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Market Announcement

11 January 2021

Attached for the information of the market is ASX's query letter to Douugh Limited (ASX:DOU) dated 24 December 2020 and DOU's response dated 11 January 2021.

ASX's enquiries into the matters dealt with in that correspondence are ongoing.

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Douugh

11 January 2021

Madeleine Green, Senior Adviser, Listings Compliance (Perth)
ASX Compliance Pty Ltd Level 40. Central Park
152-158 St George's Terrace
PERTH WA 6000

Dear Madeleine:

Douugh Limited ('DOU'): Listing Rule 10.11 – Query

Douugh Limited (ASX: DOU "the Company") refers to your letter of 24 December 2020 entitled "Douugh Limited ('DOU'): Listing Rule 10.11 – Query" ("ASX Letter"). Pursuant to Listing Rule 18.7, the ASX Letter:

a) *requests additional information from the Company in relation to the Company's compliance with Listing Rule 10.11;*
b) *required the Company to appoint an independent third-party law firm to review the Company's Re-Compliance Register (as defined in that letter) and identify whether the Company may have contravened Listing Rule 10.11;*
c) *required the Company to immediately place a holding lock on any securities issued in contravention of Listing Rule 10.11, and to confirm such a holding lock is in place.*

In relation to point (c) above, the Company confirms it instructed its share registry to place a holding lock on the shares held by the Breach Entity (defined below) and that the Breach Entity continues to hold a total of 232,500 Shares.

The Company's response to your requests for information (in number order) is as follows:

1. *Was any entity issued securities as part of the Re-Compliance Capital Raising in breach of Listing Rule 10.11? In answering this question please detail:*

   1.1. *the name of the entity, including the name of the holder and beneficiary, that received the securities;*
   1.2. *how they are a Listing Rule 10.11 party;*
   1.3. *the number of securities received; and*
   1.4. *the price at which they received securities.*

   The Company appointed its lawyers, Steinepreis Paganin to review the Re-Compliance Register to identify whether any party received securities in breach of the Listing Rules, including but not limited to, Listing Rule 10.11. In addition, Steinepreis Paganin conducted ASIC company searches of all of the Australian companies highlighted in Re-Compliance Register .

   In completing the review of the Re-Compliance Register, Steinepreis Paganin reiterated the requirements of Listing Rule 10.11 in writing to, and sought confirmation from each Company Director (the "Directors") that to their knowledge, no entities set out in the Re-Compliance Register, other than the Breach Entity constituted a Listing Rule 10.11 entity. Save for the matters identified below, each of the Directors confirmed that this is the case.

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The outcome of Steinepreis Paganin's review is as follows.

The following one (1) entity was identified as having been issued securities as part of the Re-Compliance Capital Raising in breach of Listing Rule 10.11: Tyrrhenian Holdings Pty Ltd (ACN 619 968 062) (the Breach Entity). The Breach Entity is controlled by Mrs Gisella Mondello, a related party (parent) of Director Mr Bert Mondello. The Breach Entity subscribed for and was issued 3,350,000 DOU shares at a price of $0.03 in the Re-Compliance Capital Raising. Mr Bert Mondello has confirmed that the Breach Entity is not an "associate" of his for the purposes of the Listing Rules.

The Breach Entity was not identified under DOU's corporate governance practice regarding identifying parties that would be subject to Listing Rule 10.11. This administrative oversight resulted in the Company issuing securities without shareholder approval under Listing Rule 10.11 in this instance.

Based on Steinepreis Paganin's review of the Re-Compliance Register and company searches it conducted, no other entities or applicants under the Re-Compliance Capital Raising (nor their controllers) were identified as classifying as entities to which Listing Rule 10.11 applied.

