



**Dynamic Drill and Blast Holdings Limited**

**ABN 49 640 888 213**

**Annual Report - 30 June 2020**

Directors	Mark Davis (appointed 13/05/2020) Garret Dixon (appointed 13/05/2020) Matthew Freedman (appointed 13/05/2020) George Garnett (appointed 13/05/2020)
Company secretary	James Bahen
Registered office	Suite 6 295 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 1 38 Station Street Subiaco WA 6008
Solicitors	HWL Ebsworth Level 20 240 St Georges Terrace Perth WA 6000
Stock exchange listing	Dynamic Drill and Blast Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: DDB)
Website	<a href="http://www.dynamicdrillandblast.com.au">www.dynamicdrillandblast.com.au</a>
Corporate Governance Statement	A copy of the Corporate Governance statement can be found at <a href="http://www.dynamicdrillandblast.com.au">www.dynamicdrillandblast.com.au</a>

## Letter from the Chairman

Dear Shareholders

It is with pleasure that I present to you the first annual report of Dynamic Drill and Blast Holdings Ltd (**'DDB' or the 'Company'**) as an ASX listed company.

It has been a transformational year for the Company as we concluded our Initial Public Offer (**'IPO'**) and listed on the ASX on 6 August 2020. The Public Offer raised \$5,000,000 (before associated costs) and positioned the business for its next phase of growth.

The IPO concludes DDB's preparation for growth phase. The Company now has the resources and the framework in place so that with support from our employees, suppliers and finance providers we are in a position to provide additional high-quality services to our customers.

The COVID-19 pandemic has presented a unique set of challenges, but I am delighted with the way in which the entire team as responded, resulting in minimising disruption to our operations.

We continue to provide services to Galaxy Resources, sub-contract services to FMG operations and are currently commencing works for a recently-awarded sub-contract on a Rio Tinto project, following the completion of a separate sub-contract for a Rio Tinto construction project. Our project list comprised of work for Tier 1 companies and the repeat business speaks volumes for the quality of our tailored service offering. This work spans large production blasts through to vibration sensitive and close proximity civil work for the mining, civil, utility and government sectors.

We have continued to grow our fleet of drill rigs, now totalling 13 with our most recent two purchases, to ensure we can service new contracts. We have fully settled into new headquarters with custom workshop and strengthened our management team for the period ahead.

We are buoyed by the strength of the market and the solid tendering pipeline. The mining industry has remained one of least-affected sectors during the pandemic and we are fortunate to be leveraged to the industry. We also see good opportunities in the civil sector with significant government infrastructure spending earmarked.

I would like to thank my fellow board members, the management team and our entire workforce for their dedication and hard work. I am excited by the prospects for this Company and look forward to sharing our success with you.

Yours faithfully



Garret Dixon  
Non-Executive Chairman  
Dynamic Drill and Blast Holdings Ltd

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Dynamic Drill and Blast Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

### **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 (appointed 13/05/2020)  
Matthew Leo Freedman (appointed 13/05/2020)  
George Garnett (appointed 13/05/2020)  
Garret Dixon (appointed 13/05/2020)

### **Principal activities**

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

- Drilling & Blasting services

### **Dividends**

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

### **Review of operations**

The profit for the consolidated entity after providing for income tax amounted to \$434,882 (30 June 2019: \$1,526,249).

Dynamic Drill and Blast Holdings Limited successfully listed on the Australia Stock Exchange (ASX) on 6 August 2020.

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

### **Significant changes in the state of affairs**

Dynamic Drill and Blast Holdings Limited was incorporated on 13 May 2020.

Dynamic Drill and Blast Holdings Limited acquired 100% of Dynamic Drill & Blast Pty Ltd on 26 May 2020.

The financial statements reflect the continuing business of Dynamic Drill & Blast Pty Ltd.

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

### **Matters subsequent to the end of the financial year**

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.

Dynamic Drill and Blast Holdings Limited successfully listed on the Australian Stock Exchange (ASX) on 6 August 2020. In accordance with the prospectus, the listing included:

- Issue of 25,000,000 shares at \$0.20 to raise \$5,000,000
- Issue of 750,000 options to the lead manager
- Issue of 4,941,622 shares in satisfaction of the Long-Term Loan Agreements.

On 25 September 2020, the Company agreed terms for a new +\$4.5 million finance facility with Commonwealth Bank of Australia ('CBA'). The finance facility will provide additional access to funds to pursue the numerous drill and blast opportunities that are available.

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 objectives underlying the expected use of funds remain intact.

No other matter or circumstance has arisen since 30 June 2020 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.

