

Dynamic Group Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Dynamic Group Holdings Limited
ABN:	49 640 888 213
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	193.0% to	34,023,208
Profit from ordinary activities after tax attributable to the owners of Dynamic Group Holdings Limited	up	17.6% to	1,422,788
Profit for the half-year attributable to the owners of Dynamic Group Holdings Limited	up	17.6% to	1,422,788

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$1,422,788 (31 December 2020: \$1,210,311).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	17.66	20.18

4. Control gained over entities

Name of entities (or group of entities)	Orlando Drilling Pty Ltd, SBD Drilling Pty Ltd, Orlando Exploration Pty Ltd
Date control gained	14 July 2021

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):


The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Dynamic Group Holdings Limited for the half-year ended 31 December 2021 is attached.

12. Signed

Signed  _____

24 February 2022



Dynamic Group Holdings Limited

ABN 49 640 888 213

Interim Report - 31 December 2021

Directors	Mark Davis Garret Dixon Matthew Freedman George Garnett David Kinnersley (appointed 14/07/2021) Joel Skipworth (appointed 14/07/2021)
Company secretary	James Bahen
Registered office	Suite 1 295 Rokeby Road Subiaco WA 6008
Principal place of business	54 Achievement Way Wangara WA 6065
Share register	Automic Registry Services Level 2 267 St Georges Terrace Perth WA 6000
Auditor	BDO Audit (WA) Pty Ltd Level 9 Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000
Solicitors	HWL Ebsworth Level 20 240 St Georges Terrace Perth WA 6000
Stock exchange listing	Dynamic Group Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: DDB)
Website	www.dynamicdrillandblast.com.au
Corporate Governance Statement	A copy of the Corporate Governance statement can be found at www.dynamicdrillandblast.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Dynamic Group Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were directors of Dynamic Drill and Blast Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mark Davis
Matthew Leo Freedman
George Garnett
Garret Dixon
David Kinnersley (appointed 14/07/2021)
Joel Skipworth (appointed 14/07/2021)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Drilling & Blasting services
- Reverse Circulation drilling services
- Air Core drilling services

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$1,422,788 (31 December 2020: \$1,210,311).

Dynamic Group Holdings Limited successfully completed acquisition of Orlando Drilling Pty Ltd on 14 July 2021.

Dynamic Group Holdings Limited ("the Company") is a supplier of various specialised drilling services as well as blasting services to clients in the mining and construction sectors in Western Australia. The Company operates under two entities, Dynamic Drill & Blast Pty Ltd and Orlando Drilling Pty Ltd.

Dynamic Group Holdings Limited has achieved an 193% increase in revenue for the 6 months ended 31 December 2021 compared to the revenue for the 6 months ended 31 December 2020. This is in part due to the acquisition of Orlando Drilling Pty Ltd as well as increased fleet and utilisation of Drill Rigs.

The Company's significant project pipeline is based around medium to long term contracts and has a highly experienced executive management team focused on quality service provision, employee safety and providing solutions.

The Company is committed to business and quality management systems that provides the framework for its personnel to achieve its customer's measurable objectives, while using continual improvement initiatives to strive for best practice performance. Since incorporation, the Company has developed comprehensive policies, procedures and processes that aid the safe, effective and efficient provision of services.

Dynamic Drill & Blast ("Dynamic") is a wholly owned subsidiary of the Company. Dynamic is a supplier of drilling and blasting services to clients in the mining and construction sectors in Western Australia. Dynamic focuses on mining and construction projects within a range of commodity sectors, including iron ore, lithium and gold. Dynamic also undertakes short term specialised drilling and blasting projects.

Orlando Drilling Pty Ltd ("Orlando") is a wholly owned subsidiary of the Company. Orlando is a Western Australian based company providing grade control, exploration and resource definition drilling services to the mining industry since 2007, utilising its fleet of AC, RC and diamond drill rigs and experienced personnel.

Current Operations

Drill and Blast operations continue at Allkem Limited's Mt Cattlin Lithium Spodumene project and AngloGold Ashanti Limited's Golden Delicious project in the Goldfields region of Western Australia. Multiple short-term projects have also been undertaken during the first half of the year with overall utilisation of equipment very high.

Global Lithium Resources Limited ("ASX:GL1") selected Orlando to carry out their planned RC drilling program in the first quarter of 2022 at their Marble Bar Lithium project. GL1's drilling program is planned to comprise of approximately 60,000 metres of RC drilling.