2. *Please confirm whether any entity identified in the response to Question 1 has sold any securities it received in the Re-Compliance Capital Raising, or alternatively whether they continue to hold all securities issued to them in the Re-Compliance Capital Raising. In answer this question please identity for each tranche of securities sold:*

   2.1. *the number of securities sold;*
   2.2. *the date on which the securities were sold;*
   2.3. *the price at which the securities were sold;*
   2.4. *whether the sale was for cash or non-cash consideration;*
   2.5. *the profit received for the sale not including any expenses associated with the sale (including tax); and*
   2.6. *whether the sale was completed on or off market.*

The table below provides the requested information in relation to the Breach Entity:

Transaction	Number of shares	Date	Price	Consideration received	Amount Paid	Profit	Estimated Tax	Profit After Tax
On-market sale	300,000	6-Oct-20	$0.06	Cash	$9,000	$9,300	$2,418	$6,882
On-market sale	250,000	6-Oct-20	$0.06	Cash	$7,500	$7,750	$2,015	$5,735
On-market sale	540,000	8-Oct-20	$0.07	Cash	$16,200	$22,140	$5,756	$16,384
On-market sale	450,000	9-Oct-20	$0.09	Cash	$13,500	$25,650	$6,669	$18,981
On-market sale	250,000	12-Oct-20	$0.10	Cash	$7,500	$17,750	$4,615	$13,135
On-market sale	700,000	13-Oct-20	$0.10	Cash	$21,000	$47,600	$12,376	$35,224
On-market sale	627,500	14-Oct-20	$0.14	Cash	$18,825	$70,280	$18,273	$52,007
Total	**3,117,500**		**$0.09**	**Cash**	**$93,525**	**$200,470**	**$52,122**	**$148,348**

3. *Please provide a copy of the application form for each entity identified in answer to Question 1.1 (not to be released to market).*

   Provided with this response.

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4. *Please detail DOU's corporate governance practice for identifying parties that would be subject to Listing Rule 10.11 in relation to Placement and Re-Compliance Capital Raising.*

   In relation to the Re-Compliance Capital Raising, the Company established a Due Diligence Committee (DDC) as part of its preparation of a full-form prospectus. The DDC membership consisted of representatives from the Company (then known as "Ziptel Limited"), Douugh Limited, the Company's legal advisors and lead manager. The role of the DDC was to ensure that the Re-Compliance Prospectus complied with the relevant legal and regulatory requirements. The DDC met several times over a 6-month period to consider amongst other items, the progress of a due diligence program which covered corporate governance issues, including that of related party transactions.

   In relation to identifying parties that would be subject to Listing Rule 10.11, the Re-Compliance Capital Raising share register (the "Register") was compiled from several sources by the lead manager (Canaccord Genuity). The lead manager sent the final compiled Register to the Company at which point the Directors reviewed this information to amongst other things ensure, to the best of their knowledge, no related parties took part in the capital raising without all necessary approvals. In an administrative error, the Breach Entity was not identified within the 345 entries listed in the Register. Upon approval by the Company, the Register was sent to the Company's share registry (Automic) and by the Company's legal advisor (Hopgood Ganim) to the ASX for confirmation of the spread requirement. A further review of the Register was conducted prior to the issue of the securities by the Company's legal advisor (including company searches) to demonstrate the spread requirement. With confirmation of this requirement, the Company proceeded to direct Automic to issue the securities as confirmed.

   In relation to the Placement, the Company completed a due diligence workplan with its legal advisor for the purposes of the cleansing prospectus issued for the Placement. The capital raising was overseen by Cannacord Genuity, who sent the final list of investors to the Company at which point the Directors reviewed this information to amongst other things ensure, to the best of their knowledge, no related parties took part in the capital raising without all necessary approvals. The participation by a former director was overlooked as constituting a related party transaction.

5. *Please confirm:*

   5.1. *Which directors of DOU were involved in the decision and resolution to issue securities under the Re-Compliance Capital Raising. If any directors were not involved, please explain why.*

   Each of the current and previous directors of the Company signed off on the resolution approving the Re-Compliance Capital Raising, specifically Mr Andrew Taylor, Mr Steve Bellotti, Mr Bert Mondello, Mr Patrick Tuttle, Mr Josh Hunt and Mr Salvatore Vallelonga.

