

ACQUISITION OF WELLDRILL

11 JULY 2022



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Section 1.

Acquisition Overview

TRANSACTION HIGHLIGHTS

- Dynamic Group Holdings Limited (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 (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 FY23¹
 - Welldrill is anticipated to generate ~A\$26-28m revenue and ~A\$7-8m EBITDA in FY23²
 - 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\$7.5m²
- 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. Based on individual FY2023 budgets of Dynamic and Welldrill and includes contribution of Rig-6 Fleet in FY2023.
 2. Welldrill FY2023 forecasts include contribution from the Rig-6 Fleet.

KEY TRANSACTION TERMS

Overview	<ul style="list-style-type: none"> Dynamic to acquire 100% of the issued capital of Welldrill¹ from Peter Chegwidden
Consideration	<ul style="list-style-type: none"> Dynamic to acquire 100% of Welldrill for upfront consideration of A\$15m and total consideration of A\$19m comprised of; <ul style="list-style-type: none"> 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 Welldrill is anticipated to generate ~A\$26-28m revenue and ~A\$7-8m EBITDA in FY23² 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\$7.5m²
Conditions precedent	<ul style="list-style-type: none"> 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; <ul style="list-style-type: none"> 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
Funding	<ul style="list-style-type: none"> Dynamic to fund the cash consideration of the acquisition through the drawdown on upsized bank facilities and existing liquidity (A\$8.9m cash at March 2022)
Dynamic advisers	<ul style="list-style-type: none"> Sternship Advisers acted as corporate advisor and Hamilton Locke acted as legal advisor to Dynamic

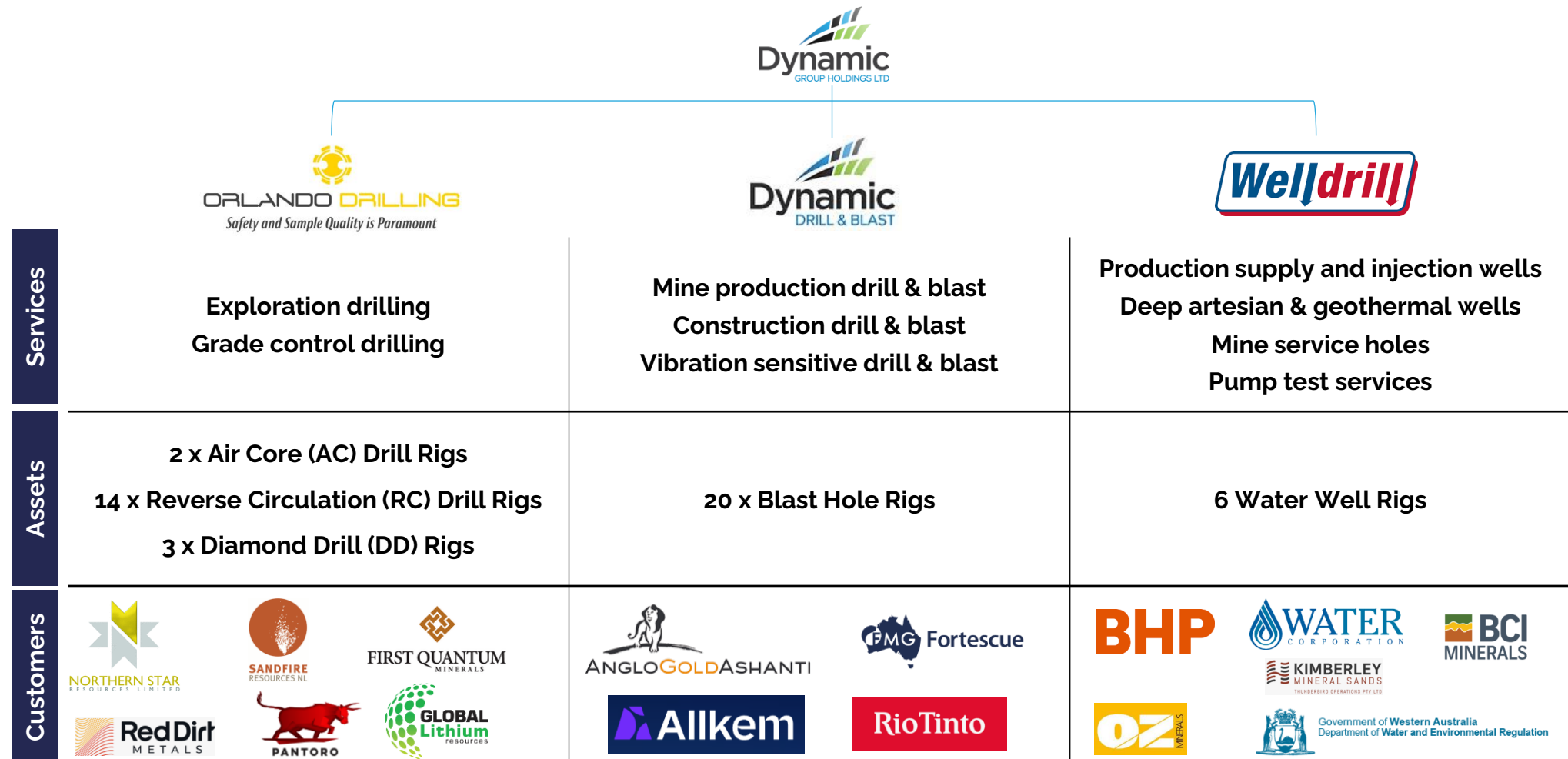
1. Welldrill consists of two private entities (i) PDC Drilling Pty Ltd; and (ii) Delmoss Nominees Pty Ltd.
2. Welldrill FY2023 forecasts include contribution from the Rig-6 Fleet.