### **Likely developments and expected results of operations**

Current operations continue at Galaxy Resource's Mt Cattlin Lithium Spodumene Lithium Project and FMG's Eliwana Rail Project Package 3. The Rio Tinto Western Turner Syncline NAR Project is currently being demobilised after completion of works, mobilisation for the recently awarded Western Turner Syncline 2 – Bulk Earth works (WTS2) project has been undertaken.

Additional fleet capacity has been added through the acquisition of three Epiroc drill rigs. A new fit for purpose workshop, laydown and head office facility has been secured in Wangara, Western Australia.

There is currently good strength in the tendering pipeline and we will continue to build our relationship with equipment and finance suppliers to ensure we have the right capacity to undertake new projects.

### **Environmental regulation**

The consolidated entity is subject to and is compliant with all aspects of environmental regulation relevant to their operations. The directors are not aware of any environmental law that is not being complied with.

### **Information on directors**

Name:	Mark Troy Davis
Title:	Managing Director
Experience and expertise:	Mark Davis has over 24 years' experience in the mining services sector and has worked with Action Drill & Blast, Ausdrill and was part of the founding management team at Rock on Ground as Operations Manager. Mark was also Managing Director of MTD Drill & Blast Consulting providing specialised blasting expertise to Tier 1 operators.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	8,333,333
Interests in options:	1,882,280
Interests in rights:	1,281,220

Name:	Garret John Dixon
Title:	Non Executive Chairman
Qualifications:	Bachelor of Engineering (Hons) Master of Business Administration Member of the Australian Institute of Company Directors
Experience and expertise:	Garret is an experienced and accomplished senior executive with extensive experience in the resources, transport and contracting sectors in Australia and overseas. His work in both private and ASX listed companies spans more than three decades. Garret's career since graduation in 1981 includes time with a Federal Government construction department, Executive General Manager for civil construction and contract mining group Henry Walker Eltin Ltd, Managing Director of logistics company Mitchell Corporation, Managing Director & CEO of ASX listed Gindalbie Metals Ltd and Vice President Alcoa & President of Iron Ore Business Development for rail freight operator Aurizon. Until recently, Garret held the position of Executive Vice President Alcoa & President Bauxite where he was responsible for the global bauxite mining business for the NYSE listed Alcoa Corporation.
Other current directorships:	Non-executive Chairman - Fenix Resources Limited Non-executive Director - BCI Minerals Limited Non-executive Director - Chalice Gold Mines Limited
Former directorships (last 3 years):	Non-executive Director - Watpac Limited (February 2014 to February 2019)
Interests in shares:	250,000
Interests in rights:	500,000
Name:	Matthew Leo Freedman
Title:	Executive Director
Qualifications:	Bachelor of Business Administration
Experience and expertise:	Matthew brings over 13 years of experience in the mining and mining services sector, Matthew's earlier roles include working for Rio Tinto, Worley Parsons and Emeco.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	8,333,333
Interests in options:	1,882,280
Interests in rights:	1,281,220
Name:	George Henry Miller Garnett
Title:	Non Executive Director
Qualifications:	Bachelor of Commerce
Experience and expertise:	George is an experienced equity capital markets executive, having advised on the formation and execution of numerous transactions in emerging companies. George is currently a Director of Corporate Finance at Canaccord Genuity Australia.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	1,598,614
Interests in options:	316,540
Interests in rights:	215,460

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### **Company secretary**

The Company secretary is James Bahen.

Mr Bahen holds a Graduate Diploma of Applied Finance and a Bachelor of Commerce degree majoring in Accounting and Finance. He commenced his career in audit and assurance with a Chartered Accounting firm and has worked in a corporate advisory firm providing company secretarial support to a number of listed companies that operate in the resource sector.

### **Meetings of directors**

As the Company was incorporated on 13 May 2020, no formal meetings were held between incorporation and balance date of 30 June 2020.

### **Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

### ***Principles used to determine the nature and amount of remuneration***

The Board is responsible for determining and reviewing the compensation of the directors and the executive directors are responsible for determining and reviewing the remuneration of senior executives. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. The Board of Directors assesses market rates and seeks the advice of external advisers, where necessary, in connection with the structure of remuneration packages. The Board also recommends levels and form of remuneration for Non-Executive Directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to Non-Executive Directors shall not exceed the sum fixed by members of the Company in general meeting. The Company has not used a remuneration consultant.

