

ASX Announcement

Quarterly Activities Report – June 2022

Dynamic Group Holdings Limited ('Group' or the 'Company') (ASX: DDB) is pleased to provide the following report on its activities.

Key Activities and Highlights

- A\$11m contract executed with tier 1 Orlando Drilling Pty Ltd customer
- 2 new Schramm T685 Reverse Circulation drill rigs being finalised for deployment
- Increase in labour charge rates formally agreed with long term clients
- 1 new Epiroc T45 blast hole rig received and deployed in Q4FY22
- Additional blast hole rig to be delivered Q1FY23
- Acquisition of Welldrill finalised in Q1FY23
- 45 drill rigs and around 290 personnel within the group

Snapshot – As at 30 June 2022

Share price (ASX: DDB)	A\$0.305	Cash at end of the Quarter ¹	A\$9.4m
Shares ²	114,873,844	Net Assets at end of the Quarter ¹	A\$38.7m
Market Cap ²	A\$35.0m	Net Debt at end of the Quarter ¹	A\$9.1m

Operations

Orlando Drilling Pty Ltd ("Orlando")

Orlando is continuing to successfully provide high quality RC and Diamond Core ("DC") drilling on long term project sites with miners and explorers targeting gold, lithium, nickel, iron ore and various other base metal commodities in Western Australia.

During the quarter Orlando signed a contract with an existing Tier 1 gold customer, to provide Reverse Circulation ("RC") drilling with multiple drill rigs across their mining and exploration project sites within the Goldfields of Western Australia. The approximate value of this contract is A\$11m. Initial contract term is two years, with the option for one year extension.

Orlando continues discussions with multiple companies regarding significant new drilling opportunities to combine business segments in providing multi-tiered services for RC, DC and drill and blast at various project sites.

Currently Orlando is short listed on multiple tender processes for longer term projects, with a decision of award expected to be received within Q1FY23.

ASX Announcement

Final commissioning is underway for the two newly acquired Schramm T685 RC drill rigs and accompanying fleet vehicles. Deployment of this equipment to project sites is expected to take place shortly. The additional equipment will provide Orlando with a total of seventeen service ready drill rigs.



Figure 1: Pilbara RC drilling project



Figure 2: Schramm 685 on a Goldfields project

Dynamic Drill & Blast Pty Ltd ("Drill & Blast")

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

ASX Announcement

during the quarter and will continue into Q1 FY23. Customers remain open to agreeing reasonable commercial terms to ensure current pricing pressures within the labour market do not impact long term efficiencies and utilisation of equipment.

Four drills and approximately thirty personnel provided pipeline trench drill and blast services to a tier 1 iron ore producer's project in the Pilbara region of Western Australia during the quarter. Additionally, a two-drill rig construction project owned by the same principal, was successfully completed during Q4FY22 with the drills and personnel being immediately re-deployed to existing projects with additional scope.

An additional pipeline drill and blast project commenced in June of Q4FY22, with three drills and approximately seventeen personnel being deployed. The business also deployed two drills and approximately twelve personnel to a longer-term production project in the Goldfields region of Western Australia.

The drill and blast business has received and deployed to the field one new additional Epiroc T45 top hammer drill rig to meet on-going demand in Q4FY22, and another delivery expected to take place during Q1FY23.

Welldrill

The acquisition of Welldrill¹ by The Company was completed on 18 of July 2022.

Welldrill is a WA-based water well drilling business having serviced tier-1 client base including BHP, the WA Government, the Department of Water and Environmental Regulation and OZ Minerals for over 20 years.

Dynamic Managing Director Mark Davis said: *"This acquisition is transformational for Dynamic and provides a critical third limb to our existing drill and blast, and exploration and resource definition drilling services. We are excited at the opportunities ahead as we continue to execute on our growth strategy and expand into synergistic service offerings. We are particularly excited to have Tim Westcott join the Dynamic executive management team and help us execute on this growth strategy."*

The Company welcomes all Welldrill personnel to the group and we look forward to sharing updates of Welldrill's success and contribution to the broader group.

¹ Welldrill consists of two entities: PDC Drilling Pty Ltd; and Delmoss Nominees Pty Ltd

ASX Announcement



Figure 3: Well-drill drilling fleet in the field

Corporate

Financial Summary

The Company is in a strong financial position with cash and cash equivalents of A\$9.4 million and trade receivables of A\$11.8 million.

Cash inflows from operating activities for the quarter was A\$23.5 million, due mainly to receipts from customers.

Cash outflows from operating activities for the quarter was approximately A\$20.6 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, as well as cash outflows from investing activities of \$2.1 million made to the vendors of Orlando Drilling Pty Ltd as part of a post completion cash adjustment in accordance with the Share Purchase Agreement (\$1.5 million of this payment was made to directors and key management personnel of the Company who were appointed as part of the transaction).

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.

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:

ASX Announcement

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.

Expiry of Escrow Restrictions

The Company advises that, in accordance with Listing Rule 3.10A, the follow securities will cease to be escrowed on 6 August 2022:

- 23,173,191 fully paid ordinary shares which are currently classified as ASX restricted securities
- 5,667,600 unlisted options exercisable at \$0.30 on or before 25 June 2023 which are currently classified as ASX restricted securities
- 750,000 unlisted options exercisable at \$0.25 on or before 30 July 2023 which are currently classified as ASX restricted securities
- 3,277,900 Performance Rights which are currently classified as ASX restricted securities
- 37,500,000 fully paid ordinary shares which are currently subject to voluntary escrow

The Company will apply for the quotation of the fully paid ordinary shares which are currently classified as ASX restricted securities within 5 business days after the end of the escrow period in accordance with Listing rule 2.8.5.

-ENDS-

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

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ASX Announcement

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 three entities, Dynamic Drill & Blast Pty Ltd ("Dynamic"), Orlando Drilling Pty Ltd ("Orlando") and Welldrill

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.

Welldrill (consists of two entities: PDC Drilling Pty Ltd; and Delmoss Nominees Pty Ltd) is a wholly owned subsidiary of the Company, providing water related drilling and 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.

Appendix 4C

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

Name of entity

DYNAMIC GROUP HOLDINGS LIMITED

ABN

49 640 888 213

Quarter ended ("current quarter")

30 JUNE 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	23,512	81,576
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(11,303)	(38,737)
(c) advertising and marketing	(34)	(142)
(d) leased assets	(86)	(719)
(e) staff costs	(9,099)	(29,623)
(f) administration and corporate costs	(92)	(850)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(188)	(671)
1.6 Income taxes paid	(73)	(197)
1.7 Government grants and tax incentives	174	858
1.8 Other (provide details if material)	82	89
1.9 Net cash from / (used in) operating activities	2,893	11,584
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(2,129)	(6,971)
(b) businesses	-	-
(c) property, plant and equipment	(2,855)	(15,150)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	94	18
	(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	(4,890)	(22,003)

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	4,654	13,793
3.6	Repayment of borrowings	(2,115)	(7,500)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	(33)
3.10	Net cash from / (used in) financing activities	2,539	9,527

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,873	10,307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,893	11,584
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,890)	(22,003)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,539	9,527
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	9,415	9,415

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	8,934	8,392
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)	9,415	8,873

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	1,490
<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. 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	21,535	18,551
7.2	Credit standby arrangements	5,500	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	27,035	18,551
7.5	Unused financing facilities available at quarter end		8,484
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 \$21.535m 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)	2,893
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,415
8.3	Unused finance facilities available at quarter end (item 7.5)	8,484
8.4	Total available funding (item 8.2 + item 8.3)	17,899
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 July 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.