In addition Orlando have entered into a number of smaller contracts with ongoing exploration projects located in the Pilbara, Murchison and Goldfields regions for the purposes of exploration of the mineral resource reserves of gold, lithium, nickel and copper. Overall utilisation of equipment remains very high.

Significant changes in the state of affairs

Dynamic Group Holdings Limited acquired 100% of Orlando Drilling Pty Ltd on 14 July 2021.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Mark Davis
Director

24 February 2022

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF DYNAMIC GROUP HOLDINGS LIMITED

As lead auditor for the review of Dynamic Group Holdings Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Dynamic Group Holdings Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 24 February 2022

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General information

The financial statements cover Dynamic Group Holdings Limited as a consolidated entity consisting of Dynamic Group Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Dynamic Group Holdings Limited's functional and presentation currency.

Dynamic Group Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

C/O SmallCap Corporate Pty Ltd
Suite 6
295 Rokeby Road
Subiaco WA 6008

Principal place of business

54 Achievement Way
Wangara
WA 6065

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2022.

Dynamic Group Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



		Consolidated	
	Note	31 December 2021	31 December 2020
		\$	\$
Revenue	3	34,023,190	11,594,323
Other income		716,394	827,673
Finance Income		18	16,694
Expenses			
Operating expenses	4	(7,870,669)	(3,554,407)
Travel & accommodation		(818,907)	(147,289)
Employee benefits expense		(1,050,779)	(412,658)
Employment Expenses		(12,794,867)	(4,572,943)
Depreciation and amortisation expense		(4,605,423)	(745,613)
Vehicle expenses		(646,468)	(224,604)
Share based payments - employee benefits	14	(165,848)	(5,636)
Other expenses		(3,352,558)	(633,209)
Finance costs		(335,272)	(495,161)
Profit before income tax expense		3,098,811	1,647,170
Income tax expense	5	(1,676,023)	(436,859)
Profit after income tax expense for the half-year attributable to the owners of Dynamic Group Holdings Limited		1,422,788	1,210,311
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Dynamic Group Holdings Limited		<u>1,422,788</u>	<u>1,210,311</u>
		Cents	Cents
Basic earnings per share		1.24	2.19
Diluted earnings per share		1.24	2.19

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Dynamic Group Holdings Limited
Consolidated statement of financial position
As at 31 December 2021



		Consolidated	
		31 December	30 June 2021
	Note	2021	
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		10,090,038	8,750,224
Trade and other receivables		10,415,545	4,067,142
Inventories		3,783,904	1,264,678
Income tax refund due		-	172,490
Other		2,992,270	264,752
Total current assets		<u>27,281,757</u>	<u>14,519,286</u>
Non-current assets			
Property, plant and equipment	6	26,253,299	10,369,961
Right-of-use assets		562,219	833,844
Other	7	15,573,607	11,099
Deferred tax		910,380	949,510
Total non-current assets		<u>43,299,505</u>	<u>12,164,414</u>
Total assets		<u>70,581,262</u>	<u>26,683,700</u>
Liabilities			
Current liabilities			
Trade and other payables		5,731,794	2,043,798
Borrowings	8	5,682,777	2,944,549
Lease liabilities		598,095	534,047
Income tax		850,932	-
Employee benefits		1,797,033	516,805
Deferred consideration	12	7,500,000	-
Other		19,500	26,054
Total current liabilities		<u>22,180,131</u>	<u>6,065,253</u>
Non-current liabilities			
Borrowings	9	10,225,566	5,191,372
Lease liabilities		69,555	396,433
Deferred tax		2,354,589	1,203,253
Total non-current liabilities		<u>12,649,710</u>	<u>6,791,058</u>
Total liabilities		<u>34,829,841</u>	<u>12,856,311</u>
Net assets		<u>35,751,421</u>	<u>13,827,389</u>
Equity			
Issued capital	10	31,930,461	11,595,065
Reserves		279,420	113,572
Retained profits		3,541,540	2,118,752
Total equity		<u>35,751,421</u>	<u>13,827,389</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Dynamic Group Holdings Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021