Section 2.

Strategic Rationale

DYNAMIC'S ORGANISATIONAL STRUCTURE

Since listing in August 2020, Dynamic has proactively diversified its service offering to enhance its ability to provide multiple services to a single client



STRATEGIC RATIONALE

Highly strategic acquisition adds a third-arm to Dynamic's service offering

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

WELLDRIILL OVERVIEW



- Founded in 2000, Welldrill is a WA based company providing water well drilling services to mining and government clients
- Welldrill specialises in production dewatering and bore drilling utilising mud rotary, air rotary and air percussion drilling techniques
- Primary function of production dewatering is to lower water-table for open-pit mining
- Multiple end uses include dewatering, energy and agriculture
- Desirable client base including the WA Government, BHP and OZ Minerals
- 5 customised Fraste FS400/500 rigs and nearing completion of a Fraste FS500 (Rig-6) which will be immediately deployed on double shift activity
- Customised rigs include proprietary safety, automation and performance tracking technology
- FY23 forecast revenue of ~A\$26-28m and EBITDA of A\$7-8m²
- Strong cultural alignment with Dynamic

1. Unaudited historical results of Welldrill.
2. Welldrill FY2023 forecasts include contribution from the Rig-6 Fleet.

Historical & Forecast Financials (A\$m)¹

	FY20	FY21	FY22E	FY23E (incl. Rig-6 Fleet) ²
Revenue	10.8	16.5	20.1	26 - 28
Adj. EBITDA	0.7	4.5	5.0	7 - 8
Margin (%)	7%	27%	25%	~28%
Active Rigs	~3 rigs	~4 rigs	~4 rigs	~5-6 rigs

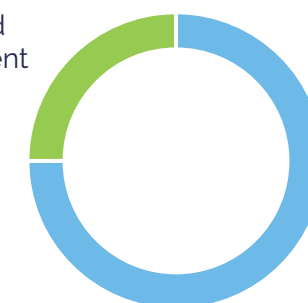
Key Customers



Government of Western Australia
Department of Water and Environmental Regulation

2022E Revenue by Stage of Production

Advanced Development
25%



Production & Government
75%

FAVOURABLE INDUSTRY DYNAMICS



Water well drilling overview

Water well rig connected to pump system



Water well structural industry benefits

#1

Dewatering requirements rising as mining depths increase throughout the Pilbara iron ore sector

