

ASX Announcement

Quarterly Activities Report – March 2022

Dynamic Group Holdings Limited ('Group' or the 'Company') (ASX: DDB) is pleased to provide the following report on its activities during Q3 FY22, as well as the Q4 FY22 outlook.

Key Activities and Highlights

- Rio Tinto Iron Ore selects Dynamic Drill & Blast Pty Ltd ("Dynamic") as a select supplier panel member
- Award of tier 1 Iron Ore construction drill & blast project in the Pilbara commencing in Q4 FY22
- Orlando Drilling Pty Ltd ("Orlando") secures multiple exploration drilling projects
- 2 x new blast hole drill rigs secured and to be delivered during Q4 FY22
- 1 x new Reverse Circulation ("RC") drill rig to be deployed during Q4 FY22
- Strategic labour initiatives including developing drill training simulators and sourcing international Drill Fitters to help combat labour constraints

Snapshot – As at 31 March 2022

Share price (ASX: DDB)	A\$0.40	Revenue for the FY22 to March 31 ¹	A\$53.2m
Shares ²	114,873,844	EBITDA for the FY22 to March 31 ¹	A\$10.9m
Market Cap ²	A\$45.9m	Net Assets at end of Q3 FY22 ¹	A\$37.2m
Cash at end of the Quarter ¹	A\$8.9m	Net Debt at end of Q3 FY22 ¹	A\$6.9m

Operations

Dynamic Drill & Blast Pty Ltd

Long term drill and blast operations continue at AngloGold Ashtanti Limited's (ASX: AGG) Golden Delicious project in the Goldfields region of West Australia and Allkem Limited's (ASX: AKE) Mt Cattlin Lithium Spodumene project. Multiple shorter-term projects have also been undertaken during the quarter and will continue into Q4 FY22. The overall utilisation of equipment is very high, with a high level of demand and contracted work into Q4 FY22. Several projects have seen scope increases, as well as amended commercial terms as a consequence of an uplift in current labour costs.

¹ Unaudited financial figures

² Includes restricted securities. Excludes existing 8,972,100 options exercisable at various dates and prices, and 3,277,900 performance rights on issue. Excludes potential to issue up to 16,666,667 shares to the vendors as part of the earn-out consideration subject to Orlando's FY22 performance.

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Services have also been provided to multiple tier 1 Iron Ore projects, relating to construction and specialised drill and blast activities on existing and new projects in the Pilbara. These works have taken place during Q3 FY22 and will continue in Q4 FY22.

Dynamic will acquire 2 new additional Epiroc T45 top hammer drill rigs to meet on-going demand during Q4 FY22 with the first delivery taking place shortly. The second will follow as global logistics dictate.

After a formal process, Dynamic has been selected to Rio Tinto Iron Ore's panel of select suppliers, which provides a conduit for access to upcoming projects after the pre-selection process.



Figure 1. Tier 1 Iron Ore drill and blast project in the Pilbara region of Western Australia

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Orlando Drilling Pty Ltd

Global Lithium Resources Limited ("ASX:GL1" or "Global Lithium") selected Orlando to carry out drilling at their Marble Bar Lithium Project. The drilling program is planned to comprise of approximately 60,000m of RC drilling, this project is successfully underway and running double shift operations.

Orlando have also been performing multiple exploration campaigns within the Pilbara, Murchison and Gold Field regions of Western Australia - related to gold, lithium, nickel, and copper.

Orlando are providing services to groups including Northern Star Resources Limited (ASX: NST), Round Oak Minerals Limited (ASX: OAK), Pantoro Limited (ASX: PNR), FQM Nickel Australia Limited and Red Dirt Minerals Limited (ASX: RDT).

The additional Schramm T685 drill rig and support equipment acquired during Q3 FY22 have been commissioned and will be deployed during Q4 FY22.

Overall Business Conditions

Both business units continue contract discussions which are at various stages with multiple parties and are experiencing a sustained and strong level of enquiry resulting in a significant pipeline of opportunities for short, medium and long-term projects.

Labour pressures and supply chain constraints are persistent across both business streams. The Company has a strong and well experienced management team with the capability to adapt and work in partnership with its customers to ensure security of supply and a positive operational and commercial outcome.



Figure 2. RC Drilling in the Goldfields Region of Western Australia

Labour Initiatives

Drill Simulators

The Company has engaged ThoroughTec Simulation, a leader in operator training simulators to develop two bespoke surface drill rig simulators. The simulators will be based on Epiroc's SmartROC D65 Down-the-hole surface drill rig and the SmartROC T45 Tophammer surface drill rig. The two simulator cabs will operate in containerised simulator base units. This simulator configuration is designed to be easily transported, self-contained and ruggedised for free-standing operation at remote locations. The unit will provide a safe and comfortable learning environment.

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The simulators will support Health, Safety, Environment and Quality Management System Frameworks and are being used as an initiative to combat the skills shortage currently being experienced in Australia. Dynamic is looking to utilise the simulators to attract and screen new talent, train new to the industry operators, as well as to upskill existing employees to improve operational safety and proficiently. The systems deliver objective, consistent and repeatable training and will expose operators to significantly more complex and hazardous scenarios than would be possible using traditional training methods.