Consolidated	Issued capital \$	Share based payment reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2020	42,306	-	478,620	520,926
Profit after income tax expense for the half-year	-	-	1,210,311	1,210,311
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	1,210,311	1,210,311
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	4,602,031	-	-	4,602,031
Share-based payments (note 14)	-	5,636	-	5,636
Options issued to lead manager	-	59,358	-	59,358
Issue of share for settlement of borrowings	988,324	-	-	988,324
Balance at 31 December 2020	<u>5,632,661</u>	<u>64,994</u>	<u>1,688,931</u>	<u>7,386,586</u>
Consolidated	Issued capital \$	Share based payment reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2021	11,595,065	113,572	2,118,752	13,827,389
Profit after income tax expense for the half-year	-	-	1,422,788	1,422,788
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	1,422,788	1,422,788
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	3,460,396	-	-	3,460,396
Share-based payments (note 14)	-	165,848	-	165,848
Issues of shares for acquisition	16,875,000	-	-	16,875,000
Balance at 31 December 2021	<u>31,930,461</u>	<u>279,420</u>	<u>3,541,540</u>	<u>35,751,421</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Dynamic Group Holdings Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2021



Note	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	39,645,798	12,352,630
Payments to suppliers and employees (inclusive of GST)	(31,915,025)	(12,287,941)
Receipts of government grants	-	604,500
Receipts of other income	506,101	-
Interest received	18	-
Interest and other finance costs paid	(335,272)	(181,709)
Income taxes paid	(229,482)	(59,824)
Net cash from operating activities	<u>7,672,138</u>	<u>427,656</u>
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	12 (3,219,084)	-
Payments for property, plant and equipment	(8,656,349)	(2,772,693)
Payments for deposits for property, plant and equipment yet to be acquired	(1,516,493)	-
Proceeds from disposal of property, plant and equipment	<u>79,129</u>	<u>-</u>
Net cash used in investing activities	<u>(13,312,797)</u>	<u>(2,772,693)</u>
Cash flows from financing activities		
Proceeds from issue of shares	10 3,770,443	4,577,250
Proceeds from borrowings	7,173,306	2,169,610
Repayment of borrowings	(3,390,399)	(2,319,771)
Share issue transaction costs	(310,047)	-
(Repayment) of leases	<u>(262,830)</u>	<u>38,282</u>
Net cash from financing activities	<u>6,980,473</u>	<u>4,465,371</u>
Net increase in cash and cash equivalents	1,339,814	2,120,334
Cash and cash equivalents at the beginning of the financial half-year	<u>8,750,224</u>	<u>869,986</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>10,090,038</u></u>	<u><u>2,990,320</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Basis of preparation

These general purpose financial statements for the half year ended 31 December 2021 have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). The group is a for profit entity for the purpose of this financial report.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only.

The accounting policies adopted are consistent with the accounting policies adopted in Dynamic's last annual financial statements for the year ended 30 June 2021. Comparative figures have been adjusted to confirm to changes in presentation for the current financial year.

Going Concern

The Company incurred a profit before tax for the half year ended 31 December 2021 of \$3,098,811 (Half year ended 31 December 2020: profit of \$1,647,170), and had a net cash inflow of \$1,339,814 (Half year ended 31 December 2020: outflow of \$2,120,334) from activities.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

Operating Segments

The consolidated entity is organised into one operating segment: Rendering of services. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors.

Note 1. Significant accounting policies (continued)

Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Deferred consideration

The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The consolidated entity applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Revenue

	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
Services	<u>34,023,190</u>	<u>11,594,323</u>

Note 3. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
<i>Product type</i>		
Services	34,023,190	11,582,094
Other	-	12,229
	<u>34,023,190</u>	<u>11,594,323</u>
<i>Geographical regions</i>		
Western Australia	<u>34,023,190</u>	<u>11,594,323</u>
<i>Timing of revenue recognition</i>		
Services transferred over time	<u>34,023,190</u>	<u>11,594,323</u>

During the period ended 31 December 2021, the consolidated entity derived revenue in excess of 10% of the total revenue of the entity as follows:

	Revenue for the period ended 31 December 2021 \$
Customer	
Allkem Limited	5,981,617
Gold Road Resources Limited	3,600,052

Note 4. Operating expenses

	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
Cost of sales	6,632,754	3,000,820
Equipment Hire (short term)	<u>1,237,915</u>	<u>553,587</u>
	<u>7,870,669</u>	<u>3,554,407</u>

