity, dispose of assets or enter into new debt facilities on less favourable terms. These factors could materially adversely affect Duratec's ability to operate its business, and could materially adversely affect the financial performance of Duratec and dividends, and Duratec may suffer reputational damage which could result in lenders being unwilling to extend additional finance or potentially raise future borrowing costs.

In the future, Duratec may also need to access additional debt financing to grow its operations. If Duratec is unable to refinance, repay or renew its debt facilities or otherwise obtain debt finance on favourable terms, Duratec may not meet its growth targets, which may adversely impact Duratec's financial performance and dividends.

Duratec's ability to extend the Debt Facilities or to borrow money for refinancing, capital expenditure or acquisitions will depend on a range of factors including general economic conditions, debt and

equity market conditions, as well as Duratec's financial position, financial performance and reputation. Changes in the above factors may impact the cost or availability of funding, and accordingly Duratec's financial performance, financial position and dividends. There can be no assurances that future financing will be available on terms acceptable to Duratec, or at all.

12.2.20. Environmental Compliance

Notwithstanding the environmental and legal due diligence conducted in relation to the Company's operations, unforeseen environmental issues may affect any of the properties leased by the Company including as a result of its abrasive blasting activities.

Whilst the Company is not aware of any material environmental contamination at any of its properties, there is a risk that a property leased by the Company may become contaminated in the future. Government environmental authorities may require the Company to remediate any contamination at its own cost. The cost of such remediation could be substantial.

Any such event could adversely impact the Company's financial performance and dividends. In addition, environmental laws impose penalties for environmental damage and contamination which may be material. An environmental issue may also result in interruptions to the Company's operations on a particular property. Any lost income caused by such an interruption to operations may not be recoverable. New or more stringent environmental laws or regulations could be introduced in the future, which may require the Company to incur additional material expenditure to ensure that the required compliance is maintained. While environmental issues are continually monitored, there is no assurance that the Company's will not be affected by an environmental incident or subject to environmental liabilities, which could impact the reputation and financial performance of the Company and dividends.

12.2.21. Planning Compliance

Development approval under the Planning and Development Act 2005 (WA) is required to authorise the Company's abrasive blasting operations on one of its sites in Western Australia. The Company is proposing to apply to the local council to obtain a development approval (which may be granted retrospectively) for this property. However, it is not yet known whether the local council will grant development approval (and if so, subject to what conditions) or take any enforcement action in relation to any inadvertent failure to obtain development approval previously. The local council knows and has known of the Company's historical operations for some time. If the local council refuses the application for development approval then the Company will cease its operations at this property which are not material financially and may move to a different site at limited cost. The local council also has a broad discretion to take enforcement action including by taking no action, by issuing an infringement notice with a fine of \$500 or by commencing a prosecution which could result in a maximum penalty of \$200,000.

12.3 General Risks

Most of the general risks discussed below are outside the control of the Company and the Directors and cannot be mitigated.

12.3.1. Market for Shares

Prior to the Offer there has been no public market for the Shares. No assurance can be given that an active market will develop in the Shares or that the Shares will trade at or above the Offer Price after the Shares have been listed on the Official List and after Official Quotation.

12.3.2. Stock Market Volatility

The price of Shares may rise or fall depending upon a range of factors beyond the Company's control and which are unrelated to the Company's operational performance. Investors who decide to sell their Shares after the Company's listing may not receive the entire amount of their original investment. The price of Shares listed on ASX may also be affected by a range of factors including the Company's financial performance and by changes in the business environment.

The Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX.

There are a number of national and international market factors that may affect the Share price including movements on international stock markets, economic conditions and general economic outlook, interest rates and exchange rates, inflation rates, commodity supply and demand, government taxation and royalties, legislation, monetary and other policy changes and general investors' perceptions. Neither the Company nor its Directors have control over these factors.

12.3.3. General Economic Conditions

The general economic climate may affect the performance of the Company. These factors include the general level of international and domestic economic activity, inflation and interest rates. These factors are beyond the control of the Company and their impact cannot be predicted.

12.3.4. Changes in Laws and Government Policy

Changes in laws and government policies (including changes to the industries in which the Company operates), both domestically and internationally, may adversely affect the financial performance or the current and proposed operations of the Company and the attractiveness of an investment in the Company.

The Company is not aware of any current or proposed material changes in relevant law or policy. The Company has a subscription for a monthly report which provides details of any changes in laws, government policies and industry requirements for service the Company provides.

12.3.5. Taxation

There are tax implications arising from buying and selling Shares, the receipt of dividends (both franked and unfranked) (if any) from the Company and participation in any on-market Share buy-back. Investors should seek their own independent taxation advice before applying for Shares.

12.3.6. Insurance Risks

Although the Company maintains insurance, no assurance can be given that adequate insurance will continue to be available to the Company in the future on commercially acceptable terms.

12.3.7. Government Actions and Other Events

The impact of actions by domestic and international governments may affect the Company's activities, including in relation to its infrastructure, compliance with environmental regulations, export, taxation and royalties.

Events may occur within or outside Australia that could impact on the world economy, the market for the Company's services, the Company's operations and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural disasters. The Company has only a limited ability to insure against some of these risks.

12.3.8. Unforeseen Expenses

The proposed expenditure on the Company's projects may be adversely affected by any unforeseen expenses which arise in the future and which have not been considered in this Prospectus.

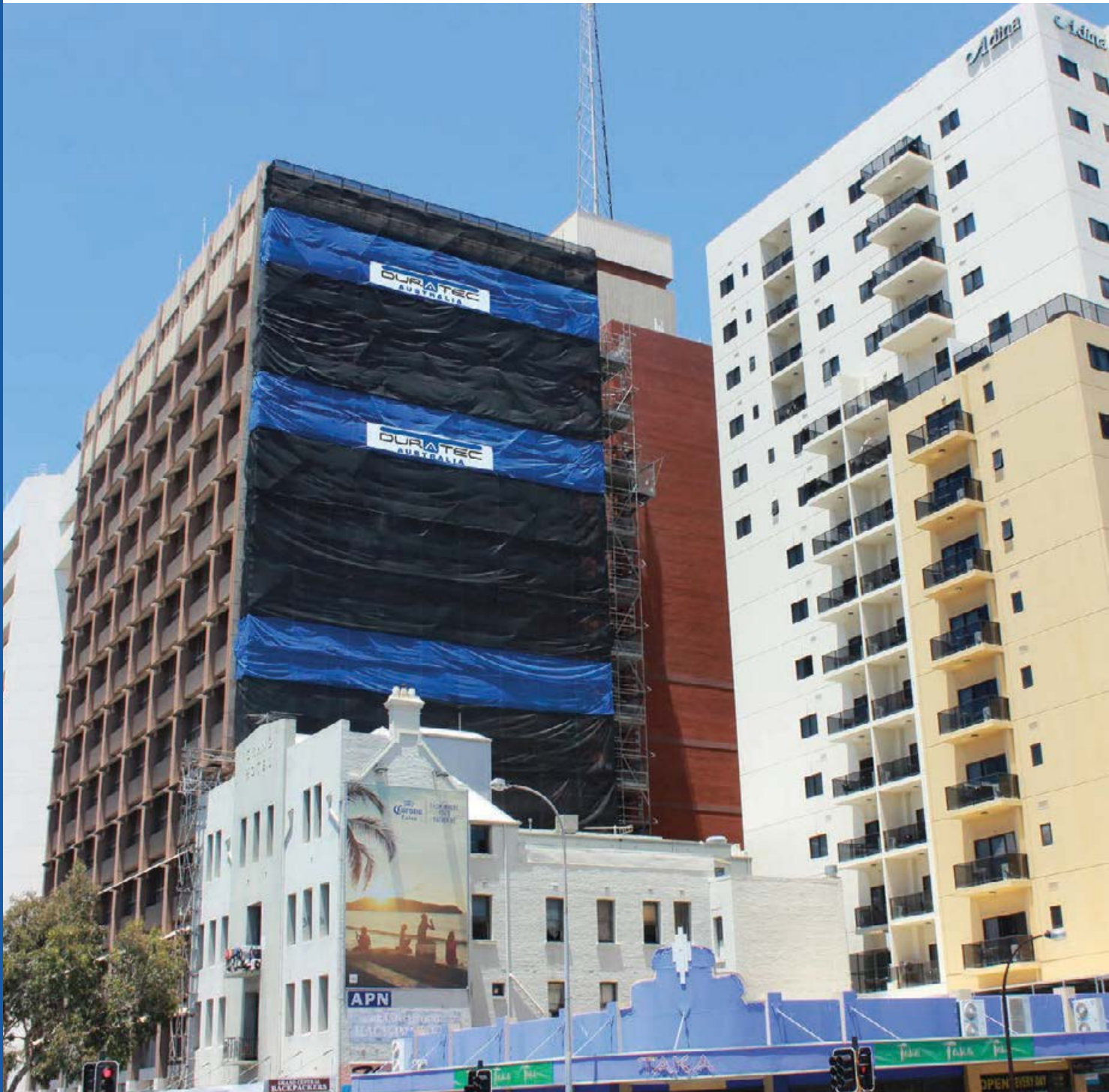
12.4 Prospective Information

There can be no guarantee that the assumptions on which the forecasts and development strategies of the Board, or those upon which the Company bases its decisions to proceed, will ultimately prove to be valid or accurate. The forecasts and development strategies depend on various factors many of which are outside the control of the Company.

Changes in interest rates, exchange rates, government budgetary measures, relevant taxation and other legal regimes and Government policies may adversely affect the Company.

12.5 Concluding Comment

The above list of risk factors ought not to be taken as an exhaustive one of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Investment in the Company must be regarded as highly speculative and neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objectives of the Company will be achieved or that any particular performance of the Company or of the Shares, including those offered by this Prospectus, will be achieved.



13. Additional Information

13.1 Incorporation

The Company was incorporated on 22 January 2010 under the Corporations Act as a proprietary company limited by shares and converted to a public company limited by shares on 25 March 2020. The Company will be taxed as a public company and its statutory accounts will be made up to 30 June annually.

SaleCo was incorporated on 13 July 2020 as a public company limited by shares.

13.2 Corporate Structure

The diagram below represents the Company’s corporate structure. The Company established Duratec Australia (ES) Pty Ltd (**DAES**) on 13 May 2014 to commence its east coast operations. On 24 October 2014 the Company held a 70% interest in DAES. On 27 November 2018, Duratec acquired an additional 20% of the issued share capital of DAES and on 22 November 2019 Duratec acquired the remaining 10% of the issued share capital of DAES such that DAES became a wholly owned subsidiary of Duratec with effect from 22 November 2019.

MEnD Consulting Pty Ltd ACN 600 759 555 was acquired on 30 November 2017 to supplement the Company’s service offering by providing specialist technical services that relate to initial asset condition and durability assessments.