The Board have considered that it should seek to enhance shareholders' interests by:

- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

#### *Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

#### *Executive remuneration*

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

#### **Performance Rights**

During the year the Company issued performance rights to Key Management Personnel, on 24 June 2020 the Company issued a total of 3,277,900 performance rights as follows:

Performance Rights	Number of Rights		Exercise Price	Expiry Date	Vesting Condition	Valuation per Right
	Issued					\$
Class A	819,475	nil		30/06/2025	ASX listing	-
Class B	819,475	nil		30/06/2025	ASX listing	-
Class C	819,475	nil		30/06/2025	ASX listing	-
Class D	819,475	nil		30/06/2025	ASX listing	-
	<u>3,277,900</u>					<u>-</u>

The terms of the performance rights are as follows:

- Class A - Revenue of \$30.0 million or greater, as set out in the Audited Accounts for the 12 month period ended 31 December 2021.
- Class B - EBITDA of \$3.5 million or greater, as set out in the Audited Accounts for the 12 month period ended 31 December 2021.
- Class C - Revenue of \$50.0 million or greater, as set out in the Audited Accounts for the 12 month period ended 31 December 2022.
- Class D - EBITDA of \$6.4 million or greater, as set out in the Audited Accounts for the 12 month period ended 31 December 2022.

Management have assessed the likelihood of performance criteria being met for all classes of performance rights as 0% hence there has been no balance recorded for 30 June 2020.

It is a condition of vesting of the Performance Rights that the Company be admitted to the official list of the Australian Stock Exchange (ASX).

### **Details of remuneration**

#### *Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Dynamic Drill and Blast Holdings Limited:

- Mark Davis (commenced with Dynamic Drill & Blast Pty Ltd on 24 October 2011, executive service agreement replaced this on 26 July 2020)
- Matthew Freedman (commenced with Dynamic Drill & Blast Pty Ltd on 11 September 2018, executive service agreement replaced this on 26 July 2020)
- Garret Dixon (appointed 30 June 2020)
- George Garnett (commenced with Dynamic Drill & Blast Pty Ltd on 12 March 2019, letter of appointment replaced this on 30 June 2020)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2020	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
George Garnett	18,000	-	-	-	-	42,000	60,000
<i>Executive Directors:</i>							
Mark Davis	172,416	-	-	16,380	-	-	188,796
Matthew Freedman	179,909	-	-	17,091	-	-	197,000
	370,325	-	-	33,471	-	42,000	445,796

Garret Dixon received no remuneration for the period to 30 June 2020.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2019	\$	\$	\$	\$	\$	\$	\$
<i>Executive Directors:</i>							
Mark Davis	106,215	-	-	8,550	-	-	114,765
Matthew Freedman	153,384	-	-	14,571	-	-	167,955
	259,599	-	-	23,121	-	-	282,720

### **Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Mark Davis  
 Title: Managing Director  
 Agreement commenced: 26 July 2020  
 Term of agreement: No fixed term  
 Details: \$240,000 per annum excluding superannuation

Name: Matthew Freedman  
 Title: Executive Director  
 Agreement commenced: 26 July 2020  
 Term of agreement: No fixed term  
 Details: \$210,000 per annum excluding superannuation

Name: Garret Dixon  
 Title: Non Executive Chairman  
 Agreement commenced: 30 June 2020  
 Term of agreement: No fixed term  
 Details: \$50,000 per annum excluding superannuation

Name: George Garnett  
 Title: Non Executive Director  
 Agreement commenced: 30 June 2020  
 Term of agreement: No fixed term  
 Details: \$30,000 per annum excluding superannuation

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Termination for any other reason will require 3 months notice, or where payment is made in lieu of notice being serviced, 3 months base salary.

### **Share-based compensation**

#### *Issue of shares*

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Date	Shares	Issue price	\$
George Garnett	26 May 2020	210,000	\$0.20	42,000

**Additional disclosures relating to key management personnel**

*Shareholding - ordinary shares*

The number of securities in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<b>Ordinary shares</b>					
Mark Davis	-	-	8,333,333	-	8,333,333
Matthew Freedman	-	-	8,333,333	-	8,333,333
Garret Dixon	-	-	-	-	-
George Garnett	-	210,000	1,388,614	-	1,598,614
	-	210,000	18,055,280	-	18,265,280

*Equity Holding - Performance Rights*

The number of unlisted performance rights in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<b>Performance Rights</b>					
Mark Davis	-	-	1,281,220	-	1,281,220
Matthew Freedman	-	-	1,281,220	-	1,281,220
George Garnett	-	-	215,460	-	215,460
Garret Dixon	-	-	500,000	-	500,000
	-	-	3,277,900	-	3,277,900

Management have assessed the likelihood of performance criteria being met for all classes of performance rights as 0% hence there has been no balance recorded for 30 June 2020.

*Equity Holding - Options*

The number of unlisted options in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<b>Options</b>					
Mark Davis	-	-	1,882,280	-	1,882,280
Matthew Freedman	-	-	1,882,280	-	1,882,280
George Garnett	-	-	316,540	-	316,540
Garret Dixon	-	-	-	-	-
	-	-	4,081,100	-	4,081,100

The Company has entered into the following related party transactions on arms' length terms:

- executive services agreements with Mark Davis and Matthew Freedman;
- letters of appointment with each of its directors on standard terms;
- deeds of indemnity, insurance and access with each of its Directors on standard terms;
- Long Term Loan Agreement with Ganan Capital Pty Ltd (related party of Matthew Freedman);
- Short Term Loan Agreements with Ganan Capital Pty Ltd (related party of Matthew Freedman) and JHAC Pty Ltd (related party of George Garnett).