Note 5. Income tax expense

	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
<i>Income tax expense</i>		
Deferred tax - origination and reversal of temporary differences	619,189	93,814
Provision for Income Tax	1,056,834	343,045
Aggregate income tax expense	<u>1,676,023</u>	<u>436,859</u>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	<u>619,189</u>	<u>93,814</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>3,098,811</u>	<u>1,647,170</u>
Tax at the statutory tax rate of 30% (2020: 26%)	929,643	428,264
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	607,242	-
Entertainment expenses	26,134	-
Share-based payments	49,754	-
Non Deductible items & adjustments	318	71,389
Recognition of deferred taxes	<u>-</u>	<u>(49,099)</u>
	1,613,091	450,554
Adjustment to deferred tax balances as a result of change in statutory tax rate	<u>62,932</u>	<u>(13,695)</u>
Income tax expense	<u>1,676,023</u>	<u>436,859</u>
	Consolidated	
	31 December 2021	30 June 2021
	\$	\$
<i>Amounts charged directly to equity</i>		
Deferred tax assets	<u>132,877</u>	<u>-</u>

Note 6. Non-current assets - property, plant and equipment

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$	\$
Leasehold improvements - at cost	234,769	68,756
Less: Accumulated depreciation	(115,839)	(6,263)
	<u>118,930</u>	<u>62,493</u>
Plant and equipment - at cost	39,691,771	12,063,237
Less: Accumulated depreciation	(15,496,003)	(2,441,149)
	<u>24,195,768</u>	<u>9,622,088</u>
Motor vehicles - at cost	3,323,785	1,212,131
Less: Accumulated depreciation	(1,385,184)	(526,751)
	<u>1,938,601</u>	<u>685,380</u>
	<u><u>26,253,299</u></u>	<u><u>10,369,961</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the previous financial year are set out below:

	Leasehold Improvements \$	Plant & Equipment \$	Motor Vehicles \$	Total \$
Balance as at 1 July 2020	30,174	3,895,015	718,470	4,643,659
Additions	33,476	7,026,343	208,824	7,268,643
Disposals	-	(16,497)	(50,123)	(66,620)
Depreciation expense	(1,157)	(1,282,773)	(191,791)	(1,475,721)
Balance as at 30 June 2021	<u>62,493</u>	<u>9,622,088</u>	<u>685,380</u>	<u>10,369,961</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Leasehold Improvements \$	Plant & Equipment \$	Motor Vehicles \$	Total \$
Balance at 1 July 2021	62,493	9,622,088	685,380	10,369,961
Additions	9,701	7,385,368	748,219	8,143,288
Additions through business combinations (note 12)	52,655	9,309,823	747,442	10,109,920
Disposals	-	(9,050)	(52,563)	(61,613)
Depreciation expense	(5,919)	(2,112,461)	(189,877)	(2,308,257)
Balance at 31 December 2021	<u>118,930</u>	<u>24,195,768</u>	<u>1,938,601</u>	<u>26,253,299</u>

Note 7. Non-current assets - Other

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$	\$
Borrowing costs	46,064	12,590
Less: Accumulated amortisation	(24,701)	(1,585)
	<u>21,363</u>	<u>11,005</u>
Formation costs	94	94
Intangible - Client Contracts	6,274,954	-
Less: Accumulated amortisation Client Contracts	(2,024,137)	-
	<u>4,250,817</u>	<u>-</u>
Intangible - Goodwill	11,301,333	-
	<u>15,573,607</u>	<u>11,099</u>

Note 8. Current liabilities - borrowings

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$	\$
Bank loans	5,682,203	2,943,552
Credit Cards	574	997
	<u>5,682,777</u>	<u>2,944,549</u>

Note 9. Non-current liabilities - borrowings

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$	\$
Bank loans	10,225,566	5,191,372

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	31 December	30 June 2021
	2021	2021
	\$	\$
Bank loans	15,907,769	8,134,924
Credit Cards	574	997
	<u>15,908,343</u>	<u>8,135,921</u>

Assets pledged as security

The loans are secured by first mortgages over the consolidated entity's plant and equipment.

Note 10. Equity - issued capital

	31 December 2021 Shares	30 June 2021 Shares	Consolidated 31 December 2021 \$	30 June 2021 \$
Ordinary shares - fully paid	<u>114,873,844</u>	<u>68,939,527</u>	<u>31,930,461</u>	<u>11,595,065</u>

Movements in ordinary share capital for the half year ended 30 June 2021.