   5.2. *Which directors of DOU were involved in the decision and resolution to issue securities under the Placement. If any directors were not involved, please explain why.*

   Each of the current Directors signed off on the resolution approving the Placement, specifically Mr Andrew Taylor, Mr Steve Bellotti, Mr Bert Mondello and Mr Patrick Tuttle.

6. *Please provide ASX with a copy of the board minutes from the meeting at which it was resolved to issue the securities the subject of the Placement and Re-Compliance Capital Raising. If there was not a board meeting, please provide ASX with a copy of the directors' resolutions (not to be released to* market).

   Provided to ASX with this response.

By the order of the Board.

--Ends--

About Douugh

Douugh is a purpose-led, capital-lite fintech company taking an AI first approach to disrupting the business model of banking - helping people manage and grow their money to live financially healthier. Douugh's long-term vision is to become a fully autonomous, subscription based financial control centre.

For more information contact:

Investor
info@douugh.com

Media
press@douugh.com

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ASX

24 December 2020

Mr Derek Hall
Company Secretary
Douugh Limited

By email:

Dear Mr Hall

Douugh Limited ('DOU'): Listing Rule 10.11 - Query

ASX refers to the following:

A. DOU's announcement entitled, '*Douugh partners Humm to launch BNPL offering, raises $12m*' lodged on ASX's Market Announcements Platform ('MAP') on 1 December 2020 which stated that DOU had received firm commitments from institutional and sophisticated investors for a placement of $12 million ('Placement').

B. DOU's Appendix 3B lodged on MAP on 1 December 2020 in regards to the Placement, where DOU answered 'No' to question 7D.2 '*Is a party referred to in listing rule 10.11 participating in the proposed issue?*'

C. The cleansing prospectus and Appendix 2A lodged on MAP on Monday, 7 December 2020, which stated that the shares pursuant to the Placement were issued on Monday, 7 December 2020.

D. The Listing Rule Chapter 11 submissions dated Friday, 11 December 2020 provided to ASX by DOU's lawyers in relation to a proposed acquisition.

E. ASX's request dated Tuesday, 15 December 2020, pursuant to Listing Rule 18.7, requesting a copy of the register of investors who participated in the Placement (not for release to market), and the register provided by DOU pursuant to that request on Friday, 18 December 2020 ('Register').

F. ASX's letter dated Monday, 21 December 2020 to DOU identifying a Listing Rule 10.11 breach on the basis that Salvatore Vallelonga, a director of DOU in the 6 months prior to the Placement, had participated in the Placement via Shelf Pty Ltd and received 90,909 shares ('Breach Letter').

G. ASX's request, pursuant to Listing Rule 18.7 for an independent party to review the Register to ensure that no other entity received securities in breach of the Listing Rules, including but not limited to, Listing Rule 10.11 and provide the outcome of the investigation to ASX and the independent party's response to ASX dated 23 December 2020 ('Independent Party Response') that identified the following related parties had also participated in the Placement, in breach of Listing Rule 10.11:

   (i) Mr Salvatore Mondello and Mrs Gisella Mondello <Salvatore Mondello Super A/C> received 59,091 shares at $0.22 in the Placement; and

   (ii) Tyrrhenian Holdings Pty Ltd (controlled by Gisella Mondello) had received 363,636 shares at $0.22 in the Placement.

H. That Mr Salvatore Mondello and Mrs Gisella Mondello are related parties of DOU by being the parents of director Bert Mondello as identified in the Independent Party Response.

I. Confirmation by DOU on 23 December 2020 that a holding lock is in place for all securities received by related parties in the Placement that were issued in breach of Listing Rule 10.11.

J. The reinstatement of DOU's securities to trading on 6 October 2020 after DOU re-complied with Chapters 1 and 2 of the Listing Rules.

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K. The register of holders who participated in the $6 million re-compliance capital raising ('Re-Compliance Register') in connection with DOU's re-compliance with Chapter 1 and 2 of the Listing Rules ('Re-compliance Capital Raising').