The Long Term Loan Agreement with Ganan Capital Pty Ltd was subsequently settled on 6 August 2020 via the issue of shares in Dynamic Drill and Blast Holdings Limited, refer to note 20.

	Interest Rate %	Balance 1 July 2019 \$	Additional Borrowing \$	Repayments \$	Balance 30 June 2020 \$
Long Term Loan with Ganan Capital Pty Ltd	5.50%	345,913	-	-	345,913
Short Term Loan with Ganan Capital Pty Ltd	5.50%	200,000	300,000	-	500,000
Loan with JHAC Pty Ltd	5.50%	-	33,333	-	33,333

***This concludes the remuneration report, which has been audited.***

#### **Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### **Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

#### **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

#### **Non-audit services**

There were no non-audit services provided during the financial year by the auditor.

#### **Officers of the company who are former partners of BDO Audit (WA) Pty Ltd**

There are no officers of the company who are former partners of BDO Audit (WA) Pty Ltd.

**Dynamic Drill and Blast Holdings Limited**  
**Directors' report**  
**30 June 2020**

**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.

**Auditor**

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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Mark Davis  
Director

30 September 2020

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF DYNAMIC DRILL AND BLAST HOLDINGS LIMITED

As lead auditor of Dynamic Drill and Blast Holdings Limited for the year ended 30 June 2020, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Dynamic Drill and Blast Holdings Limited and the entity it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2020

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## **General information**

The financial statements cover Dynamic Drill and Blast Holdings Limited as a consolidated entity consisting of Dynamic Drill and Blast 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 Drill and Blast Holdings Limited's functional and presentation currency.

The consolidated financial statements show the continuing business operations of Dynamic Drill & Blast Pty Ltd.

Dynamic Drill and Blast 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 30 September 2020. The directors have the power to amend and reissue the financial statements.

**Dynamic Drill and Blast Holdings Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2020**



	<b>Note</b>	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
<b>Revenue</b>	4	15,213,916	19,068,888
Other income	5	323,282	213,588
Finance Income		192	32
<b>Expenses</b>			
Operating expenses		(6,417,629)	(12,521,987)
Travel & accommodation		(525,569)	(604,613)
Employee benefits expense		(460,149)	(236,860)
Employment Expenses		(4,854,263)	(3,853,870)
Depreciation and amortisation expense		(1,539,803)	(187,856)
Provision for Impairment of assets		(475,000)	-
Reversal of expected credit loss provision		-	127,880
Vehicle expenses		(206,072)	(196,114)
Share based payments - employee benefits	36	(42,000)	-
Other expenses		(339,271)	(523,395)
Finance costs		(242,201)	(22,618)
<b>Profit before income tax (expense)/benefit</b>		435,433	1,263,075
Income tax (expense)/benefit	7	(551)	263,174
<b>Profit after income tax (expense)/benefit for the year attributable to the owners of Dynamic Drill and Blast Holdings Limited</b>	23	434,882	1,526,249
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the owners of Dynamic Drill and Blast Holdings Limited</b>		<u>434,882</u>	<u>1,526,249</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	35	1.73	6.10
Diluted earnings per share	35	1.73	6.10

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

**Dynamic Drill and Blast Holdings Limited**  
**Statement of financial position**  
**As at 30 June 2020**



	<b>Note</b>	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	869,986	2,749,412
Trade and other receivables	9	3,898,967	1,502,612
Inventories	10	199,206	-
Other current assets	11	725,765	66,141
Total current assets		<u>5,693,924</u>	<u>4,318,165</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	4,643,659	658,566
Right-of-use assets	13	940,355	-
Other non-current assets		3,040	540
Deferred tax	14	262,623	263,174
Total non-current assets		<u>5,849,677</u>	<u>922,280</u>
<b>Total assets</b>		<u>11,543,601</u>	<u>5,240,445</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	2,993,092	3,262,502
Borrowings	16	3,324,590	547,856
Lease liabilities	17	371,388	-
Employee benefits	18	376,803	181,422
Other current liabilities	19	424,935	-
Total current liabilities		<u>7,490,808</u>	<u>3,991,780</u>
<b>Non-current liabilities</b>			
Borrowings	20	2,921,455	821,702
Lease liabilities	21	610,412	-
Total non-current liabilities		<u>3,531,867</u>	<u>821,702</u>
<b>Total liabilities</b>		<u>11,022,675</u>	<u>4,813,482</u>
<b>Net assets</b>		<u>520,926</u>	<u>426,963</u>
<b>Equity</b>			
Issued capital	22	42,306	306
Retained profits	23	478,620	426,657
<b>Total equity</b>		<u>520,926</u>	<u>426,963</u>