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	25,210,000		42,306
Issue of securities	6 August 2020	25,000,000	\$0.20	5,000,000
Loan conversion	6 August 2020	4,941,622	\$0.20	988,324
Listing costs	6 August 2020	-	\$0.00	(326,461)
Issue of securities	31 May 2021	13,787,905	\$0.45	6,204,557
Issue costs	31 May 2021	-	\$0.00	(338,661)
Fund received for issue of securities, prior to issue	7 June 2021	-	\$0.00	25,000
Balance	30 June 2021	<u>68,939,527</u>		<u>11,595,065</u>

Movements in ordinary share capital for the half year ended 31 December 2021.

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	68,939,527		11,595,065
Issue of securities	8 July 2021	8,434,317	\$0.45	3,770,443
Issue costs	8 July 2021	-	\$0.00	(310,047)
Issues of securities	14 July 2021	<u>37,500,000</u>	\$0.45	<u>16,875,000</u>
Balance	31 December 2021	<u>114,873,844</u>		<u>31,930,461</u>

Note 11. Related party transactions

Options issued to related Parties

The following unlisted options in Dynamic Group Holdings Limited were issued during the 6 months ended 31 December 2021:

- 25 November 2021 - 100,000 unlisted options exercisable at \$0.62 vesting in 12 months to Jezac Pty Ltd ATF MJAC SIVAD Trust
- 25 November 2021 - 102,500 unlisted options exercisable at \$0.69 vesting in 24 months to Jezac Pty Ltd ATF MJAC SIVAD Trust
- 25 November 2021 - 102,500 unlisted options exercisable at \$0.77 vesting in 36 months to Jezac Pty Ltd ATF MJAC SIVAD Trust
- 25 November 2021 - 87,500 unlisted options exercisable at \$0.62 vesting in 12 months, each to Rangehill Holdings Pty Ltd ATF the Calypso Family Trust, Joel Skipworth ATF the Tigerdrill Trust and David Kinnersley ATF the Milligan Trust
- 25 November 2021 - 90,000 unlisted options exercisable at \$0.69 vesting in 24 months, each to Rangehill Holdings Pty Ltd ATF the Calypso Family Trust, Joel Skipworth ATF the Tigerdrill Trust and David Kinnersley ATF the Milligan Trust
- 25 November 2021 - 90,000 unlisted options exercisable at \$0.77 vesting in 36 months, each to Rangehill Holdings Pty Ltd ATF the Calypso Family Trust, Joel Skipworth ATF the Tigerdrill Trust and David Kinnersley ATF the Milligan Trust

Jezac Pty Ltd ATF MJAC SIVAD Trust is an entity to which Mr Mark Davis has a beneficial interest.

Rangehill Holdings Pty Ltd ATF the Calypso Family Trust is an entity to which Mr Matt Freedman has a beneficial interest.

David Kinnersley ATF the Milligan Trust is an entity to which Mr David Kinnersley has a beneficial interest.

Joel Skipworth ATF the Tigerdrill Trust is an entity to which Mr Joel Skipworth has a beneficial interest.

There were no loans to or from related parties at the current and previous reporting date.

Note 12. Business combinations

On 14 July 2021 Dynamic Group Holdings Limited acquired 100% of the ordinary shares of Orlando Drilling Pty Ltd for the total consideration transferred of \$21,375,000, with additional contingent consideration of \$7,500,000 subject to performance milestones for FY22. This is an Exploration drilling business and operates in the exploration and grade control division of the consolidated entity. Fair values have been accounted for on a provisional basis.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	8,113,426
Trade receivables	4,939,874
Prepayments	362,571
Property, Plant and equipment	10,109,920
Customer contracts	6,274,954
Deferred tax asset	491,569
Other non-current assets	1,816,177
Trade payables	(3,705,926)
Deferred tax liability	(1,195,723)
Employee benefits	(630,121)
Bank loans	(4,389,684)
Other liabilities	(4,613,370)
Net assets acquired	17,573,667
Goodwill	11,301,333
Acquisition-date fair value of the total consideration transferred	<u>28,875,000</u>
Representing:	
Cash paid or payable to vendor	4,500,000
Dynamic Group Holdings Limited shares issued to vendor	16,875,000
Contingent consideration	7,500,000
	<u>28,875,000</u>

The revenue contributed by the Orlando Drilling Pty Ltd acquisition to the Consolidated entity from acquisition date to 31 December 2021 is \$19,776,060.

The revenue of Orlando Drilling Pty Ltd for the 6 months ended 31 December 2021 is \$19,838,553.