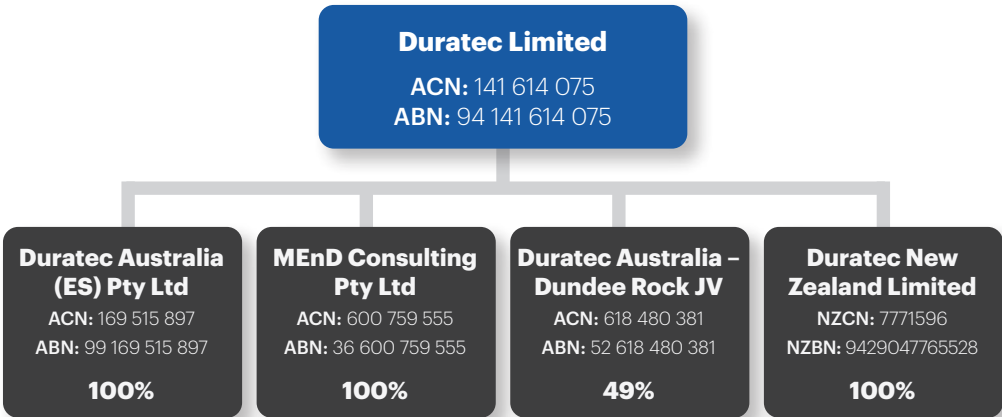
As noted in section 6.3.4, Duratec established Duratec Australia- Dundee Rock JV Pty Ltd as an incorporated joint venture with Dundee Rock to commit to the genuine engagement of indigenous personnel, create

an environment for training and the provision of meaningful work and up-skilling as well as to capitalise on the significant work opportunities available.

The Company has also recently incorporated Duratec New Zealand Limited as part of its future strategy to expand its operations into New Zealand

13.3 Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of the Sale Shares by the Selling Shareholders. Shares that SaleCo acquires from the Selling Shareholders under the sale agreement between the Selling Shareholders and SaleCo will be transferred to successful applicants under the IPO Offer at the Offer Price free from encumbrances and third-party rights. The price payable by SaleCo to the Selling Shareholders for those Shares is the Offer Price less any costs. The Selling Shareholders have agreed to sell 57,850,000 Shares to SaleCo. SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and the sale agreement detailed above. The Directors and shareholders of SaleCo are Robert (Phil) Harcourt (33.3%), Gavin Miller (33.3%) and Chris Oates (33.3%). The Company has indemnified SaleCo and each director and the shareholder of SaleCo for any loss which SaleCo or any director or shareholder of SaleCo may incur as a consequence of the IPO Offer. However, neither the Company nor SaleCo will be responsible for paying any tax incurred by any Selling Shareholder as a result of transferring or selling Shares pursuant to sale agreement.



13.4 Share Capital Structure

Following the completion of the Offer the shareholding structure in the Company will be as follows:

Category	As at the date of the Prospectus	Immediately following completion of the Offer	% ownership interest on completion of the Offer
Shares held by Existing Shareholders	189,444,801	131,594,801	55.4%
New Shares offered under this Prospectus	n/a	48,000,000	20.2%
Sale Shares offered under this Prospectus	n/a	57,850,000	24.4%
Total number of Shares on issue on completion of the Offer	n/a	237,444,801	100.0%
Total number of Rights on issue on the Completion of the Offer	n/a	4,825,000	2.0%*

* On a fully diluted basis

The Company's free float at the time of Admission will not be less than 20%.

13.5 Substantial Shareholders

Details of Shareholders who hold 5% or more of the Shares on issue as at the date of this Prospectus, and who will hold more than 5% after completion of the Offer, are set out below.

Shareholder	Shares held at date of Prospectus	% of total Shares at date of Prospectus	Shares held after completion of the Offer	% of total Shares after completion of the Offer
Ertech ⁴⁷	96,048,514	50.7%	47,348,514	19.9%
Dencort Pty Ltd as trustee for the Harcourt Family Trust (Entity associated with Robert (Phil) Harcourt)	29,553,389	15.6%	26,553,389	11.2%
Kent Colony Ventures Pty Ltd as trustee for the Diprose Richards Family Trust (Entity associated with Deane Diprose)	29,553,389	15.6%	26,553,389	11.2%
Chris John Oates and Pamela Michelle Oates as trustee for the Oates Family Trust (Entity associated with Chris Oates)	29,553,389	15.6%	26,553,389	11.2%

47. In accordance with section 611 item 12 of the Corporations Act, the Company provides the following information in relation to the Giumelli Entities. One of the Giumelli Entities holds a 53.2% interest in Ertech, and as a consequence that entity, and its associates, will be taken to hold a relevant interest in the Duratec Shares held by Ertech. Additionally, the Giumelli Entities intend to subscribe for a total of 2,050,000 Shares under the IPO Offer. This will mean that on completion of the Offer the Giumelli Entities will collectively have a relevant interest in 49,398,614 Shares being equal to 20.8% of the total number of Shares in the Company.



13.6 Company's Constitution and Rights Attaching to Shares

The Shares offered under this Prospectus are fully paid ordinary Shares in the capital of the Company. A summary of the more significant rights attaching to the Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of all the rights and liabilities of the Company's members.

- › **Ranking:** The Shares will be ordinary shares and will rank equally in all respects with the ordinary shares in the Company on issue prior to the date of this Prospectus.
- › **Reports and notices:** Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of the Company and the Corporations Act.
- › **General meetings:** Members are entitled to receive at least 28 days' notice of a general meeting and subject to any rights or restrictions attaching to any Shares that may be issued by the Company in the future, members are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Corporations Act and the Constitution of the Company.
- › **Voting:** At a general meeting of the Company every member present in person, or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every share held.
- › **Reduction of capital:** Subject to the Corporations Act and Listing Rules, the Company may resolve to reduce its share capital by any lawful manner as the Directors or may approve.
- › **Winding up:** Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.
- › **Transfer of Shares:** Shares in the Company may be transferred in any form authorised by the Corporations Act and in the manner prescribed by the Constitution of the Company, the Corporations Act, the Listing Rules or the ASX Settlement and Operating Rules. The Directors may subject to the Listing Rules and the ASX Settlement and Operating Rules, request an ASX approved clearing and settlement facility to apply a holding lock to prevent any transfer of Shares. The Directors may refuse to register a paper-based transfer of a Share in particular circumstances.
- › **Issue of further Shares:** The Directors control the issue, and the terms of issue of Shares, options over unissued Shares and other securities of the Company, subject to the Listing Rules. The Directors may issue any Share, option or other security with any rights or restrictions they see fit, subject to the Listing Rules.
- › **Takeover approval provisions:** Any proportional takeover scheme must be approved by those members holding Shares included in the class of shares in respect of which the offer to acquire those shares was first made. The registration of the transfer of any shares following the acceptance of an offer made under a scheme is prohibited until that scheme is approved by the relevant members.
- › **Application of Listing Rules:** On admission to the Official List of the ASX then, despite anything in the Constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require a Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of that inconsistency.

13.7 Rights Attaching to the IPO Rights Offer

- (a) Each Right is a right to receive one Share subject to the satisfaction of the following conditions (**Vesting Conditions**):
- (i) 50% of a participant's Rights will vest if the holder remains employed with the Company 12 months after its admission to the Official List; and
 - (ii) the remaining 50% of a participant's Rights will vest if the holder remains employed with the Company 24 months after its admission to the Official List.
- (b) In general, upon Vesting, a Participant's Rights will be automatically exercised, and the Participant will be allocated the relevant number of Shares as soon as practicable.
- (c) Shares issued will be subject to additional trading restrictions. Subject to complying with the Company's Securities Trading Policy, Participants will not be free to sell, transfer or otherwise deal with their Shares until the 36-month anniversary of the date the Rights are granted.
- (d) An unvested Right will automatically lapse where the Participant ceases employment for any reason prior to the Rights Vesting. However, the Board will retain discretion to determine that a different treatment should apply at the time of cessation.
- (e) All Shares issued on exercise of the Rights will rank equally in all respects with other ordinary Shares and be issued for nil consideration.
- (f) Rights will not be listed for Official Quotation on the ASX. The Company will in accordance with the Listing Rules make application to have the Shares issued on the exercise of Rights listed for Official Quotation on the ASX.
- (g) Rights are not transferable and may not be dealt with (except with Board approval or by force of Law upon death or bankruptcy). Subject to complying with the Company's Securities Trading Policy, Participants will be free to sell, transfer or otherwise deal with Shares issued on the exercise of the Rights.
- (h) There are no participating rights or entitlements inherent in the Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders unless a Right has vested and been exercised and a Share has been issued in respect of that Right.
- (i) In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the vesting of any Rights, the number of Shares to which each holder is entitled upon exercise of the Rights or any amount payable on exercise the Rights or both will be adjusted in a manner determined by the Board which complies with the provisions of the Listing Rules to ensure that no advantage or disadvantage accrues to the holder as a result of such corporate actions.



13.8 Voluntary Escrow Arrangements

All Existing Shareholders have entered into escrow agreements under which they will be restricted from disposing of any of the Shares they hold immediately following completion of the Offer until expiration of the relevant escrow period.

All of the Shares held by Ertech immediately following completion of the Offer will be subject to voluntary escrow until the Company's audited financial accounts for FY21 are released to the ASX.

All of the Shares held by Existing Shareholders (being Messrs. Harcourt, Oates, Diprose and McKeon or entities associated with them) immediately following completion of the Offer will be subject to voluntary escrow as follows:

- 75% of the relevant Shares will be subject to escrow until the Company's audited financial accounts for FY21 are released to the ASX; and
- 25% of the relevant Shares will be subject to escrow until the Company's audited financial accounts for FY22 are released to the ASX.

Shareholder	Number of Shares held on Completion of the Offer	Number of Shares released after FY21 audited financial accounts	Number of Shares released after FY22 audited financial accounts
Ertech	47,348,514	47,348,514	-
Dencort Pty Ltd as trustee for the Harcourt Family Trust (Entity associated with Robert (Phil) Harcourt)	26,553,389	19,915,041	6,638,348
Kent Colony Ventures Pty Ltd as trustee for the Diprose Richards Family Trust (Entity associated with Deane Diprose)	26,553,389	19,915,041	6,638,348
Chris John Oates and Pamela Michelle Oates as trustee for the Oates Family Trust (Entity associated with Chris Oates)	26,553,389	19,915,041	6,638,348
Oliver McKeon as trustee for the MT Pockets Business Trust (Entity associated with Oliver McKeon)	4,586,120	3,439,590	1,146,530

Each Existing Shareholder has entered into an escrow deed in respect of their shareholding immediately following Completion, which prevents them from disposing of their respective Escrowed Shares for the applicable escrow periods as detailed above. The restriction on 'disposing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Shares or agreeing to do any of those things.

The Existing Shareholders may be released early from these escrow obligations to enable, in summary:

- (a) the Existing Shareholder to accept an offer under a takeover bid in relation to its Escrowed Shares if:
- the takeover bid is recommended by the Directors of the Company;
 - the offers are either for all of the ordinary securities on issue in the capital of the Company or if the offers are for a specified proportion of the ordinary securities on issue in the capital of the Company, the shareholders of the Company pass a resolution to approve the proportional takeover bid in accordance with the Company's constitution; and

- the bidder receives acceptances or is entitled to 50% or more of the of the Shares in respect of which the takeover bid is made; or

- (b) the Escrowed Shares to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act.