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

**Dynamic Drill and Blast Holdings Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2020**



	<b>Issued capital \$</b>	<b>Retained profits \$</b>	<b>Total equity \$</b>
<b>Consolidated</b>			
Balance at 1 July 2018	6	(1,099,592)	(1,099,586)
Profit after income tax benefit for the year	-	1,526,249	1,526,249
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	1,526,249	1,526,249
<i>Transactions with owners in their capacity as owners:</i>			
Issue of share capital	300	-	300
Balance at 30 June 2019	306	426,657	426,963

	<b>Note</b>	<b>Issued capital \$</b>	<b>Retained profits \$</b>	<b>Total equity \$</b>
<b>Consolidated</b>				
Balance at 1 July 2019		306	426,657	426,963
Adjustment for change in accounting policy	1	-	(382,919)	(382,919)
Balance at 1 July 2019 - restated		306	43,738	44,044
Profit after income tax expense for the year		-	434,882	434,882
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	434,882	434,882
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 35)		42,000	-	42,000
Balance at 30 June 2020		42,306	478,620	520,926

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

**Dynamic Drill and Blast Holdings Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2020**



	<b>Note</b>	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		14,338,952	18,412,423
Payments to suppliers and employees (inclusive of GST)		(15,015,910)	(16,746,345)
		(676,958)	1,666,078
Interest received		192	32
Other revenue		286,760	-
Interest and other finance costs paid		(242,201)	-
Income taxes refunded		-	34,150
Net cash from/(used in) operating activities	33	(632,207)	1,700,260
<b>Cash flows from investing activities</b>			
Payment for purchase of subsidiary, net of cash acquired		-	300
Payments for property, plant and equipment		(4,462,328)	(146,974)
Loans from/(to) related and other parties		-	(42,548)
Proceeds from disposal of property, plant and equipment		45,604	351,500
Net cash from/(used in) investing activities		(4,416,724)	162,278
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,551,986	1,259,912
(Repayment) of leases		(1,715,814)	(1,045,223)
Proceeds from loans with related parties		333,333	-
Net cash from financing activities		3,169,505	214,689
Net increase/(decrease) in cash and cash equivalents		(1,879,426)	2,077,227
Cash and cash equivalents at the beginning of the financial year		2,749,412	672,185
Cash and cash equivalents at the end of the financial year	8	<u>869,986</u>	<u>2,749,412</u>

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

## **Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

#### **AASB 16 Leases**

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

#### **Impact of adoption**

On adoption of AASB 16, the entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments using the finance rates implicit within each lease contract as of 1 July 2019:

	1 July 2019 \$
Operating lease commitments as at 1 July 2019	1,692,575
Discounted using the lessee's incremental borrowing rate at the date of initial application	317,607
Lease Liability as at 1 July 2019	1,374,968
Of which are:	-
Current lease liabilities	1,366,791
Non-Current lease liabilities	8,177

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use-assets at the date of initial application.

The recognised right-of-use assets relate to the following assets:

**Note 1. Significant accounting policies (continued)**

	1 July 2019 \$
Land and buildings	59,062
Plant and equipment	<u>721,545</u>
Total right-of-use asset	<u><u>780,607</u></u>
	1 July 2019 \$
Right-of-use assets- increased by	780,607
Deferred tax assets- increased by	211,442
Lease liabilities- increased by	1,374,968
	-
The net impact on retained earnings on 1 July 2019 was a decrease of:	382,919

In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease terms where the contract contains options to extend or terminate the lease.

Refer to note 13 for further information regarding the right-of-use asset values as at 30 June 2020.

**Right of use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## **Note 1. Significant accounting policies (continued)**

### **Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### **Basis of preparation**

These general purpose financial statements 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. Supplementary information about the parent entity is disclosed in note 30.

## **Note 1. Significant accounting policies (continued)**

### **Basis of Measurement and reporting conventions including capital re-organisation**

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of the selected non-current assets, financial assets and financial liabilities. The amount presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

On 26 May 2020, Dynamic Drill and Blast Holdings Limited (DDB) completed a transaction with the shareholders of Dynamic Drill & Blast Pty Ltd (Dynamic) to acquire 100% of the share capital of Dynamic in exchange for 25,000,000 shares. In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as DDB was established for the sole purpose of facilitating the listing process and to acquire Dynamic by way of equity swap. The shareholder of Dynamic received the same proportion of equity instruments in DDB.