#2

Production exposure focused on mine dewatering

#3

Long-term, non-seasonal contracts increase earnings visibility and quality

#4

Rising government sector revenue contribution as the focus on aquifer management increases

#5

Water well drilling is less personnel intensive

EQUIPMENT PORTFOLIO



Fraste FS500 and ancillary equipment



Fraste FS500 rig operating in Pilbara



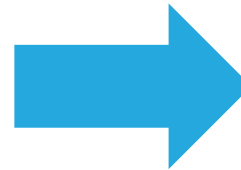
Fraste FS500 rig in the Pilbara



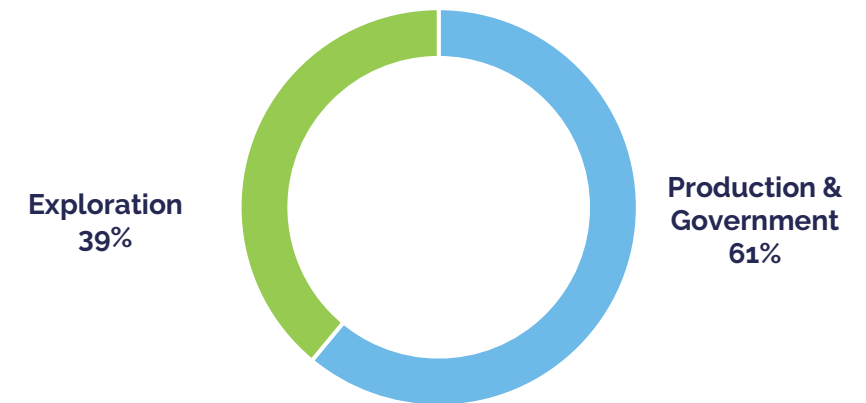
INCREASINGLY DEFENSIVE REVENUE BASE

Welldrill's tier-1 client base brings increased production exposure

Stage of Production Exposure (Current)



Stage of Production Exposure (Pro-forma)

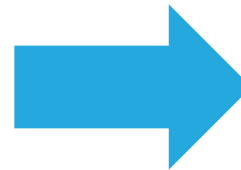
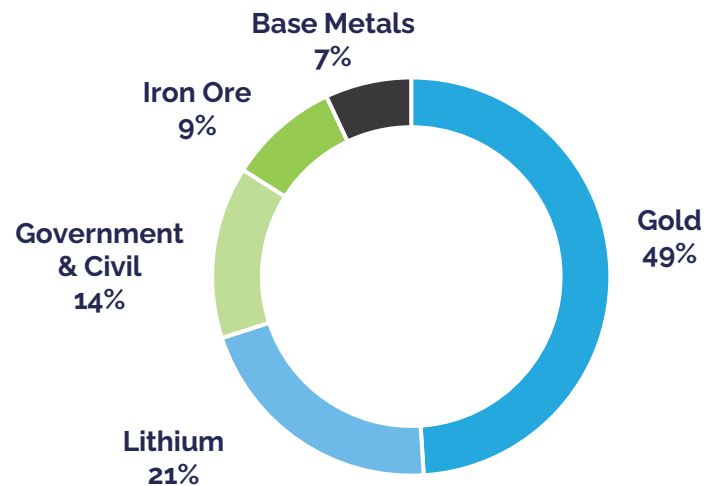


Note: based on FY22 YTD as at March 2022 for Welldrill and Dynamic. Includes construction related water well drilling for Welldrill as Production.