The escrow obligations will continue to apply to the Escrowed Shares for the duration of the Escrow Period if the takeover bid does not become unconditional or the merger does not take effect.

During the Escrow Period, Existing Shareholders whose Shares remain subject to escrow may dispose of any of their Escrowed Shares to the extent the disposal is required by applicable law (including an order of a court of competent jurisdiction) or to the extent the disposal is to an affiliate or affiliated fund entity or to a trust or entity which the Existing Shareholder controls where the transferee also enters into an escrow arrangement with the Company on substantially the same terms. The escrow deed does not restrict voting rights attached to the Escrowed Shares.

13.9 Material Contracts

13.9.1. Ertech Joint Venture

Duratec and Ertech Pty Ltd (**Participants**) have formed an unincorporated joint venture (**DEJV**) under a Joint Venture Agreement dated 8 March 2019 (**Ertech JVA**) for the primary purpose of tendering for and performing the Armament Wharf Extension, HMAS Stirling, WA (**Works**) for the Commonwealth (Australian Government of Defence).

The Works relate to the NCIS-2 - Armament Wharf Extension, HMAS Stirling, WA - Head Contract between Duratec, Ertech and the Commonwealth dated 12 July 2019 (**Armament Wharf Extension Head Contract**). Presently, Ertech holds 50.7% of the Shares in Duratec and is therefore a related party of Duratec.

The interests of each Participant under the Ertech JVA (**Participating Interest**) are:

- Duratec: 50%
- Ertech: 50%

The Participants are to share in any profits or losses of the joint venture in the Participating Interests.

(Committee) The Participants have established the Committee, consisting of two nominees from each Participant (or such number as the Participants may agree from time to time) to co-ordinate the action of the Participants between themselves and in relation to third parties, and to determine the overall policy for, and to supervise, the management of the joint venture. The Committee may also include the Project Manager (the person appointed to manage the joint venture and having the overall responsibility for execution of the Works to the extent authorised by the Committee, who will act as a non-voting Committee member.

The Committee has such powers as are conferred upon it by the Ertech JVA or by mutual agreement of the Participants from time to time and the full and complete power and authority to direct and approve all matters relating to the joint venture and the Works and to make all decisions and determinations required or permitted to be made by the Participants under the Ertech JVA.

The representatives of a Participant on the Committee have vote for every percentage point of the Participating Interest of that Participant and decisions of the Committee are made on a simple majority basis.

A quorum in relation to meetings of the Committee consists of 1 member of the Committee appointed by each Participant.

(Key Personnel) The Participants have agreed that all personnel required to carry out and complete the Works or to administer the joint venture will be (provided that the Participants' obligations in relation to Key Personnel under the Armament Wharf Extension Head Contract are met) seconded to the joint venture on a best for project basis.

(Funding) In addition to start-up capital (in the amount agreed between the Participants) following acceptance of the tender by the Commonwealth, each Participant must fund the joint venture in accordance with cash calls issued to each Participant

in an amount specified as the Participant's share of the funding required to carry into effect each program and budget by the Project Manager not less than 10 days prior to the commencement of each calendar quarter.

If a Participant fails to meet a cash call issued by the Project Manager within the specified time period, and that Participant does not remedy that default within 10 Business Days after receiving written notice to do so, the other Participant may make such payments relating to the cash call. This does not result in any dilution of the defaulting Participant - rather, the amount will become a debt due and payable by the defaulting Participant to the non-defaulting Participant.

(Indemnity) Each Participant agrees to indemnify the other and its Directors, officers and employees from and against any liability, loss, harm, damage, cost or expense (including legal fees) that they may suffer or incur to the extent it results from:

- any negligent act or negligent omission of;
- any breach of the Ertech JVA by; or
- any purported assumption of any obligation or responsibility not authorised under the Ertech JVA by,

the indemnifying Participant or any of its Directors, officers, employees or agents.

Additionally, each indemnity required to be provided under the Armament Wharf Extension Head Contract is provided jointly and severally by the Participants.

(Security) Each Participant is required to provide and maintain at the cost of the joint venture a bank guarantee, insurance bond or other security required by the terms of the Armament Wharf Extension Head Contract in proportion to its Participating Interest by the date for provision of the security under the terms of the Armament Wharf Extension Head Contract.

Additionally, neither Participant is able to lease, sell, assign or otherwise transfer, mortgage or deal with or in any way encumber its Participating Interest or any part of its interest in the joint venture or under the Ertech JVA without the consent of the other Participant.

(Default) A Participant will be a Defaulting Participant where:

- (a) the Participant has:
 - (i) failed to make a cash call which is continuing;
 - (ii) the other Participant has made the payments that the Defaulting Participant has failed to make;
 - (iii) the accrued interest at the Default Rate (the Indicator Lending Rate published by Westpac from time to time plus 1%) in respect of the aggregate cash calls the other Participant has paid exceeds the equivalent interest at the Default Rate on \$1,000,000 for 30 days; and
 - (iv) the Defaulting Participant has received a notice from the other Participant that interest has exceeded the level of equivalent interest set out in the JVA;

- (b) a Participant fails to observe or perform any other obligation under the Ertech JVA (other than failure to pay a cash call) and:
- (i) the failure continues for a period of 60 days after the other Participant or the Project Manager has given written notice of the default to the Defaulting Participant; or
 - (ii) by reason of that failure the Commonwealth becomes entitled to terminate the Armament Wharf Extension Head Contract by reason of breach of that; or
 - (iii) it is, or has become, insolvent (as defined in the Armament Wharf Extension Head Contract).

Where a Participant is a Defaulting Participant:

- (i) the Defaulting Participant's rights in the conduct and control under the Ertech JVA will be suspended;
- (ii) the members of the Committee appointed by the Defaulting Participant will not be entitled to be present or to vote at any meeting of the Committee and quorum at each meeting of the Committee will be 1 member of the Committee appointed by the Participant that is not in default (Non-Defaulting Participant);
- (iii) for the purpose of making decisions, taking actions or giving notice in accordance with this agreement, the Participating Interest of the Defaulting Participant will be treated as added to the Participating Interest of the Non-Defaulting Participant; and
- (iv) the Non-Defaulting Participant may elect, by notice given within 60 days after the date on which the Participant became a Defaulting Participant, to acquire the whole of the Participating Interest of the Defaulting Participant for a price determined by an independent expert (Acquisition Price) and the joint venture will immediately be dissolved and the Non-Defaulting Party will be beneficially entitled to all joint venture property.

If the Non-Defaulting Participant elects to acquire the Participating Interest of the Defaulting Participant, it will assume the Defaulting Participant's liability in relation to the Armament Wharf Extension Head Contract, the joint venture property, all contracts entered into in relation to the Works by the Participants or the joint venture, all approvals relating to the works, the business conducted by the joint venture and the Ertech JV (**Joint Venture Particulars**) but only to the extent that information in relation to compliance with, and performance of obligations in relation to, the Joint Venture Particulars provided to the independent expert by the Defaulting Participant, to the knowledge of the Defaulting Participant, is true and accurate in all material respects, contains no material omissions and is not misleading in any material particular.

(Status and Renewal) The Ertech JVA will continue, unless otherwise terminated in accordance with the other provisions of the Ertech JVA, until the issue of the final certificate under the Armament Wharf Extension Head Contract. On termination of the Ertech JVA (other than where a Participant acquires

the interests of a Defaulting Participant), the joint venture property will be distributed to or held for the benefit of the Participants (as agreed) or failing such agreement within 90 days, sold and the proceeds of sale distributed to the Participants in accordance with their Participating Interest.

13.9.2. Ertech Transitional Services

From 2010 Ertech (a private company focused on civil contracting) provided Duratec with seed funding and early financial support along with a number of shared services. Over time Duratec has become a stand-alone business.

Duratec has entered into a contract with DXC Red Rock Pty Ltd ABN 59 081 356 425 (**DXC Red Rock**) to migrate and upgrade Duratec's JD Edwards application to allow Duratec to separate from Ertech and move its JD Edwards environment to its own infrastructure. This process is expected to complete in October 2020.

Duratec and Ertech have entered into a Transitional Services Agreement (**TSA**) in respect of services which have previously been shared by Duratec and Ertech. Services to be provided by Ertech to Duratec under the TSA include but are not limited to the following which will continue to be provided for a transitional period until the last of the services is terminated:

- (i) controlling and managing the JD Edwards Enterprise Resource Planning system chart of accounts (**JD Edwards ERP**);
- (ii) performing general system administration tasks, including but not limited to granting new and additional access to employees of an entity within the Duratec Group;
- (iii) up to 7 external service calls per calendar month;
- (iv) collaborating with Duratec to develop an agreed system "cut over plan" and implementing the agreed cut over plan in collaboration with Duratec and its Third Party consultant, to facilitate Duratec Group's JD Edwards ERP system to "go live" and otherwise achieve Operational Separation;
- (v) uploading automatic accounting instructions;
- (vi) assisting with the set-up of new business units within the JD Edwards ERP; and
- (vii) In house counsel legal support.

Duratec will be required to pay Ertech service fees of \$33,971.92 per month (exclusive of GST) in respect of the services listed in paragraphs (i) to (vi) above and a one-off termination payment of \$66,000 payable upon termination of the services listed in paragraphs (i) to (vi) or achievement of its own JD Edwards environment.

In house counsel legal support will also be provided to Duratec with fees charged to Duratec on a \$200 hourly rate payable monthly in arrears until completion of the Offer.

Duratec and Ertech have also agreed to indemnify each other in respect of any liabilities arising from insurance bonds issued in each others' names being called upon by counterparties under existing joint insurance bond facilities that are in the process of being separated and reissued.

13.9.3. DXC Red Rock Transactional Oracle Master Agreement

DXC Red Rock and Duratec have entered into a Transactional Oracle Master Agreement (**TOM Agreement**) for a period of 12 months commencing 27 May 2020.

Under this agreement DXC Red Rock is to provide Duratec with software program licences and technical support services, in relation the Company's own instance of the JD Edwards ERP.

Duratec will be required to pay DXC Red Rock \$447,012 (inclusive of GST) for the licences and annual technical support fees of \$60,457.

The TOM Agreement will expire on 26 May 2021. Duratec may elect to renew the TOM Agreement annually for the same number of licences and programs currently offered. The technical support fee will not increase for the second year, but will increase by not more than 2% over the prior year's fees if renewed for a third and fourth year.

13.9.4. Dundee Rock Shareholders Agreement

Duratec and Dundee Rock are parties to a Shareholders Agreement dated 29 January 2018 in respect of their incorporated joint venture, Duratec-Dundee Rock JV Pty Ltd ACN 618 480 381 (**Dundee Rock JVA**).

The Dundee Rock JV trades as "DDR Indigenous Contractors" and is a Supply Nation certified indigenous contracting company, which carries out Commonwealth and state government works where there is an indigenous procurement policy (IPP). Certification by Supply Nation as a certified contracting company enables DDR to bid for Commonwealth contracts under the IPP.