L. Listing Rule 10.11 which states:

10.11 Unless one of the exceptions in rule 10.12 applies, an entity must not issue or agree to issue +equity securities to any of the following +persons without the approval of the holders of its +ordinary securities.

10.11.1 A +related party.

10.11.2 A +person who is, or was at any time in the 6 months before the issue or agreement, a +substantial (30%+) holder in the entity.

10.11.3 A +person who is, or was at any time in the 6 months before the issue or agreement, a +substantial (10%+) holder in the entity and who has nominated a director to the board of the entity (in the case of a trust, to the board of the +responsible entity of the trust) pursuant to a relevant agreement which gives them a right or expectation to do so.

10.11.4 An +associate of a +person referred to in rules 10.11.1 to 10.11.3.

10.11.5 A +person whose relationship with the entity or a +person referred to in rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by +security holders.

The notice of meeting to obtain approval must comply with rule 10.13.

Request for Independent Review of the Re-Compliance Register

Having regard to the above, pursuant to Listing Rule 18.7, ASX requests DOU to appoint an independent third party law firm that ASX consents to, to review the Re-Compliance Register to identify whether any party received securities in breach of the Listing Rules, including but not limited to, Listing Rule 10.11 and provide the outcome of the investigation to ASX (not for release to market). As part of this review, ASX would expect that company searches and/or sufficient investigations were undertaken to identify the controllers of the companies on the Re-Compliance Register.

ASX requests DOU to **immediately** place a holding lock on any securities issued in breach of Listing Rule 10.11 identified as part of the Independent Review of the Re-Compliance Register, and provide written confirmation to ASX that a holding lock is in place.

Request for Information

Having regard to the above and the outcome of the Independent Review of the Re-Compliance Register, ASX asks DOU to respond separately to each of the following questions and requests for information:

1. Was any entity issued securities as part of the Re-Compliance Capital Raising in breach of Listing Rule 10.11? In answering this question please detail:

   1.1 the name of the entity, including the name of the holder and beneficiary, that received the securities;

   1.2 how they are a Listing Rule 10.11 party;

   1.3 the number of securities received; and

   1.4 the price at which they received securities.

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2. Please confirm whether any entity identified in the response to Question 1 has sold any securities it received in the Re-Compliance Capital Raising, or alternatively whether they continue to hold all securities issued to them in the Re-Compliance Capital Raising. In answer this question please identity for each tranche of securities sold:

   2.1 the number of securities sold;

   2.2 the date on which the securities were sold;

   2.3 the price at which the securities were sold;

   2.4 whether the sale was for cash or non-cash consideration;

   2.5 the profit received for the sale not including any expenses associated with the sale (including tax); and

   2.6 whether the sale was completed on or off market.

3. Please provide a copy of the application form for each entity identified in answer to Question 1.1 (not to be released to market).

4. Please detail DOU's corporate governance practice for identifying parties that would be subject to Listing Rule 10.11 in relation to Placement and Re-Compliance Capital Raising.

5. Please confirm:

   5.1 Which directors of DOU were involved in the decision and resolution to issue securities under the Re-Compliance Capital Raising. If any directors were not involved, please explain why.

   5.2 Which directors of DOU were involved in the decision and resolution to issue securities under the Placement. If any directors were not involved, please explain why.

6. Please provide ASX with a copy of the board minutes from the meeting at which it was resolved to issue the securities the subject of the Placement and Re-Compliance Capital Raising. If there was not a board meeting, please provide ASX with a copy of the directors' resolutions (not to be released to market).

When and where to send your response

This request is made under Listing Rule 18.7. Your response and the outcome of the Independent Review of the Re-Compliance Register is required as soon as reasonably possible and, in any event, by no later than **4:00 PM AWST Wednesday, 6 January 2021**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Remedial Action

Once your response and the outcome of the Independent Review of the Re-Compliance Register is received, ASX will consider the appropriate corrective action to be taken by DOU.

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Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in DOU's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to DOU's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that DOU's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Madeleine Green
Senior Adviser, Listings Compliance (Perth)