Consequently, this financial report presents:

- the results of Dynamic for the period from 1 July 2019 to 26 May 2020
- the results of the consolidated group for the period from 26 May to 30 June 2020
- the consolidated groups financial position as at 30 June 2020.

The comparative financial information included in the Company's financial statements is that of Dynamic, not the Company. However, the capital structure of the legal acquirer, the Company is adopted in the financial report.

The accounting policies adopted are consistent with the accounting policies adopted in Dynamic's last annual financial statements for the year ended 30 June 2019. 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 of \$435,433 (2019: \$1,263,075) during the reporting period ended 30 June 2020, and had a net cash outflow of \$1,817,185 (2019: inflow of \$1,700,260) from operating activities. Subsequent to year end, the entity successfully raised \$5,000,000 through its IPO on the ASX.

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.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dynamic Drill and Blast Holdings Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Dynamic Drill and Blast Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

## **Note 1. Significant accounting policies (continued)**

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Revenue recognition**

The consolidated entity recognises revenue as follows:

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

#### *Rendering of services*

Revenue from a contract to provide services is recognised in a profit or loss proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to work performed based on either a fixed price or hourly rate.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

## **Note 1. Significant accounting policies (continued)**

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **Note 1. Significant accounting policies (continued)**

### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### **Inventories**

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## **Note 1. Significant accounting policies (continued)**

### **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### **Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset using the effective interest rate method.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

## **Note 1. Significant accounting policies (continued)**

### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

## **Note 1. Significant accounting policies (continued)**

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **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.

## **Note 1. Significant accounting policies (continued)**

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.

### **Government Grants**

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to depreciable assets are credited to deferred income and are recognised in profit or loss over the period and in the proportions in which depreciation expense on those assets is recognised.

### **Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Dynamic Drill and Blast Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

## **Note 1. Significant accounting policies (continued)**

### *Conceptual Framework for Financial Reporting (Conceptual Framework)*

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

## **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.

### *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

### *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. In the current financial year, the Directors have made a judgement regarding options and performance rights issued during the year and that these do not meet the definition of a share-based payment as they were granted to shareholders in their capacity as shareholders.

### *Determination of variable consideration*

Judgement is exercised in estimating variable consideration where services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates, as well as the impact of the COVID-19 pandemic and forward looking estimates. Judgement has been exercised in determining nil allowance for expected credit losses.

## **Note 2. Critical accounting judgements, estimates and assumptions (continued)**

### *Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

### *Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation charges for its property, plant and equipment assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Impairment of non-financial assets*

The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### *Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### *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.

### Note 3. Operating segments

#### *Identification of reportable 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 4. Revenue

	Consolidated 2020 \$	2019 \$
Services	15,213,916	19,068,888

#### *Disaggregation of revenue*

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

	Consolidated 2020 \$	2019 \$
<i>Product type</i>		
Services	15,213,916	19,068,888
<i>Geographical regions</i>		
Western Australia	15,213,916	19,068,888
<i>Timing of revenue recognition</i>		
Services transferred over time	15,213,916	19,068,888

During the year ended 30 June 2020, the consolidated entity derived revenue in excess of 10% of the total revenue of the entity as follows:

	Revenue for the year ended 30 June 2020 \$
<b>Customer</b>	
Galaxy Lithium Australia Ltd	2,262,016
Multiplant Holdings	2,354,559
Piacentini & Son	6,607,110
QH & M Birt Pty Ltd	1,942,723

**Note 5. Other income**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Net gain on disposal of property, plant and equipment	36,522	213,588
Government grants – COVID-19 related	228,500	-
Insurance recoveries	58,260	-
	<u>323,282</u>	<u>213,588</u>
Other income	<u>323,282</u>	<u>213,588</u>

**Note 6. Operating expenses**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Superannuation contributions	349,777	
Rental, rates & maintenance	14,904	
Equipment hire (short term)	1,162,294	
Operating expenses	4,890,654	12,521,987
	<u>6,417,629</u>	<u>12,521,987</u>

**Note 7. Income tax expense/(benefit)**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
<i>Income tax expense/(benefit)</i>		
Deferred tax - origination and reversal of temporary differences	551	(263,174)
Aggregate income tax expense/(benefit)	<u>551</u>	<u>(263,174)</u>
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (note 14)	551	(263,174)
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit before income tax (expense)/benefit	435,433	1,263,075
Tax at the statutory tax rate of 27.5%	119,744	347,346
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible items & adjustments	(13,891)	60,360
Recognition of deferred taxes	(105,302)	(670,880)
Income tax expense/(benefit)	<u>551</u>	<u>(263,174)</u>

The Company and its wholly owned subsidiary have not elected to consolidate for tax purposes as at 30 June 2020.