To be eligible under the IPP, incorporated indigenous joint ventures must:

- be an incorporated company registered with ASIC or Office of the Registrar of Indigenous Corporations (**ORIC**) formed through the incorporation of an indigenous business and a non-indigenous business;
- be at least cumulatively 51% owned by an Aboriginal and/or Torres Strait Islander person;
- be able to demonstrate Indigenous control (involvement) of the joint venture and Indigenous involvement in the management of the joint venture;
- be for-profit in that the joint venture is able to distribute its equity to its shareholders;
- be able to trade as a business in its own right; and
- demonstrate commercial independence.

Additionally, the joint venture must also have in place:

- a strategy to build the capability and skills of the indigenous business partner; and
- an indigenous workforce strategy.

The joint venture interests under the Dundee Rock JVA (**Share Proportions**) are:

- Duratec: 49%
- Dundee Rock: 51%

Whilst the DDRIC Board determines the profit distribution of DDRIC, all distributions are to be paid to Duratec and Dundee Rock in their respective Share Proportions.

(Role of Duratec) The board of DDRIC (**DDRIC Board**) has appointed Duratec to provide administrative services to DDRIC together with such other tasks as required or delegate by the DDRIC Board from time to time (**Administrative Services**).

The Administrative Services are:

- (i) providing DDRIC a venue for meetings of the DDRIC Board, where the meetings are held in person in Darwin, Northern Territory;
- (ii) performing the company secretarial function;
- (iii) providing to the DDRIC facilities and infrastructure for the maintenance of DDRIC's accounts and records;
- (iv) administering and processing payroll for all employees of DDRIC;
- (v) managing contractors, the payment of contractors and providing goods and services to DDRIC;
- (vi) monitoring the financial performance of DDRIC;
- (vii) managing DDRIC's tax affairs and ensure compliance with all relevant tax laws;
- (viii) making recommendations to the DDRIC Board concerning the working capital requirements and funding of DDRIC and, at the direction of the DDRIC Board, arranging for requests for loan or equity contributions to be made by the DDRIC Board to Duratec and Dundee Rock;
- (ix) procuring insurance for DDRIC or its Directors, officers and employees as DDRIC requires (at the expense of DDRIC);
- (x) preparing estimates and programmes, drafting, collating documents for, finalising and submitting bids, tenders or proposals to potential clients for works (**Bid Preparation Services**);
- (xi) attending to project specific HSECQ administration and documentation; and
- (xii) providing IT support.

In consideration of providing the Administrative Services, Duratec is entitled to receive a fee determined by agreement between Duratec and the DDRIC Board (with both parties acting reasonably and in good faith) in respect of each contract entered into by DDRIC (**Administration Fee**).

Additionally, Duratec is entitled to receive a fee for the provision of Bid Preparation Services in respect of each contract that is awarded to DDRIC.

(Role of Dundee Rock) Dundee Rock is responsible for the following tasks:

- assisting with the recruitment, interviewing and appointment of key staff of DDRIC;
- assisting with business development;
- assisting with estimating and tendering for contracts;
- assisting with the supply of indigenous labour and equipment for projects; and
- assisting with project management.

(DDRIC Board) While the DDRIC Board must consist of at least one director appointed by Duratec and one appointed by Dundee Rock at all times, the parties may agree for greater number of Directors provided that the number of Directors appointed to the DDRIC Board by Duratec and Dundee Rock must be equal. The DDRIC Board must appoint one of its own to chair the DDRIC Board, whom must be a director appointed by Dundee Rock. The chair of the DDRIC Board has a casting vote in the case of a deadlock.

The Dundee Rock JVA provides that the intention is that the operation of the DDRIC Board complies with the Joint Venture Certification Criteria published from time to time by Supply Nation.

(Funding of DDRIC) If the DDRIC Board determines that the DDRIC requires funding, whether by shareholder loans or subscription for or issue of shares, each of Duratec and Dundee Rock must:

- subscribe for its Share Proportion of the shares issued; or
- lend to the DDRIC its Share Proportion of the total amount the DDRIC has resolved or is obligated to borrow from Duratec and Dundee Rock respectively.

(Indemnities) Each party indemnifies the other and its agents, officers, Directors and employees against claims, damages or other losses, including reasonably legal fees, costs and expenses arising from a Wrongful Action by the indemnifying party. A Wrongful Action, under the Dundee Rock JV, is:

- fraud, bad faith, wilful violation of the agreement, wilful violation of law, tort being a civil wrong inclusive of an act of negligence or other wilful misconduct; and
- the receipt of a financial benefit to which a participant in the Dundee Rock JV is not entitled pursuant to the agreement.

(Default Events) The removal of Duratec as a provider of the Administration Services and Bid Preparation Services is a Reserved Board Matters (being one of the matters which can be determined only the DDRIC Board and not any delegated authority). This is unless a Default Event has occurred in relation to Duratec. A Default Event, amongst other things, includes a Change of Control Event which is a change in the identity of the person or persons who:

- have the power to control the composition of the board of Directors of the body corporate or a holding company of the body corporate;
- have the power to cast or control the casting of more than one half of the maximum number of votes that might be cast at a general meeting of the body corporate or a holding company of the body corporate; or
- hold more than one half of the issued share capital of the body corporate or a holding company of the body corporate.**(Status and Renewal).**

The Dundee Rock JVA continues until the earlier of:

- 10 years after the date of the agreement (29 January 2028);
- the date on which the parties mutually agree to terminate the agreement; and
- the date of dissolution of DDRIC.

Where the agreement terminates due to the expiry of the term, Duratec and Dundee Rock must either enter into a new shareholders agreement or wind DDRIC up.

13.9.5. Debt Facilities

Duratec uses bank debt to partially fund its business operations. The Company has a net cash position, so the Director's expect that the company will be able to meet its interest payments under its debt facilities from earnings.

Set out below is a summary of the debt facilities which the Company is a party to.

National Australia Bank Financing Arrangements

i. NAB Facility Documentation

- (a) The facility from National Australia Bank Limited (**NAB**) is made available to Duratec and DAES under the Finance Agreement dated 9 October 2019 between NAB, Duratec and DAES, as amended by the Amendment Deed dated 5 August 2020 (**NAB Finance Agreement**), and governed by the Group Master Asset Finance Agreement between NAB, Duratec and DAES, dated on or about October 2019 (**Group Master Asset Finance Agreement**) (the NAB Finance Agreement and the Group Master Asset Finance Agreement, together the **NAB Facility Documentation**).
- (b) Duratec and DAES enter the NAB Facility Documentation each as a borrower and as a guarantor.
- (c) *Italicised* words in this section have the meaning given to them in the NAB Facility Documentation.

ii. Key Commercial Terms

The key terms of the National Australia Bank Financing Arrangements made available to Duratec and DAES are summarised below:

Facility

Revolving Lease Limit Facility.

Purpose

The facility is an asset finance facility, made available to the Borrowers to finance certain business assets by way of *Lease Agreement, Hire Purchase Agreement or Loan Agreement* (each an **Asset Finance Agreement**).

Facility Limit

\$7,000,000 of which:

- \$3,737,434.35; is outstanding under the Equipment Loan Contracts with Duratec; and
- \$283,827.53 is outstanding under Equipment Loan Contracts with DAES,

as at 31 August 2020.

Facility End Date

31 October 2020, subject to review
- See 13.9.5(ix) below);

Repayments

Each Asset Finance Agreement is subject to different repayment dates.

The Borrowers must repay all amounts owing in respect of the facility on the earlier of:

- the *Facility End Date*;
- the date on which the facility is cancelled or terminated in accordance with the NAB Facility Documentation; and
- the date on which the amount owing in respect of the facility is due and repayable.

While the end date for the National Australia Bank Financing Arrangements are within 12 months of the date of this Prospectus. The Company considers the prospects of refinancing on the same terms to be high based on its discussions with NAB and the Company and Ertech's past facilities with NAB.

iii. Security and Guarantees

Duratec and DAES each provide a guarantee and indemnity in favour of NAB under both the NAB Finance Agreement and the Group Master Asset Finance Agreement. Whilst the details section of the Group Master Asset Finance Agreement provides that the guarantee is limited, a limit would only apply if a guarantor is an individual. As such, the guarantee and indemnity given by Duratec and DAES is unlimited.

Duratec and DAES grant security interests in favour of NAB in respect of goods the subject of specific Asset Finance Agreements.

iv. Facility Fees

Fees payable by the Borrowers under the facility are usual for a facility of this nature and include:

- (a) if NAB undertakes a pricing review for the facility, a pricing review fee;
- (b) an early termination administration fee, specific to each Asset Finance Agreement, if the facility or an Asset Finance Agreement is terminated or repaid early;
- (c) an asset substitution fee, if assets the subject of an Asset Finance Agreement are lost, stolen, destroyed or damaged beyond repair, and those assets are substituted and become subject to the relevant Asset Finance Agreement; and
- (d) a Personal Property Securities Registration and Maintenance Fee which is specific to each asset the subject of an Asset Finance Agreement.

v. Interest

Interest is payable at the rate and in accordance with each Asset Finance Agreement.

If a Borrower fails to pay any amount payable by it under the NAB Facility Documentation on its due date, or a Borrower exceeds the facility limit for the facility, default interest will be payable at a *Base Indicator Rate* set by NAB plus a margin of 1% per annum or such lesser margin as NAB may apply.

vi. Undertakings

The NAB Facility Documentation includes undertakings usual for a facility of this nature, including:

- (a) the Debt Service Cover Ratio (**DSCR**) of the Group must not be less than 3:1. The DSCR is, for a *Calculation Period*, the ratio of *EBITDA* over that period to *Interest Expense* plus *Scheduled Amortisation* over that period;
- (b) not to create or permit to subsist any Encumbrance over any of its assets other than a *Permitted Encumbrance*;
- (c) not to incur or permit to subsist any *Financial Indebtedness* other than *Permitted Financial Indebtedness*;
- (d) to deliver *Financial Statements* to NAB at the times and in accordance with the procedures provided for in the NAB Facility Documentation; and
- (e) except with NAB's prior written consent, not acquire or permit to exist, a new *Subsidiary* (other than one in existence as at 9 October 2019, disclosed to and approved by NAB).

vii. Representations and Warranties

The Borrowers make representations and warranties under the NAB Facility Documentation usual for a facility of this nature, including that no event of default is continuing, and no other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on a Borrower, or to which its assets are subject, which could have a *Material Adverse Effect*.

viii. Events of Default

The NAB Facility Documentation contains events of default usual for a facility of this nature.

Under the NAB Finance Agreement, the events of default include:

- (a) a Borrower fails to pay an amount to NAB when due and payable to NAB, and in the manner it is required to be paid, unless the sole reason for the failure to pay is an administrative or technical error in the banking system beyond the control of a Borrower and payment is made within two business days after its due date;
- (b) a Borrower breaches a financial covenant;
- (c) an *Insolvency Event* occurs in relation to a Borrower;
- (d) the listing or quotation of any *Marketable Securities* issued by a Borrower is removed from the official list of that securities exchange, is terminated or is suspended and remains suspended for a continuous period of 10 or more trading days;
- (e) an event or series of events occurs (where or not related) which, in NAB's reasonable opinion, could have a *Material Adverse Effect*;
- (f) any *Financial Indebtedness* of a Borrower is not paid when due or within any applicable grade period;
- (g) any *Financial Indebtedness* of a Borrower or any member of a *Group* becomes due and payable or is capable of being declared due and payable prior to its specified maturity (where such indebtedness in NAB's reasonable opinion is likely to have a material adverse impact on the ability of a Borrower of a member of the *Group* to meet its obligations to NAB); and
- (h) any commitments for any *Financial Indebtedness* of an Obligor being cancelled or suspended by a creditor of an Obligor as a result of an event of default from a change of control (however described).

