

ASX Announcement

Acquisition of Welldrill

Highlights

- Dynamic Group Holdings Limited (Dynamic) to acquire 100% of Welldrill¹ for upfront consideration of A\$15m and total consideration of A\$19m comprised of:
 - A\$14m cash upon completion;
 - A\$1m in fully paid ordinary Dynamic shares (escrowed until 31 March 2023); and
 - A\$4m deferred cash payable at 31 March 2023
- In addition, Dynamic will incur up to A\$4m in capital costs post completion of the transaction in relation to the purchase of a newly built water well rig and ancillary equipment ("Rig-6 Fleet") which is expected to arrive in October 2022
- Welldrill is a WA-based water well drilling business with a tier-1 client base including BHP, the WA Government, the Department of Water and Environmental Regulation and OZ Minerals
- The acquisition is expected to be more than 30% earnings per share accretive to Dynamic shareholders in FY23²
 - Welldrill is anticipated to generate ~A\$26-28m revenue and ~A\$7-8m EBITDA in FY23
 - Welldrill acquired with ~A\$0.5m net cash and A\$5m positive net working capital
 - Implied FY23 EV / EBITDA multiple of 3.0x if Welldrill achieves midpoint of FY23 EBITDA forecast of A\$7.5m³
- Welldrill provides defensive revenue stream with increased exposure to government contracts and production mining
- Acquisition adds complementary service offering, technology systems, customer base and management expertise
- Leading drilling executive and Welldrill General Manager, Tim Westcott, to join the Dynamic executive management team
- Dynamic to fund the acquisition through upsized bank facilities and existing liquidity (A\$8.9m cash at March 2022)

¹ Welldrill consists of two private entities (i) PDC Drilling Pty Ltd; and (ii) Delmoss Nominees Pty Ltd.

² Based on individual FY2023 budgets of Dynamic and Welldrill and includes contribution of Rig-6 Fleet in FY2023.

³ Welldrill FY2023 forecasts include contribution from the Rig-6 Fleet.



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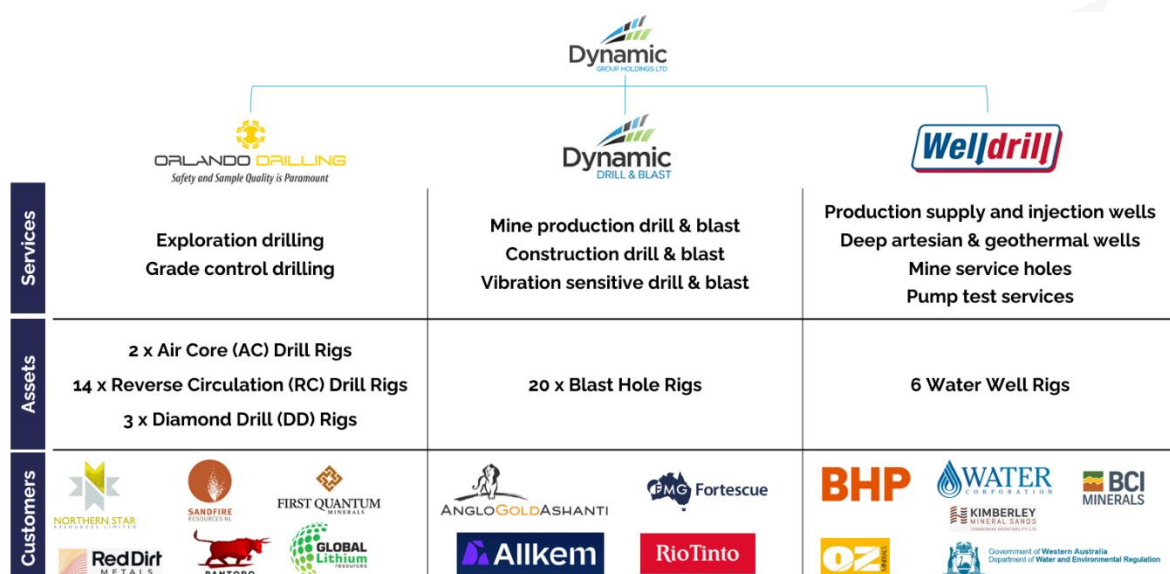
Dynamic Group Holdings Limited (ASX: DDB) ("Dynamic" or the "Company") is pleased to announce that it has entered into an agreement to acquire 100% of Welldrill from Peter Chegwiddden. Founded by Peter Chegwiddden in 2000, Welldrill has built an outstanding reputation in the water well industry having serviced a number of WA government organisations and tier-1 mining companies for over 20 years. Welldrill General Manager, Tim Westcott, has been with Welldrill for 4 years and has helped drive the recent growth of the business as the owner, Peter Chegwiddden, stepped back from day-to-day operations.

Dynamic is very familiar with the Welldrill business and has identified a number of opportunities to enhance performance under the Dynamic umbrella. Dynamic is also excited about the in-house safety, automation and performance tracking technology of Welldrill which it plans to adopt across its existing fleet.