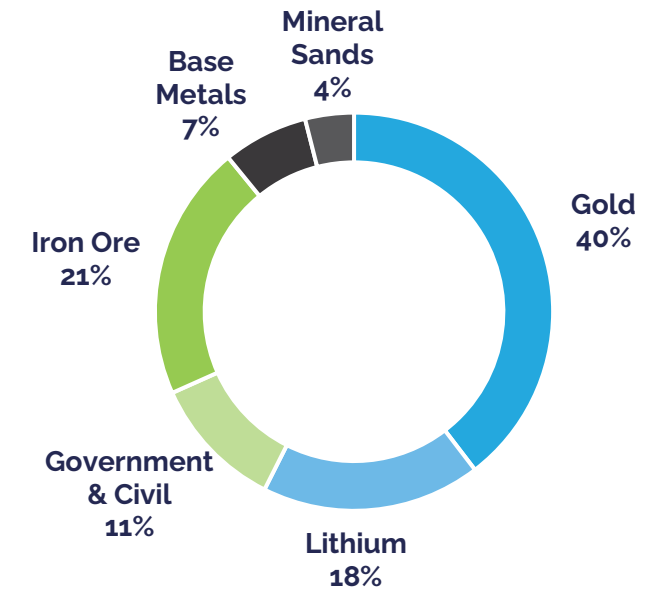
IMPROVED REVENUE DIVERSIFICATION

Welldrill's improves Dynamic's commodity diversification

Revenue by Commodity (Current)



Revenue by Commodity (Pro-forma)

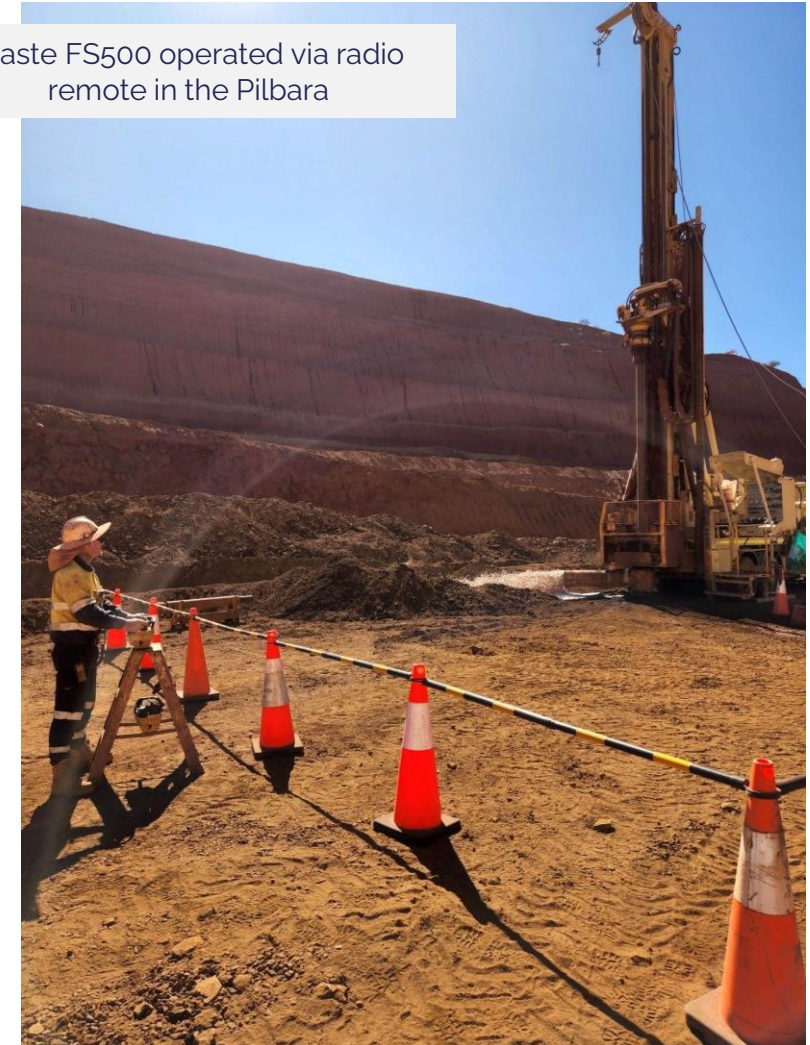


Note: based on FY22 YTD as at March 2022 for Welldrill and Dynamic.