Further events of default are included in the Group Master Asset Finance Agreement. Many are similar to the events of default under the NAB Finance Agreement, as well as the Group Master Asset Finance Agreement providing for further events of default including:

- (a) without NAB's consent, the assets of a Borrower are dealt with, or attempted to be dealt with, in breach of any agreement

between a Borrower and NAB (including each Asset Finance Agreement); and

- (b) without NAB's consent, there is a change in the legal or beneficial ownership, or management control of a Borrower, or of a Borrower's business.

ix. Review

Facility End Date Review

The Facility End Date for the Revolving Lease Limit Facility may be extended at NAB's option as follows:

- (a) On or before the Facility End Date for the facility, NAB may give written notice to the Borrowers that it cancels the facility, in which case the *Amount Owning* will be repayable on a date being no less than 90 days after the Facility End Date (unless a Borrower is in Default, in which case the *Amount Owning* may be repayable on a date determined in accordance with the NAB Facility Documentation).
- (b) If NAB does not give a written notice in accordance with a) above, the Facility End Date will be extended for a further 90 days for the purposes of an annual review of the facility.
- (c) After the period set out in b) above, NAB will either:
 - give notice to the Borrowers that the Facility End Date will not be extended, in which case the *Amount Owning* will be repayable on a date being no less than 90 days after the date of such notice; or
 - give notice to the Borrowers that the Facility End Date will be extended for a further period not exceeding 90 days; or
 - with or without notice to the Borrowers, extend the Facility End Date for a further 9 month period on the same terms and conditions as set out in the NAB Finance Agreement and any other terms and conditions applicable to the facility, and notified by NAB from time to time.

The option to extend the facility will only be available for four consecutive annual periods from the initial Facility End Date, such that the final Facility End Date cannot be a date more than 5 years from the initial Facility End Date.

Pricing Review

Under the NAB Finance Agreement, NAB has the right to review the pricing applicable to the facility:

- (a) on or about 9 October each year;
- (b) at any time if NAB reasonably believes that there is a default;
- (c) if there has been a *Change of Control* of a Borrower; and
- (d) at any time to the extent necessary (provided NAB acts reasonably) to reflect the then prevailing market conditions or changes to NAB's general pricing for facilities of this type at that time.

If, following a pricing review, NAB changes the pricing of the facility, there is no mechanism in the NAB Finance Documentation for the Borrowers to dispute the change, or terminate the facility because of the change.

x. Review of facility on Change of Control

As well as a *Change of Control* in Duratec triggering a pricing review (as outlined above at 13.9.5(ix), if there has been a *Change of Control* of a Borrower, NAB has the right to cancel the facility and declare that all or any part of the *Amount Owing* is due and payable on any date specified by NAB.

13.9.6. Bankwest Financing Arrangements

i. Bankwest Facility Documentation

(a) The facilities from Commonwealth Bank of Australia trading as Bankwest (**Bankwest**) are proposed to be made available to Duratec, DAES and MEnD Consulting Pty Ltd ACN 600 759 555 (**MEnD Consulting**) under the A\$ facilities agreement dated 29 September 2020 between Bankwest, Duratec, DAES, and MEnD Consulting and Ertech Holdings

Pty Ltd ACN 008 999 353 (Ertech Holdings) (**Bankwest Facility Agreement**). The facilities are also governed by the Application for Credit Card Bankwest Corporate MasterCard, the Bankwest Business Corporate Mastercard Terms and Conditions, the Business Commercial Credit Cards Account Access Conditions of Use, the Asset Finance Master Agreement and the applicable Asset Finance General Conditions incorporated by reference in any Asset Finance Master Agreement.

(b) Duratec, DAES and MEnD Consulting enter into the Bankwest Facility Agreement each as a borrower and as a guarantor. Ertech Holdings enters into the Bankwest Facility Agreement as a guarantor and an Obligor.

(c) *Italicised* words in this section have the meaning given to them in the Bankwest Facility Agreement.

ii. Key Commercial Terms

The key terms of the Bankwest Facility Agreement made available to Duratec, DAES and MEnD Consulting are summarised below:

Facility	Purpose	Facility Limit	Facility End Date	Repayments
Multi Option Facility	To assist with general corporate purposes and working capital requirements.	\$25,000,000 Facility limit can be used interchangeably between the Bank Guarantee Sub-facility and the Overdraft Sub-facility.	No fixed term. The Multi-Option Facility is repayable immediately on demand by Bankwest at any time.	See iv and v below for details of fees and interest payments in respect of the Multi-Option Facility
Corporate Credit Card Facility	To assist with the day-to-day management expenditure.	\$300,000	No fixed term. The Corporate Credit Card Facility is repayable immediately on demand by Bankwest at any time.	
Asset Finance Facility	To assist with equipment purchases and capital expenditure requirements.	No Facility Limit. The Asset Finance Facility is uncommitted.	No fixed term. The Asset Finance Facility is repayable immediately on demand by Bankwest at any time.	

iii. Security and guarantees

Duratec, DAES and MEnD Consulting each provide a guarantee and indemnity and a General Security Deed in favour of Bankwest.

Duratec, DAES and MEnD Consulting will grant security interests in favour of Bankwest in respect of goods acquired using the Asset Finance Facility.

iv. Facility fees

Fees payable by Duratec, DAES and MEnD Consulting under each Bankwest facility are usual for facilities of this nature and include:

- (a) an establishment fee of A\$25,000 payable on the date of the Bankwest Facility Agreement;
- (b) a line fee of 0.50% per annum on the facility limit for the Multi-Option Facility payable each quarter in advance;
- (c) for the Bank Guarantee Sub-facility, an issuance fee accrues at 1.00% per annum on the face value amount and term of each bank guarantee and is payable each month in advance;

- (d) product fees payable in respect of the Bank Guarantee Sub-facility, the Overdraft Sub-facility and the Asset Finance Facility in accordance with Bankwest's Product Disclosure Schedule; and
- (e) in respect of the Corporate Credit Card Facility, Bankwest's standard charges.

v. Interest

For the Overdraft Sub-facility, interest accrues at Bankwest's Variable Overdraft Reference Rate. Interest is payable on the last day of each month.

Interest is payable at the rate and in accordance with each agreement entered into under the Asset Finance Facility.

Default interest is payable on each unpaid amount of the *Secured Money* which is due and payable by an *Obligor*, and, whilst a *Default* subsists, on all of the *Outstanding Amount*, at the rate determined by Bankwest as the sum of 4% per year plus the rate applicable to the overdue amount immediately before the due date (or if no such rate applied, Bankwest's cost of funding the overdue amount).

vi. Undertakings

The Bankwest Facility Agreement includes undertakings usual for facilities of this nature, including that each *Obligor* must not, without first obtaining Bankwest's consent:

- (a) create or permit to exist a *Security Interest*, other than a *Permitted Security Interest*, over any of its assets or attempt or agree to do so (or if the creation of a *Security Interest* cannot by law be restricted, create such a *Security Interest* over any *Secured Property* without the holder of the *Security Interest* first entering into a deed of priority in form and substance acceptable to Bankwest);
- (b) sell or otherwise dispose of an asset or attempt or agree to do so, other than a *Permitted Disposal*;
- (c) issue any further shares other than to another *Obligor* except for Duratec which can issue shares following the *Settlement Date*;
- (d) incur any *Debt* (including by giving a *Guarantee*) other than *Permitted Debt*; or
- (e) lend or provide financial accommodation to any person, other than to another *Obligor*.

In the Bankwest Facility Agreement:

(a) *Permitted Debt* means:

- › *Debt* incurred under the *Finance Documents*;
- › *Debt* incurred under any finance lease, hire purchase arrangement or similar facility which is permitted under Bankwest Facility Agreement;
- › *Debt* owed to trade creditors on account of services provided to an *Obligor* in the ordinary course of that *Obligor's* ordinary business;
- › *Debt* which is subordinated to the *Secured Money* on terms satisfactory to Bankwest;

- › on and from the date of the Bankwest Facility Agreement to 15 November 2020, each unsecured guarantee and indemnity by an *Obligor* in respect of Ertech's obligations under any agreement between Ertech and:
 - › Assetinsure Pty Ltd ABN 65 066 463 803;
 - › AAI Limited ABN 48 005 297 807 trading as Vero Insurance; or
 another insurance bond issuer that Bankwest has confirmed in writing is acceptable to it, to provide insurance bonds for, at the request of or on behalf of Ertech;
- › from and including 15 November 2020 to the final Termination Date, each unsecured indemnity obligation in respect of an insurance bond issued for, at the request of or on behalf of, Duratec and issued by Assetinsure Pty Ltd ABN 65 066 463 803 AAI Limited ABN 48 005 297 807 trading as Vero Insurance or another insurance bond issuer that Bankwest has confirmed in writing is acceptable to it and any unsecured guarantee and indemnity provided by an *Obligor* in respect of Duratec's obligations under any agreement between Duratec and any of the above insurance bond issuers to provide insurance bonds for, at the request of or on behalf of Duratec;
- › *Debt* arising under a *TFA, TSA, ITFA or ITSA*;
- › any *Debt* incurred under any unsecured Hedge Transaction permitted by the Bankwest Facility Agreement;
- › *Debt* not otherwise referred to in the paragraphs above in a principal amount which, when aggregated with the principal amount of any other *Debt* permitted under this paragraph, does not at any time exceed A\$1,000,000 (or its equivalent) for the *Group* taken as a whole; and
- › any *Debt* to which Bankwest consents in writing (unless the consent was conditional and any of the conditions are not complied with).

(b) *Permitted Disposal* means a sale or other disposal by an *Obligor*:

- › of currency of any country (unless that disposal is otherwise restricted by a *Finance Document*);
- › on arm's length terms of plant or machinery no longer required for its business;
- › to another *Obligor* where the asset will be the subject of a *Security* after the disposal;
- › to the extent that a disposal occurs by the creation of a *Security Interest* under a *Permitted Security Interest*; or
- › to which Bankwest has given its prior written consent, except where a *Review Event* or *Default* is subsisting and Bankwest has notified the Borrowers that no further *Permitted Disposals* may be made.