Figure 3. Cybermine Simulator



Figure 4. Epiroc Drill Simulator

International labour

The Company has engaged international skilled recruitment services to help mitigate the labour challenges driven by the current shortage of available skilled labour within Australia. Labour challenges have been compounded by COVID related travel impacts, immigration, and site vaccination requirements. The initiative begins with the securing of two qualified Drill Fitters from the Philippines.

Corporate

Financial Summary

The Company is in a strong financial position with cash and cash equivalents of A\$8.9 million and trade receivables of A\$9.4 million.

Cash inflows from operating activities for the quarter was A\$18.6 million, due mainly to receipts from customers.

Cash outflows from operating activities for the quarter was approximately A\$17.5 million representing payment of employment and operating costs.

In addition there were cash outflows from investing activities of \$2.2 million, due to acquisition of additional Property, Plant & Equipment.

The Company made operating activity payments of A\$294,850 to related parties and their associates. These payments relate to the remuneration agreements for the Managing Director, Executive Director, Non-Executive Directors and key management personnel.

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Orlando Acquisition update

During the quarter, the Company completed another post-completion stage of the acquisition of Orlando Drilling Pty Ltd, which involved finalising a post-completion cash adjustment contained in the Share Purchase Agreement. Due to the strong performance of the Orlando Drilling group of companies, this resulted in a payment to the vendors subsequent to the end of the quarter of \$2,128,975 (which includes payments to directors and key management personnel of the Company who were appointed as part of the transaction).

The Company remains on target to conclude the post completion stage of the transaction early in FY23 at the conclusion of the earn-out period, which includes an earn-out component based on the EBITDA performance for FY22 of Orlando Drilling Pty Ltd. Further information on the earn-out is set out in the Company's notice of meeting and subsequent addendum dated 4 and 17 June 2021 respectively.

Pursuant to ASX listing rule 4.7C.2, the Company advises the proposed use of funds contained in section 1.7 of Dynamic's Prospectus in comparison to the actual use of funds following admission of Dynamic to the official list of the ASX:

Use of Funds	Prospectus Amount	Actual to Date
Cost of the Offers	A\$482,000	A\$438,000
Purchase of additional plant and equipment	A\$2,833,000	A\$1,770,327
Repayment of Debt	A\$500,000	A\$500,000
Working Capital/Corporate overheads	A\$1,958,000	A\$1,424,317
Total	A\$5,773,000	A\$3,978,524

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 objectives underlying the expected use of funds remain intact.

-ENDS-

This announcement has been authorised by the Board of Dynamic Group Holdings Limited.

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About Dynamic Group Holdings Limited

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 ("Dynamic") and Orlando Drilling Pty Ltd ("Orlando").

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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 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 (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.

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Dynamic Group Holdings Limited's planned work and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential", "should," and similar expressions are forward-looking statements. Although Dynamic Group Holdings Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual work will be consistent with these forward-looking statements.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DYNAMIC DRILL AND BLAST HOLDINGS LIMITED

ABN

49 640 888 213

Quarter ended ("current quarter")

31 MARCH 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	18,418	58,064
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(9,667)	(27,434)
(c) advertising and marketing	(31)	(108)
(d) leased assets	(212)	(633)
(e) staff costs	(7,149)	(20,524)
(f) administration and corporate costs	(280)	(758)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(186)	(483)
1.6 Income taxes paid	(7)	(124)
1.7 Government grants and tax incentives	178	684
1.8 Other (provide details if material)	-	7
1.9 Net cash from / (used in) operating activities	1,064	8,691
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	(4,842)
(b) businesses	-	-
(c) property, plant and equipment	(2,207)	(12,295)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	22	24
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2,185)	(17,113)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,770
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(503)
3.5	Proceeds from borrowings	1,966	9,139
3.6	Repayment of borrowings	(1,994)	(5,385)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(9)	(33)
3.10	Net cash from / (used in) financing activities	(37)	6,988

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,031	10,307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,064	8,691
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,185)	(17,113)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(37)	6,988
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	8,873	8,873

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	8,392	9,550
5.2	Call deposits	481	481
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,873	10,031

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	295
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	21,458	15,867
7.2	Credit standby arrangements	5,500	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	26,958	15,832
7.5	Unused financing facilities available at quarter end		11,126
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>The loan facility of \$21.458m relates equipment finance on various terms and rates, ranging from 3.19% to 6% and up to 60-month maturity, this includes an overall asset finance facility limit with Commonwealth Bank of Australia of \$10m as well as an overall asset finance facility with National Australia Bank of \$9.5m. Additional drawdown on these facilities subject to certain conditions.</p> <p>The Credit standby arrangement refers to a trade finance facilities with both Commonwealth Bank of Australia and National Australia Bank.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	1,064
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,873
8.3	Unused finance facilities available at quarter end (item 7.5)	11,126
8.4	Total available funding (item 8.2 + item 8.3)	19,999
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:29 April 2022.....

Authorised by:By the Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.