INTEGRATION & IT SYSTEMS

- The Welldrill brand will be retained to leverage the strong existing relationships with key customers
- Welldrill General Manager, Tim Westcott, to become part of the Dynamic executive management team
- Shared services will be consolidated over time to deliver cost synergies
- Welldrill brings proprietary safety, automation and performance tracking technology that is complementary to Dynamic's existing offering and will be adopted across its broader fleet
- Welldrill equipment is certified for use at tier-1 customers

Fraste FS500 operated via radio remote in the Pilbara



Section 3. Financing

FINANCING DETAILS & BALANCE SHEET

Dynamic has upsized its bank facilities to finance the acquisition of Welldrill. Upon completion of the acquisition, Dynamic's focus will be on maximising cash generation

Bank Facilities	<ul style="list-style-type: none"> Dynamic has established a new A\$18m acquisition finance facility with Commonwealth Bank of Australia Dynamic has also upsized its asset finance facilities to provide additional liquidity to finance 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 Dynamic anticipates this shareholder approval will be sought at Dynamic's AGM currently scheduled for October 2022
Liquidity & Outlook	<ul style="list-style-type: none"> Dynamic and Welldrill fleets are well maintained and capitalised, which is expected to reduce ongoing capital costs over the foreseeable future

Status Quo Balance Sheet (Mar-22)

Cash and cash equivalents	A\$m	(8.9)
Borrowings	A\$m	15.8
Status Quo Net Debt	A\$m	6.9
Run-Rate EBITDA (Mar-22) ¹	A\$m	15
<i>Net Debt / EBITDA</i>	<i>x</i>	<i>0.5x</i>

Pro-Forma Balance Sheet

Cash and cash equivalents (Mar-22)	A\$m	(8.9)
Borrowings (Mar-22)	A\$m	15.8
Less: Welldrill net cash (est. Jun-22)	A\$m	(0.5)
Add: Acquisition debt (excl. Rig-6 Fleet) ²	A\$m	18.0
Net Debt³	A\$m	24.4
Run-Rate EBITDA ⁴	A\$m	20
<i>Net Debt / EBITDA</i>	<i>x</i>	<i>1.2x</i>