(c) *Permitted Security Interest* means:

- › each *Security*;
- › any *Security Interest* over an asset that has been acquired using *Debt* by way of finance lease, operating lease, hire purchase or similar facility to secure that *Debt* or liabilities

associated with that Debt where that Debt is permitted to be incurred the Bankwest Facility Agreement;

- any *Security Interest* granted in favour of Commonwealth Bank of Australia ACN 123 123 124 (including trading as Bankwest);
- a *Security Interest* taken in personal property (as defined in the *PPSA*) by a seller to the extent that it secures the obligation to pay all or part of the purchase price of that property, where that property is purchased in the ordinary course of the buyer's ordinary business and the purchase price is paid within 60 days of supply;
- any banker's lien or right of set off or combination arising by operation of law or practice or any netting or set-off arrangement for the purpose of netting debit and credit balances over property or money deposited with a bank or financial institution in the ordinary course of an *Obligor's* business or a right of set-off included in a commercial contract in the ordinary course of day to day trading that does not secure *Debt*;
- a *Security Interest* consented to by Bankwest in writing (unless the consent was conditional and any of the conditions are not complied with);
- a deemed security interest under section 12(3) of the *Personal Property Securities Act 2009 (Cth)* which does not secure payment or performance of an obligation; and
- a lien or charge arising by operation of law in the ordinary course of ordinary business (unless the lien or charge secures overdue debts).

vii. Representations and warranties

The Bankwest Facility Agreement includes representations and warranties under the Bankwest Facility Agreement usual for facilities of this nature.

viii. Financial covenants

The Bankwest Facility Agreement includes the following financial covenants:

- (a) the Leverage Ratio must not exceed 2.50:1.00;
- (b) the Current Ratio must be at least 1.00:1.00; and
- (c) the Consolidated Tangible Net Worth of the Group must meet the minimum amounts shown below on the dates shown next:

Period	Minimum Tangible Net Worth
From and including the date of the Bankwest Facility Agreement to and including 29 June 2021	A\$20,000,000
From and including 30 June 2021 to and including 29 June 2022	A\$22,500,000
From and including 30 June 2022 to and including 29 June 2023	A\$25,000,000
From and including 30 June 2023 to and including 29 June 2024	A\$27,500,000
From and including 30 June 2024 until the final Termination Date	A\$30,000,000

Leverage Ratio means, on any date, the ratio of A:B where:

- (a) A is *Total Debt* on that date; and
- (b) B is *EBITDA* of the *Group* for the *Calculation Period* ending on that date.

Current Ratio means, on any date, the ratio of A:B where:

- (a) A is the current assets of the *Group*; and
- (b) B is the current liabilities of the *Group*,

in each as would be shown in its *Financial Statements* as if prepared at that date.

Consolidated Tangible Net Worth means, in respect of a group or entity at any date, its total assets less:

- (a) the value of its *Total Intangible Assets*; and
- (b) its total liabilities,

as would be shown in its *Financial Statements* as if prepared at that date.

ix. Events of default

The Bankwest Facility Agreement contains events of default usual for facilities of this nature, including that it will be an event of default if:

- (a) an *Obligor* fails to pay any of the *Secured Money* payable by it, in the way and in the currency required, when due or, if Bankwest is satisfied that the sole reason for the failure is a technical or administrative difficulty within the banking system being used to effect payment, within 2 *Business Days* after the due date for payment;
- (b) an *Obligor* fails to comply with any of the financial covenants in the Bankwest Facility Agreement;
- (c) a statement, representation or warranty made or repeated by or on behalf of an *Obligor* in a *Finance Document*, or in a document provided in connection with a *Finance Document*, is incorrect or misleading in a material respect when made or repeated and, if the circumstances causing it to be incorrect or misleading are capable of remedy within 10 *Business Days*, it remains incorrect or misleading in a material respect 10 *Business Days* (or such longer period agreed by Bankwest) after the earlier of:
 - receipt by the *Borrower* of a notice from Bankwest identifying the incorrect or misleading statement, representation or warranty; or
 - an *Obligor* becoming aware of the circumstances causing the statement, representation or warranty to be incorrect or misleading;
- (d) without Bankwest's prior consent:
 - during the period from and including the date of this document to (but not including) the *Settlement Date*, there is a change to the legal or beneficial ownership of a *Group* member; and
 - during the period from and including the *Settlement Date* and thereafter, there is a change to the legal or beneficial ownership of a *Group* member (other than Duratec);

- (e) Debt of an *Obligor* in an amount exceeding A\$250,000 or its equivalent:
 - becomes due and payable, or capable of being declared due and payable, before its stated maturity, expiry or repayment date (other than at the option of an *Obligor*); or
 - is not paid when due or within any applicable grace period;
- (f) an *Obligor* stops or threatens to stop carrying on its business or a material part of it or substantially changes the nature of its business without Bankwest's consent;
- (g) without Bankwest's consent, an *Obligor*:
 - takes action to reduce its share capital (other than by redeeming redeemable preference shares) or to buy back its shares; or
 - passes a resolution of the type referred to in section 254N(1) or 260B of the *Corporations Act 2001 (Cth)*, or a meeting to consider such a resolution is summoned or convened;
- (h) if listed on a securities exchange, any *Marketable Securities* of an *Obligor*:
 - are removed from the official list of that securities exchange; or
 - suspended from trading for 10 consecutive trading days.

x. Review

It is a *Review Event* under the Bankwest Facility Agreement if (whether or not within an *Obligor's* control):

- (a) during the period from and including the date of the Bankwest Facility Agreement (but not including) the *Settlement Date*, there is a change (from that prevailing at the date of the Bankwest Facility Agreement) in the persons who Control, or one or more persons acquires Control of, an *Obligor*; or
 - (b) during the period from and including the *Settlement Date* and thereafter, there is a change (from that prevailing at the time that Duratec's share registry is updated to reflect the issue and transfer of shares in Duratec pursuant to the initial public offering of Duratec's securities on the *Settlement Date* in the persons who Control, or one or more person acquires Control of, an *Obligor* or an entity of which an *Obligor* is a *Subsidiary*.
- If a *Review Event* subsists, the Bankwest Facility Agreement provides a mechanism for Bankwest and the *Obligors* to meet in good faith concerning the *Review Event* and, if requested by Bankwest, to agree a strategy to rectify or restructure (including as to Bankwest's credit exposure treatment of each *Obligor*) the circumstances giving rise to the *Review Event*, including (but not limited to) a restructure of the terms of the *Facilities* to the satisfaction of Bankwest.
- Following that meeting, or if the meeting does not occur, Bankwest may:
- (a) by written notice state that it wishes to change any term or condition of the *Finance Documents*, and require additional security. If the *Obligors* do not accept the change or grant the required security the *Facilities* will be cancelled, and the *Obligors* must pay the *Secured Money* within 40 *Business Days* of the cancellation; or
 - (b) cancel one or more *Facilities*, and the *Obligors* must pay the *Secured Money* within 40 *Business Days* of the cancellation.

13.10 Operational Agreements

13.10.1. Underwriting Agreement

The Company has appointed Euroz Securities Limited to act as Lead Manager and Underwriter to the IPO Offer.

The Lead Manager and Underwriter may at any time appoint co-managers and brokers to the IPO Offer and, at its own cost, appoint sub-underwriters to sub-underwrite the IPO Offer.

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (i) pay the Lead Manager and Underwriter an underwriting fee of 3.75% of the total amount raised under the IPO Offer less \$120,000 being the amount already paid to the Underwriter by the Company under the mandate agreement dated 5 December 2019; and
- (ii) reimburse the Lead Manager and Underwriter for all reasonable costs and out of pocket expenses of and incidental to the IPO Offer.

The obligations of the Lead Manager and Underwriter under the Underwriting Agreement are conditional on, among other things:

- (iii) lodgement of the Prospectus with ASIC;

- (iv) completion of all due diligence investigations with respect to the Offer including the provision of a Due Diligence Report and Legal Opinion to Lead Manager and Underwriter, together with any other opinions or sign-offs obtained during these investigations;
- (v) the execution of voluntary escrow deeds by each of the Existing Shareholders in a form and substance acceptable to the Lead Manager and Underwriter and ASX; and
- (vi) the Company receiving all necessary regulatory approvals to enable the IPO Offer to proceed in accordance with the timetable prescribed in the Underwriting Agreement.

These conditions have now been satisfied.

The Lead Manager and Underwriter may terminate, at any time, its obligations under the Underwriting Agreement if:

- (i) **(Indices fall)**: the S&P ASX 300 Index is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of this agreement and remains at or below that level at close of trading for at least 3 consecutive Business Days or the Business Day before the Settlement Date;
- (ii) **(Prospectus)**: the Prospectus or the IPO Offer is withdrawn by the Company;
- (iii) **(Copies of Prospectus)**: the Company fails to provide the Lead Manager and Underwriter with 100 copies of the Prospectus by the Opening Date and such failure is not remedied within a further 3 Business Days;
- (iv) **(No Listing Approval)**: Listing approval has not been granted or is refused or, having been granted, is subsequently withdrawn, withheld or qualified or is granted subject to conditions other than customary conditions to the Company's admission to the official list of the ASX or the quotation of the Company's Shares on ASX;
- (v) **(Supplementary prospectus)**: the Company fails to lodge a Supplementary Prospectus in a form and content and within such time as the Lead Manager and Underwriter may reasonably require after the Lead Manager and Underwriter forms the view on reasonable grounds that a Supplementary Prospectus should be lodged with ASIC for any of the reasons referred to in Section 719 of the Corporations Act; or the Company lodges a Supplementary Prospectus without the prior written agreement of the Lead Manager and Underwriter;
- (vi) **(Non-compliance with disclosure requirements)**: the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - the rights and liabilities attaching to the Shares;
- (vii) **(Misleading Prospectus)**: there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or a matter required to be included is omitted from the Prospectus;
- (viii) **(Restriction on allotment)**: the Company is prevented from allotting the Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (ix) **(Withdrawal of consent to Prospectus)**: any person (other than the Lead Manager and Underwriter) who has previously consented to the inclusion of their name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (x) **(ASIC application)**: an application is made by ASIC for an order under Section 1324B or any other provision of the Corporations Act in relation to the Prospectus and that application has not been dismissed or withdrawn 4 Business Days after the Closing Date or any other date agreed in writing between the parties;
- (xi) **(ASIC hearing)**: ASIC gives notice of its intention to hold a hearing under Section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under Section 739 of the Corporations Act;
- (xii) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (xiii) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities involving one or more of Australia, New Zealand, the United Kingdom or the United States of America or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
- (xiv) **(Authorisation)**: any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires and is not renewed, or is modified or amended in a manner unacceptable to the Lead Manager and Underwriter;
- (xv) **(Indictable offence)**: a director or senior manager of the Company or its subsidiaries is charged with an indictable offence; or
- (xvi) **(Termination Events)**: and of the following events occur and in the reasonable opinion of the Lead Manager and Underwriter the event is likely to have a material adverse effect or give rise to a liability to the Lead Manager and Underwriter under the Corporations Act:
 - **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;