**Note 7. Income tax expense/(benefit) (continued)**

Dynamic Drill and Blast Holdings Limited is considered to be a base rate entity for income tax purposes and is therefore subject to an income tax rate of 27.50%

The deductible temporary differences and tax losses do not expire under current legislation. The utilization of tax losses is dependent on the Companies satisfying the continuity of ownership test or business continuity test at the time the losses are applied against the taxable income.

**Note 8. Current assets - cash and cash equivalents**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Cash on hand	-	6
Cash at bank	869,986	2,749,406
	<u>869,986</u>	<u>2,749,412</u>

**Note 9. Current assets - trade and other receivables**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Trade receivables	3,898,951	1,502,312
Other receivables	16	300
	<u>3,898,967</u>	<u>1,502,612</u>

*Allowance for expected credit losses*

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	<b>Expected credit loss rate</b>		<b>Carrying amount</b>		<b>Allowance for expected credit losses</b>	
	<b>2020 %</b>	<b>2019 %</b>	<b>2020 \$</b>	<b>2019 \$</b>	<b>2020 \$</b>	<b>2019 \$</b>
<b>Consolidated</b>						
Not overdue	-	-	3,245,368	1,422,713	-	-
0 to 3 months overdue	-	-	474,985	-	-	-
Over 3 months overdue	-	-	178,614	79,899	-	-
			<u>3,898,967</u>	<u>1,502,612</u>	<u>-</u>	<u>-</u>

**Note 10. Current assets - inventories**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Stock on hand - at cost	674,206	-
Less: Provision for impairment - finished goods	<u>(475,000)</u>	<u>-</u>
	<u><u>199,206</u></u>	<u><u>-</u></u>

**Note 11. Current assets - other**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Prepayments	696,972	58,020
Other deposits	<u>28,793</u>	<u>8,121</u>
	<u><u>725,765</u></u>	<u><u>66,141</u></u>

**Note 12. Non-current assets - property, plant and equipment**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Leasehold improvements - at cost	35,280	35,280
Less: Accumulated depreciation	<u>(5,106)</u>	<u>(4,329)</u>
	<u>30,174</u>	<u>30,951</u>
Plant and equipment - at cost	5,071,594	1,300,511
Less: Accumulated depreciation	<u>(1,176,579)</u>	<u>(1,036,442)</u>
	<u>3,895,015</u>	<u>264,069</u>
Motor vehicles - at cost	1,119,144	649,425
Less: Accumulated depreciation	<u>(400,674)</u>	<u>(285,879)</u>
	<u>718,470</u>	<u>363,546</u>
	<u><u>4,643,659</u></u>	<u><u>658,566</u></u>

**Note 12. Non-current assets - property, plant and equipment (continued)**

*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 2018	31,729	431,759	377,644	841,132
Additions	-	101,439	64,544	165,983
Disposals	-	(160,694)	-	(160,694)
Depreciation expense	(778)	(108,435)	(78,642)	(187,855)
Balance as at 30 June 2019	<u>30,951</u>	<u>264,069</u>	<u>363,546</u>	<u>658,566</u>

*Reconciliations*

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

	Leasehold Improvements \$	Plant & Equipment \$	Motor Vehicles \$	Total \$
<b>Consolidated</b>				
Balance at 1 July 2019	30,951	264,069	363,546	658,566
Additions	-	4,014,520	469,719	4,484,239
Disposals	-	(31,057)	-	(31,057)
Depreciation expense	(777)	(352,517)	(114,795)	(468,089)
Balance at 30 June 2020	<u>30,174</u>	<u>3,895,015</u>	<u>718,470</u>	<u>4,643,659</u>

**Note 13. Non-current assets - right-of-use assets**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Land and buildings - right-of-use	59,063	-
Less: Accumulated depreciation	(50,625)	-
	<u>8,438</u>	<u>-</u>
Plant and equipment - right-of-use	1,953,006	-
Less: Accumulated depreciation	(1,021,089)	-
	<u>931,917</u>	<u>-</u>
	<u>940,355</u>	<u>-</u>

The consolidated entity leases land and buildings for its offices and warehouse under agreement of 2 years with options to extend. This lease has various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases plant and equipment under agreements of between 2 to 4 years.

The consolidated entity leases low value equipment under agreements on month to month terms. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

**Note 13. Non-current assets - right-of-use assets (continued)**

Refer to note 25 for further information on the remaining contractual obligations.