1. Run-rate EBITDA based on Dynamic YTD FY22 EBITDA to March 2022.

2. Includes upfront consideration and A\$4m deferred consideration due 31 March 2023.

3. Excludes any transaction costs associated with the acquisition.

4. Run-rate EBITDA based on Dynamic YTD FY22 EBITDA to March 2022 and FY22E EBITDA to June 2022 for Welldrill.

Section 4. Appendix

EQUIPMENT PORTFOLIO



Drilling versatility in any terrain



Six Schramm T685 RC Drill Rigs



Four RC Tack Mounted Drill Rigs

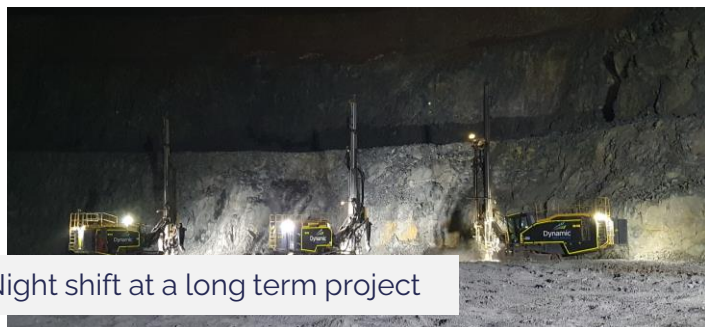


RC deep hole drilling to 450m+

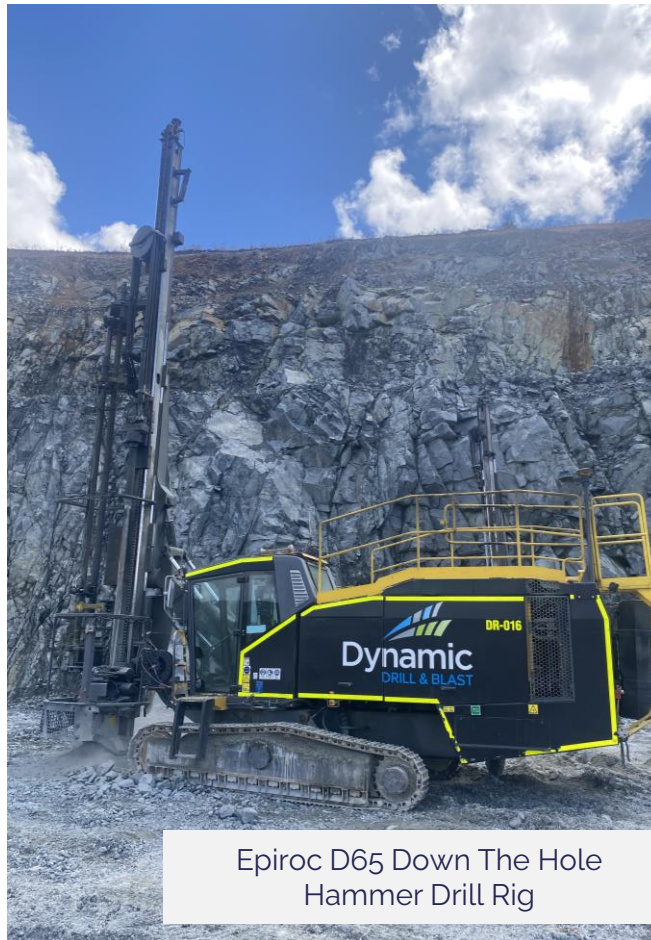
EQUIPMENT PORTFOLIO



Epiroc T45 Top Hammer Drill Rig



Night shift at a long term project



Epiroc D65 Down The Hole
Hammer Drill Rig



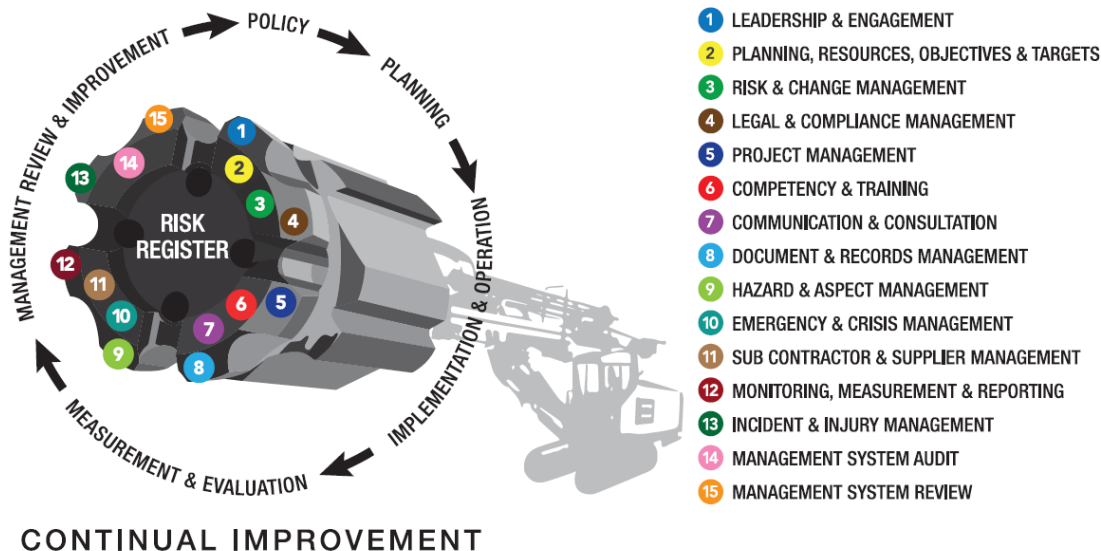
Drill and blast crew with Mobile
Processing Unit and support LV



Blast hole drills on the move

HIGH-LEVEL SAFETY FOCUS

- Strong leadership in safety is critical to our business success and underpins our Charter
- Ongoing focus on continual improvement of our Health, Safety, Environment and Quality (HSEQ) Management Systems and Framework
 - The HSEQ Management System underpins every task performed in the workplace
- The rollout of isystain Incident and event reporting database across the Group commenced in December 2021 to ensure standardisation and visibility of HSEQ reporting and management



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