- **(Incorrect or untrue representation):** any representation, warranty or undertaking given by the Company in this Agreement is or becomes untrue or incorrect;
- **(Contravention of constitution or Act):** a contravention of the Company's constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- **(Adverse change):** an event occurs which gives rise to a material adverse effect on the IPO Offer or the market for Shares on the condition, trading or financial position and performance, prospectus or business of the Company or any adverse change or any development in the assets, liabilities, financial position, trading results, profits, losses, prospects, business or operations of the Company;
- **(Error in Due Diligence Results):** any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was a material omission from them;
- **(Significant change):** a "new circumstance" as referred to in Section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- **(Public statements):** without the prior approval of the Lead Manager and Underwriter a public statement is made by the Company in relation to the IPO Offer, the issue of Shares or the Prospectus;
- **(Misleading information):** any information supplied by the Company or on its behalf to the Lead Manager and Underwriter in respect of the IPO Offer or the issue of Shares or the affairs of the Company is or becomes misleading or deceptive or likely to mislead or deceive;
- **(Official Quotation qualified):** the official quotation is qualified or conditional provided such condition would not, in the opinion of the Lead Manager and Underwriter (acting reasonably), have a material adverse effect on the IPO Offer or the market for Shares on the condition, trading or financial position and performance, prospects or business of the Company;
- **(Change in Act or policy):** there is introduced, or announced any act or prospective act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- **(Prescribed Occurrence):** a subdivision, share split, capital reduction, buy back, issuing of securities, securing a substantial part of its business occurs, winding up a Company, the appointment of a liquidator, administrator or receiver, a court making an order for the winding up, the Company executing a deed of company arrangement, other than as disclosed in the Prospectus;
- **(Suspension of debt payments):** the Company suspends payment of its debts generally;
- **(Event of Insolvency):** an insolvency event occurs in respect of the Company;
- **(Judgment against a Relevant Company):** a judgment exceeding \$500,000 is obtained against the Company or its subsidiaries and is not set aside or satisfied within 7 days other than any claims foreshadowed in the Prospectus;
- **(Litigation):** litigation, arbitration, administrative or industrial proceedings are commenced against the Company or its subsidiaries where the quantum sought exceeds \$500,000 other than any claims foreshadowed in the Prospectus;
- **(Board and senior management composition):** there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the Shares without the prior written consent of the Lead Manager and Underwriter;
- **(Change in shareholdings):** there is a material change in the major or controlling shareholdings of the Company or a takeover offer or scheme of arrangement is publicly announced in relation to the Company;
- **(Force Majeure):** a force majeure event lasting in excess of 7 days occurs affecting the Company's obligations under the Underwriting Agreement or which makes it illegal for the Lead Manager and Underwriter to satisfy its obligations under the Lead Manager and Underwriter Agreement or to market, promote or settle the IPO Offer;
- **(Certain resolutions passed):** a Relevant Company passes a resolution under Section 254N (calls for unpaid capital), Section 257A (buy-back shares) or Section 260B (financial assistance) of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Lead Manager and Underwriter;
- **(Capital Structure):** the Company or its subsidiaries alters its capital structure in any manner not contemplated by the Prospectus;
- **(Breach of Material Contracts):** any of the material contracts are terminated or substantially modified;
- **(Investigation):** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or its subsidiaries;
- **(Pandemic or epidemic):** there is, after the date of this Agreement, an outbreak, or escalation in the severity, of a pandemic or an epidemic (such as novel coronavirus, a recurrence of Severe Acute Respiratory Syndrome or an outbreak of swine or avian influenza); or
- **(Timetable):** an event specified in the timetable contained in the Underwriting

Agreement is delayed by more than 3 Business Days (other than any delay agreed between the Company and the Lead Manager and Underwriter or a delay as a result of an extension of the exposure period by ASIC or a delay as a result of ASX's internal processes).

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Lead Manager and Underwriter as well as other provisions that are considered standard for an agreement of this type.

The Lead Manager and Underwriter is not currently a Shareholder. The extent to which Shares are issued pursuant to the underwriting this will increase the Lead Manager and Underwriters' voting power in the Company. The Lead Manager and Underwriter is not a related party of the Company for the purpose of the Corporations Act. The Lead Manager and Underwriter's present relevant interest and changes under several scenarios are set out in the table below.

Event	Shares held by Lead Manager and Underwriter	Voting power of Lead Manager and Underwriter
Shares held at the date of this Prospectus	Nil	Nil
Completion of Offer		
If IPO Offer is fully subscribed	Nil	Nil
If IPO Offer is 50% subscribed	52,925,000	22.3%
If IPO Offer is 0% subscribed	105,850,000	44.6%

The number of Shares held by the Lead Manager and Underwriter and its voting power in the table above show the potential effect of the underwriting of the IPO Offer. However, it is unlikely that no investors, other than the Lead Manager and Underwriter, will take up Shares under the IPO Offer. The underwriting obligation, and therefore voting power of the Lead Manager and Underwriter, will reduce by a corresponding amount for the amount of Shares under the IPO Offer taken up by investors. The Lead Manager and Underwriter has advised the Company that it intends to allocate Shares from its underwriting allocation to its nominated investors to ensure neither it, nor its nominated investors, acquire more than a 20% shareholding in the Company on listing.

13.10.2. Agreements: Staff and Consultants

The Company has entered into agreements with staff and consultants. Each of these agreements contains a confidentiality clause. The terms of those agreements with regards to confidentiality are standard in that they impose restrictions on the disclosure of confidential information and restrictions on the use of confidential information, except for the purposes for which it has been disclosed. The agreements are subject to the usual exclusions in relation to information that was in the public domain when disclosed, that comes into the public domain after disclosure, other than as a result of the recipient's breach of the agreement or was in the recipient's possession when disclosed. Some agreements contain other exclusions relating to disclosure required by law to the extent required to be so disclosed.

13.10.3. Directors' Deeds of Indemnity, Insurance and Access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. The key features of this deed may be summarised as follows:

- (i) to the extent permitted by law, the Company:
 - indemnifies each of the Directors against any liability (excluding liability for legal costs) incurred by the Director as an officer or former officer of the Company, a subsidiary or any other entity of which the Director is appointed an officer at the request of the Company or subsidiary as its representative (**Group Entity**); and
 - indemnifies the Director against any legal costs reasonably incurred by the Director in connection with a claim or in obtaining independent legal advice to enable the Director to fully and effectively discharge his or her duties as an officer of the Company or Group Entity;
- (ii) the Company must maintain appropriate insurance and procure that each Group Company maintains insurance insuring the Director against a liability incurred by the Director in defending any proceedings, and as an officer of the Company or Group entity (except if liability arose out of conduct involving a wilful breach of a duty or contravention of sections 182 or 183 of the Act);
- (iii) the Director, during his or her appointment and for a period of 7 years after the Director ceases to be an officer of the Company or Group Entity, may inspect any books, records and accounts of the Company in certain circumstances and for particular purposes; and
- (iv) the Director must return all board documents, including notices, agendas, submissions, board papers and minutes of board meetings or committees as well as management accounts and annual accounts.

13.11 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.

13.12 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 <https://duratecoffer.thereachagency.com>.

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.

13.13 Interests and Benefits

Sections 9.3 (Directors), 13.10 (Underwriter) and 13.14 (Advisers) below set out the nature and extent of the interests and fees of certain persons involved in the Offer.

Other than as set out in this Prospectus, no:

- (i) Director or proposed director of the Company;
- (ii) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (iii) promoter of the Company; or
- (iv) underwriter (but not a sub-underwriter) to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of the Prospectus with ASIC, or has held in the two years preceding lodgement

of this Prospectus with ASIC, any interest in:

- (v) the formation or promotion of the Company;
 - (vi) any property acquired or proposed to be acquired by the Company in connection with:
 - its formation or promotion; or
 - the Offer; or
 - (vii) the Offer,
- and no amounts (whether in cash, Shares or otherwise) have been paid or agreed to be paid, nor have any benefits been given or agreed to be given to:

- (viii) any such persons for services provided in connection with:
 - the formation or promotion of the Company;
 - the Offer; or

a Director or proposed director of the Company as an inducement to become, or qualify as, a Director.

13.14 Interests of Advisers

The Company has engaged the following professional advisers in relation to the Offer:

- In accordance with the terms of its engagement, RSM Corporate Australia Pty Ltd has prepared its Investigating Accountant’s Report which forms part of this Prospectus. RSM Corporate Australia Pty Ltd, as Investigating Accountant for the Company, will receive total fees of approximately \$130,000 (plus GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time-based charges. During the 24 months preceding lodgement of this Prospectus with ASIC, RSM Corporate Australia Pty Ltd has received nil fees for other services provided to the Company;

- In aggregate, RSM Australia Partners (as auditor for the Company) will be paid \$150,000 (plus GST) for services provided in connection with the audit of the Company’s financial statements for the year ended 30 June 2020 and may receive further payments in accordance with its normal time-based charges. During the 24 months preceding lodgement of this Prospectus with ASIC, RSM Australia Partners has received \$60,000 in fees for other services provided to the Company;
- In accordance with the terms of its engagement, K&L Gates as Australian Legal Advisers for the Company will receive total fees of approximately \$450,000 (plus GST) for services provided in connection with this Offer and may receive further

payments in accordance with its normal time-based charges. During the 24 months preceding lodgement of this Prospectus with ASIC, K&L Gates has received nil fees for other services provided to the Company;

- ▶ In accordance with the terms of its engagement, Quigg Partners as New Zealand Legal Advisers for the Company will be receive total fees of approximately \$5,000 (plus any applicable GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time-based charges. During the 24 months preceding lodgement of this Prospectus with ASIC, Quigg Partners has received nil fees for other services provided to the Company;
- ▶ In accordance with the terms of their engagement, Euroz Securities Limited as Lead Manager and Underwriter will receive total fees of \$1,984,688 (plus any applicable GST) for management and underwriting fees in connection with this Offer. During the 24 months preceding lodgement of this Prospectus with ASIC, Euroz Securities Limited has received nil fees for other services provided to the Company; and
- ▶ In accordance with the terms of their engagement, Ernst & Young Strategy and Transactions Limited as Corporate Adviser will receive total fees of \$1,000,000 (plus GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time-based charges. During the 24 months preceding lodgement of this Prospectus with ASIC, Ernst & Young Strategy and Transactions Limited has received nil fees for other services provided to the Company.

During the 24 months preceding lodgement of this Prospectus with ASIC, Ernst & Young and its associated entities has received fees of \$200,000 (plus GST) for other services provided to the Company.

13.15 Consents of Advisers

13.15.1. RSM Corporate Australia Pty Ltd – Investigating Accountant

RSM Corporate Australia Pty Ltd has given and not withdrawn its written consent to being named as Investigating Accountant for the Company in the Prospectus in the form and context in which it is named and the inclusion in the Prospectus of its Investigating Accountant's Report dated 30 September 2020 in the form and context in which it is included and to all references to that report in the Prospectus in the form and context in which those references are included.

RSM Corporate Australia Pty Ltd has only participated in the preparation of the Prospectus to the extent of preparing its Investigating Accountant's Report. RSM Corporate Australia Pty Ltd was not involved in the preparation of any other part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

Except as provided above RSM Corporate Australia Pty Ltd does not make, or purport to make, any

statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for any statement in or omissions from this Prospectus.

13.15.2. RSM Australia Partners – Auditor

RSM Australia Partners has given and not withdrawn its written consent to being named as Auditor for the Company in the Prospectus in the form and context in which it is named.

RSM Australia Partners was not involved in the preparation of any part of the Prospectus and did not authorise or cause the issue of any part of the Prospectus.

RSM Australia Partners does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for any statement in or omissions from this Prospectus.