The Net Profit After Tax contributed by the Orlando Drilling Pty Ltd acquisition to the Consolidated entity from acquisition date to 31 December 2021 is \$2,248,720.

The Net Profit After Tax of Orlando Drilling Pty Ltd for the 6 months ended 31 December 2021 is \$1,619,853.

Note 12. Business combinations (continued)

Contingent Consideration

The contingent consideration of \$7,500,000 is subject to Orlando Drilling Pty Ltd achieving profitability milestones for the financial year ended 30 June 2022.

The value of contingent consideration is a level 3 input, valued based on the value of shares to be issued.

The first milestone is \$3,500,000 worth of shares in Dynamic Group Holdings Limited, issued at \$0.45, subject to achieving EBITDA for the financial year ended 30 June 2022 of \$7 million.

The second milestone is an additional \$4,000,000 worth of shares in Dynamic Group Holdings Limited, issued at \$0.45, for achieving EBITDA in excess of \$7 million. This milestone will be paid as \$1,000,000 for each 10% EBITDA achieved above \$7 million target.

It is considered that Orlando Drilling Pty Ltd is 100% likely to achieve these milestones, specifically that EBITDA will be in excess of \$9.8 million, accordingly the entire deferred consideration of \$7,500,000 has been recognised.

Note 13. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Taking into account the short timeframe since listing, the Company confirms that it expects to utilise the funds raised under its prospectus in accordance with the use of funds statement and the key business objective underlying the expected use of funds remain intact.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 14. Share-based payments

Options

Details of the Options issued during the period ended 31 December 2021 are outlined below:

	Unlisted options Exercisable at \$0.62 Maturing on 25 November 2024	Unlisted options Exercisable at \$0.69 Maturing on 25 November 2025	Unlisted options Exercisable at \$0.77 Maturing on 25 November 2026
Number of options	362,500	372,500	372,500
Exercise price	\$0.62	\$0.69	\$0.77
Maturity date	25 November 2024	25 November 2025	25 November 2026
Vesting final date	25 November 2022	25 November 2023	25 November 2024
Shared based payment expensed to 31 December 2021	\$4,839	\$2,824	\$2,051

Note 14. Share-based payments (continued)

Details of Options issued in previous periods expensed to 31 December 2021 is outlined below:

	Unlisted options Exercisable at \$0.74 Maturing on 10 December 2023	Unlisted options Exercisable at \$0.82 Maturing on 10 December 2024	Unlisted options Exercisable at \$0.92 Maturing on 10 December 2025
Number of options	375,000	562,500	562,500
Exercise price	\$0.74	\$0.82	\$0.92
Maturity date	10 December 2023	10 December 2024	10 December 2025
Vesting final date	10 December 2022	10 December 2023	10 December 2023
Share based payment expensed to 31 December 2021	\$14,761	\$16,613	\$18,007

Performance Rights

Details of the Performance Rights issued during the period ended 31 December 2021 are outlined below:

	Date of Issue	Milestone	Number of Performanc e Rights	Expiry date	Probability of achieving milestone
Tranche 1	18 November 2021	The consolidated entity achieving consolidated revenue of \$66,600,000 or greater in FY22.	80,000	18 November 2024	100%
Tranche 2	18 November 2021	The consolidated entity achieving consolidated EBITDA of \$15,000,000 or greater in FY22.	80,000	18 November 2024	100%
Tranche 3	18 November 2021	The consolidated entity achieving the Safety Target in FY22	80,000	18 November 2024	100%

Details of the Performance Rights expensed in the period ended 31 December 2021 are outlined below:

	2020 Class A	2020 Class B	2020 Class C	2020 Class D	2021 Tranche 1	2021 Tranche 2	2021 Tranche 3
Number of rights	125,000	125,000	125,000	125,000	80,000	80,000	80,000
Date of issue	6 August 2020	6 August 2020	6 August 2020	6 August 2020	18 November 2021	18 November 2021	18 November 2021
Expensed to 31 December 2021	\$25,000	\$25,000	\$18,470	\$18,470	\$6,604	\$6,604	\$6,604

The Company acknowledges unlisted Performance Rights issued to Key Management Personnel on 24 June 2020, which subject to conditions attached are considered to have been satisfied.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mark Davis
Director

24 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Dynamic Group Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Dynamic Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain 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.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a faint, larger 'BDO' logo.

Dean Just

Director

Perth, 24 February 2022