Dynamic Managing Director Mark Davis said: *"The Welldrill acquisition will be transformational for the Dynamic business. Welldrill is expected to provide a critical third limb to our existing drill and blast, and exploration and resource definition drilling services. The acquisition is consistent with the growth strategy we have articulated since our listing in mid-2020 with Welldrill providing a complementary service offering, increased customer diversification and scale to drive cost efficiencies. We are particularly excited to have Tim Westcott, a well-regarded and industry leading drilling executive joining the Dynamic executive management team."*

Welldrill General Manager, Tim Westcott, said: *"Welldrill has demonstrated strong momentum over the last few years with revenue increasing over 100% since 2019 and we are seeing further opportunities for growth as demonstrated by the recent expansion of our fleet. We are excited about joining the Dynamic team with our customers also expected to benefit from our ability to provide services across more adjacencies."*

Dynamic Pro Forma Organisational Structure



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Strategic Rationale

Scale	<ul style="list-style-type: none"> Transforms the scale of Dynamic into a larger, more diversified and stronger business Acquisition is expected to be over 30% EPS accretive to Dynamic shareholders Expanded asset base with addition of 6 water well rigs – taking total rig count to ~45
Utilisation & synergies	<ul style="list-style-type: none"> Significant headroom to increase fleet utilisation Cross-selling opportunities to respective customer bases Welldrill brings proprietary safety, automation and performance tracking technology that is complementary to Dynamic's existing offering and will be adopted across Dynamic's broader fleet Potential cost synergies include optimisation of overheads, site personnel, maintenance and optimisation of plant & equipment utilisation
Complementary service offering in growing segment	<ul style="list-style-type: none"> Welldrill provides defensive revenue stream with increased exposure to government contracts and production mining Welldrill exclusively adds water well capabilities Increasing role of government in managing aquifers increasing demand for water well services
Customer diversification	<ul style="list-style-type: none"> Adds Welldrill's broad customer base including the WA government and tier-1 mining companies +10 year relationships with key Welldrill clients
Stronger combined team	<ul style="list-style-type: none"> General Manager of Welldrill, Tim Westcott, is a highly regarded industry veteran and will form a key part of the Dynamic executive management team

Acquisition Terms

Dynamic to acquire 100% of Welldrill for upfront consideration of A\$15m and total consideration of A\$19m comprised of;

- A\$14m cash upon completion;
- A\$1m in fully paid ordinary Dynamic shares calculated based on the volume weighted average price of Dynamic shares over the 5 trading days prior to the date of completion (escrowed until 31 March 2023); and
- A\$4m deferred cash payable at 31 March 2023.

In addition, Dynamic will incur up to A\$4m in capital costs post completion of the transaction in relation to the purchase of the newly built Rig-6 Fleet which is expected to arrive in October 2022.

Implied FY23 EV / EBITDA multiple of 3.0x if Welldrill achieves midpoint of FY23 EBITDA forecast of A\$7.5m⁴.

⁴ Welldrill FY2023 forecasts include contribution from the Rig-6 Fleet.

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Conditions Precedent

The closing of the acquisition is subject to certain conditions precedent, the material of which are set out below, being satisfied or waived by the Company;

- Customer and lessor consents to a change of control; and
- No material adverse change having taken place prior to completion.

Completion of the acquisition is expected to occur this month.

ASX has confirmed to Dynamic that ASX Listing Rules 11.1.2 and 11.1.3 do not apply to the acquisition.

Acquisition Financing & Bank Facility

Dynamic has established a new A\$18m acquisition finance facility with Commonwealth Bank of Australia. In parallel, Dynamic has upsized its asset finance facilities to provide additional liquidity to finance the purchase of the Rig-6 Fleet.

The acquisition is not subject to Dynamic shareholder approval, however, Dynamic will need to obtain shareholder approval as a condition subsequent to the acquisition finance facility in connection with the security to be granted in relation to the acquisition finance facility. Dynamic anticipates this shareholder approval will be sought at Dynamic's AGM currently scheduled for October 2022.

Dynamic and Welldrill fleets are well maintained and capitalised, which is expected to reduce ongoing capital costs over the foreseeable future.

Board & Management

Welldrill General Manager, Tim Westcott and CFO, Roseann Natana, to join Dynamic's executive management team.

Advisers

For the acquisition, Sternship Advisers acted as corporate adviser and Hamilton Locke acted as legal adviser to Dynamic.

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

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About Dynamic Group Holdings Limited

DDB holds two wholly owned subsidiaries, Dynamic Drill & Blast Pty Ltd and Orlando Drilling Pty Ltd.

Dynamic Drill & Blast Pty Ltd is a supplier of drilling and blasting services to clients in the mining and construction sectors in Western Australia and has a highly experienced executive management team focused on quality service provision, employee safety and providing solutions. Dynamic Drill & Blast Pty Ltd focuses on mining and construction projects within a range of commodity sectors, including iron ore, lithium and gold.

Orlando Drilling Pty Ltd 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.

DDB's significant project pipeline is based around medium to long term contracts. DDB also undertakes short term specialised drilling and blasting projects.

DDB 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, DDB has developed comprehensive policies, procedures and processes that aid the safe, high quality, effective and efficient provision of services.

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.

While the Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), this announcement includes certain non-IFRS performance measures such as EBTIDA in relation to the Company and Welldrill (comprising PDC Drilling Pty Ltd and Delmoss Nominees Pty Ltd). In the case of Welldrill FY2023 forecasts, these include contributions from the Rig-6 Fleet which the Company anticipates acquiring in October 2022. Non-IFRS measures have not been subject to audit or review and should not be considered as an alternative to an IFRS measure of profitability, financial performance or liquidity. The Company has prepared (and made assumptions in the preparation of the financial information relating to Welldrill in reliance on limited financial and other information provided by or on behalf of Welldrill and its shareholder(s). To the maximum extent permitted by law, the Company does not take any responsibility for that information. Specifically, the Company notes that the historical results of Welldrill are unaudited.