13.15.3. K&L Gates – Legal Adviser

K&L Gates has given and not withdrawn its written consent to be named in this Prospectus as Australian Legal Advisers to the Company and SaleCo in the form and context in which it is so named. K&L Gates does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

13.15.4. Quigg Partners – New Zealand Legal Adviser

Quigg Partners has given and not withdrawn its written consent to be named in this Prospectus as New Zealand Legal Advisers to the Company and SaleCo in the form and context in which it is so named. Quigg Partners does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, and takes no responsibility for, any statements in or omissions from this Prospectus.

13.15.5. Computershare Investor Services Pty Limited – Share Registry

Computershare Investor Services Pty Limited has given and not withdrawn its written consent to be named in this Prospectus as the Share Registry to the Company in the form and context in which it is so named. Computershare Investor Services Pty Limited does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, and takes no responsibility for, any statements in or omissions from this Prospectus.

13.15.6. Euroz Securities Limited – Lead Manager and Underwriter

Euroz Securities Limited has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager and Underwriter to the offer of securities under this Prospectus, in the form and context in which it is named.

Euroz Securities Limited was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Euroz Securities Limited makes no express or implied representation or warranty in relation to the Company, this Prospectus or the offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Euroz Securities Limited. To the maximum extent permitted by law, Euroz Securities Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

13.15.7. Ernst & Young Strategy and Transactions Limited – Corporate Adviser

Ernst & Young Strategy and Transactions Limited has given and not withdrawn its written consent to be named in this Prospectus as the Corporate Adviser to the Company in the form and context in which it is so named. Ernst & Young Strategy and Transactions Limited does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, and takes no responsibility for, any statements in or omissions from this Prospectus.

13.16 ASX / ASIC

ASIC has granted relief from the takeover provisions of the Corporations Act such that they will not apply to certain relevant interests that the Company would otherwise acquire in Escrowed Shares by reason of voluntary escrow arrangements in relation to those Shares described in Section 13.8.

Listing Rule 1.1 (Condition 12) sets out that if an entity seeking admission to the Official List has options or performance rights on issue, the exercise price for each underlying security must be at least 20 cents in cash. This rule supports Listing Rule 2.1 (Condition 2) which requires the issue price or sale price of all securities for which an entity is seeking quotation (except options) upon admission to the Official List to be at least 20 cents in cash. These requirements together support the integrity of the ASX market, as they demonstrate that the entity's ordinary securities have a minimum value suitable for a listed entity.

The Company has applied for a waiver of Listing Rule 1.1 (Condition 12) to the extent necessary to permit the Company to have on issue 4,825,000 Rights with an exercise price less than \$0.20. The terms of the Rights are set out in section 13.7. The issue of Rights is subject to and conditional on the receipt of this waiver.

13.17 Costs of the Offer

If the Offer proceeds, the total estimated costs of the Offer, including legal fees incurred, registration fees, fees for other advisers, prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately \$3.9 million of which approximately \$0.7 million was incurred in FY20.

13.18 Legal Proceedings

Legal proceedings may arise from time to time in the course of the business of the Company. As at the Prospectus Date, except as disclosed below, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

The Company is currently subject to legal proceedings in the West Australian District Court that were brought by an employee of a subcontractor engaged by Ertech in respect of a back injury. Duratec is named as the 5th defendant in these proceedings however, as Duratec Limited did not engage the subcontractor the Company intends to lodge an application under Order 18 Rule 6(2)(a) that it cease to be a party to the proceedings as it has been improperly or unnecessarily made a party.

13.19 Governing Law

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in Western Australia and each Applicant submits to the exclusive jurisdiction of the courts of Western Australia.

13.20 Directors' Responsibility Statement

The Directors of the Company and SaleCo state that for the purposes of section 731 of the Corporations Act, they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Prospectus are true and not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by section 716(2) of the Corporations Act and have not withdrawn that consent before lodgement of this Prospectus with ASIC.

Each Director of the Company and each director of SaleCo consents to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act, and has not withdrawn that consent prior to this Prospectus being lodged.

13.21 Authorisation

This Prospectus is issued by the authority of the Board of the Company and the Directors of SaleCo and is signed by a Director of the Company and SaleCo in accordance with section 351 of the Corporations Act.

Dated: 15 October 2020



Robert (Phil) Harcourt
Director

Duratec Limited and Opal SaleCo Limited



14. Glossary

Unless the context requires otherwise:

\$ or A\$

means Australian dollars.

Applicant

means a person who makes an application for Shares.

Application

means an application for Shares or Rights (as applicable) under this Prospectus made by an Applicant under an Application Form.

Application Form

means the form accompanying or attached to this Prospectus by which an Applicant may apply for Shares or Rights (as applicable) under the Offer.

ASIC

means the Australian Securities and Investments Commission.

ASX

means the ASX Limited ACN 008 624 691 or the Australian Securities Exchange as the context requires.

ASX Listing Rules

means the official listing rules of the ASX.

ASX Settlement and Operating Rules

means the rules established under the Corporations Act for settlement of transactions of securities of a company for which Clearing House Electronic Sub-Register System (CHES) approval has been given.

Board

means the board of Directors of the Company.

Broker Firm Offer

means the offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker provided that such clients are not in the United States as detailed in Section 8.7.

Business Day

means a day that is not a Saturday or Sunday or a public holiday in Perth.

CAGR

means compound annual growth rate.

CHES

means the clearing house electronic sub-register system.

Closing Date

means the date on which the Offer closes, which is set out in the "Key Offer Information" section and may be varied by the Company.

Company

means Duratec Limited ACN 141 614 075.

Constitution

means the constitution of the Company.

Corporations Act

means the Corporations Act 2001 (Cth).

DAES

means Duratec Australia (ES) Pty Ltd.

DDRIC or the Dundee Rock JV

means Duratec Australia – Dundee Rock JV Pty Ltd the incorporated joint venture between Duratec and Dundee Rock which trades as DDR Indigenous Contractors.

DEJV

has the meaning given to that term in section 13.9.1.

DoD or Defence

means the Australian Commonwealth Department of Defence.

Director

means a director of the Company from time to time.

Dundee Rock

means Dundee Rock Pty Ltd ACN 117 065 817.

Eastern Region

means South Australia, New South Wales, Victoria, Queensland, Australian Capital Territory and Tasmania.

EBIT

means earnings before interest expense and tax.

EBITDA

means earnings before interest expense, tax, depreciation and amortisation.

ECI

means early contractor involvement.

Employee Priority Offer

means the offer of up to 2,700,000 Shares to persons who have received a personalised invitation to subscribe for Shares under this Prospectus as set out in section 8.

IPO Rights Invitation Letter

means the letter from the Company inviting the recipient to apply for Rights under the IPO Rights Offer.

ERP

means enterprise resource planning.

Ertech

means Ertech Holdings Pty Ltd.

Ertech JVA

has the meaning given to that term in section 13.9.1.

Escrow Period

The periods for which Shares are subject to voluntary escrow arrangements as detailed in Section 13.7.

Escrowed Shares

means the number of Shares which are the subject of the voluntary escrow arrangements as detailed in Section 13.7.

Euroz

means Euroz Securities Limited.

Existing Shares

means the issued Shares immediately prior to the allotment of Shares under the Offer.

Existing Shareholders

the Shareholders as at the date of this Prospectus.

Exposure Period

means the period of 7 days (or 14 days if extended by ASIC) after the lodgement of the Prospectus with the ASIC during which the Company may not accept Applications.

FY18

means the financial year ended 30 June 2018.

FY19

means the financial year ended 30 June 2019.

FY20

means the financial year ended 30 June 2020.

GDP

means gross domestic product.

Giumelli Entities

means the following entities or individuals each of which proposes to subscribe for Shares under the IPO Offer:

- (a) Jimann Pty Ltd as trustee for the Ertech Superannuation Fund;
- (b) Cammit Pty Ltd as trustee for the Giumelli Family Trust;
- (c) Darwonga Investments Pty Ltd; and
- (d) Wilma Giumelli.

HOTO

means hand over / takeover.

HSEQ

means health, safety, environmental and quality management.

Institutional Offer

means the invitation to institutional investors under this Prospectus to acquire Shares as detailed in section 8.9.

IPO Offer

has the meaning given to that term in section 8.1.

IPO Rights Invitation Letter

means the letter from the Company inviting the recipient to apply for Rights under the IPO Rights Offer.

IPO Rights Offer

has the meaning given to that term in section 8.1.

Lead Manager and Underwriter

means Euroz Securities Limited.

Listing or Listed

means the admission of the Shares to quotation on the ASX in accordance with ASX Listing Rules.

LTIFR

means Lost Time Injury Frequency Rate, and is calculated by (number of lost time injuries in past 12 months x 1,000,000) / (total hours worked in past 12 months).

MENd Consulting

means MENd Consulting Pty Ltd.

MSA

means Master Service Agreement.

NDD

means National Defence Division.

NPAT

means net profit after tax.

Offer

means the offer of:

- (a) 105,850,000 Shares under this Prospectus comprising of 48,000,000 new Shares to be issued by the Company and of 57,850,000 Shares to be sold by SaleCo, each at the Offer Price; and
- (b) 4,825,000 Rights under this Prospectus.

Offer Price

means \$0.50 per Share.

Official List

means the official list of the ASX.

Official Quotation

means official quotation of the Shares on the Official List.

OHS

means occupational health and safety.

Opening Date

means the date the Offer opens, which is set out in the "Key Offer Information" section and may be varied by the Company.

Original Prospectuses

means the prospectus dated 30 September 2020 issued by the Company and the prospectus dated 7 October 2020 issued by SaleCo in relation to the Offer, which are replaced by this Prospectus.

Perth time

means the local time in Perth, Western Australia.

PFAS

means per- and poly-fluoroalkyl substances and are manufactured chemicals used in products that resist heat, oil, stains and water.

Pre-IPO Dividends

means the special dividends of approximately \$0.13 per Share to be declared and paid to Existing Shareholders, based on the number of shares held at the date of this Prospectus and conditional on Completion of the Offer.

Priority Offer

means the offer of Shares to selected Australian and New Zealand residents who have received a personalised invitation from the Company to subscribe for Shares under this Prospectus as set out in section 8.

Prospectus

means this prospectus dated 15 October 2020 which replaces the Original Prospectuses (and any supplementary prospectus in relation to this document).

Right

means a right to be issued or transfer a Share on the terms set out in section 13.7.

Sale Share

means a Share offered for sale by the Selling Shareholders via SaleCo pursuant to this Prospectus.

SaleCo

means Opal SaleCo Limited ACN 642 557 908.

Selling Shareholder

means the Existing Shareholders.

Share

means a fully paid ordinary share in the issued capital of the Company.

Shareholder

means a person who holds Shares.

Share Registry

means Computershare Investor Services Pty Limited.

SID

means Spatial Integration Division.

TRIFR

means Total Recordable Injury Frequency Rate, and is calculated by (the number of recordable injuries in past 12 months x 1,000,000)/ (total hours worked in past 12 months).

Sydney time

means the local time in Sydney, New South Wales.

United States or US

means the United States of America

Western Region

means Western Australia and Northern Territory.

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CITY OF PERTH

ELECTRICITY AND GAS DEPARTMENT







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