*Reconciliations*

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

	Plant & Equipment	Office Premises	Total
	\$	\$	\$
<b>Consolidated</b>			
Balance at 1 July 2019	-	-	-
Impact of adoption of AASB - Balance from 1 July 2019	721,544	59,063	780,607
Additions	1,231,462	-	1,231,462
Depreciation expense	(1,021,089)	(50,625)	(1,071,714)
Balance at 30 June 2020	<u>931,917</u>	<u>8,438</u>	<u>940,355</u>

**Note 14. Non-current assets - deferred tax**

	<b>Consolidated 2020</b>	<b>2019</b>
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	19,440	213,283
Employee benefits	103,621	49,891
Leases	11,398	-
Accrued expenses	7,700	-
Prepayments	(11,318)	-
40-880	1,157	-
Provision for impairment	130,625	-
Deferred tax asset	<u>262,623</u>	<u>263,174</u>
<i>Movements:</i>		
Opening balance	263,174	-
Credited/(charged) to profit or loss (note 7)	(551)	263,174
Closing balance	<u>262,623</u>	<u>263,174</u>

**Note 15. Current liabilities - trade and other payables**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Trade payables	2,115,373	2,349,373
GST & PAYG payable	875,808	823,725
Other payables	1,911	89,404
	<u>2,993,092</u>	<u>3,262,502</u>

Refer to note 25 for further information on financial instruments.

**Note 16. Current liabilities - borrowings**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Bank loans	1,630,156	139,024
Other borrowings	1,691,827	400,000
Credit Cards	2,607	8,832
	<u>3,324,590</u>	<u>547,856</u>

**Note 17. Current liabilities - lease liabilities**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Lease liability	<u>371,388</u>	<u>-</u>

Refer to note 25 for further information on financial instruments.

**Note 18. Current liabilities - employee benefits**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Annual leave	225,779	115,407
Employee benefits	151,024	66,015
	<u>376,803</u>	<u>181,422</u>

**Note 19. Current liabilities - other**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Wages Payable	1,308	-
Accrued expenses	423,627	-
	<u>424,935</u>	<u>-</u>

**Note 20. Non-current liabilities - borrowings**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Bank loans	2,921,455	129,875
Other borrowings	-	691,827
	<u>2,921,455</u>	<u>821,702</u>

Refer to note 25 for further information on financial instruments.

*Total secured liabilities*

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

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Bank loans	4,551,611	268,899
Other borrowings	1,691,827	1,091,827
Credit Cards	2,607	8,832
	<u>6,246,045</u>	<u>1,369,558</u>

On 5 June 2020, it was agreed that upon admission to the Australian Stock Exchange, the Other borrowings comprising of \$691,827 will be satisfied via the issue of shares in Dynamic Drill and Blast Holdings Limited. As disclosed in Note 32 on 6 August 2020 4,941,622 shares with a market value of \$0.20 per share were issued on settlement of these liabilities.

After 30 June 2020 repayment of loans continued on terms, a portion of the other borrowings were settled, such that the remaining balance of these other borrowings as at the date the financial statements were authorised for issue is \$500,000 (\$1,691,827 as at 30 June 2020).

The interest rates and maturity of borrowings as at 30 June 2020 is as follows:

**Note 20. Non-current liabilities - borrowings (continued)**

	Balance as at 30 June 2020 \$	Interest Rate %	Maturity Date
Other borrowing	691,827	5.50%	May 2021
Other borrowing	1,000,000	5.50%	September 2020
Bank loan	732,562	6.00%	May 2022
Bank loan	3,185,285	6.00%	June 2023
Bank loan	235,552	4.20%	March 2024
Bank loan	128,357	4.20%	April 2024
Bank loan	64,037	3.65%	April 2023
Bank loan	46,593	4.20%	May 2022
Bank loan	48,481	4.20%	January 2024
Bank loan	110,744	3.90%	November 2020
	<u>6,243,438</u>		

*Assets pledged as security*

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

The interest rates and maturity of borrowings as at 30 June 2019 is as follows:

	Balance as at 30 June 2019 \$	Interest Rate %	Maturity Date
Other borrowing	691,827	5.50%	May 2021
Other borrowing	400,000	5.50%	July 2019
Bank loan	172,117	4.50%	May 2021
Bank loan	29,573	4.50%	November 2019
Bank loan	67,209	4.20%	May 2022
	<u>1,360,726</u>		

*Assets pledged as security*

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

**Note 21. Non-current liabilities - lease liabilities**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Lease liability	<u>610,412</u>	<u>-</u>

**Note 22. Equity - issued capital**

	<b>2020</b>	<b>Consolidated</b>	<b>2020</b>	<b>2019</b>
	<b>Shares</b>	<b>2019</b>	<b>\$</b>	<b>\$</b>
		<b>Shares</b>		
Ordinary shares - fully paid	<u>25,210,000</u>	<u>30,300</u>	<u>42,306</u>	<u>306</u>

*Movements in ordinary share capital for the year ended 30 June 2019*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2018	303		6
Shares issued	15 May 2019	<u>29,997</u>	<u>\$0.01</u>	<u>300</u>
Balance	30 June 2019	<u>30,300</u>		<u>306</u>

*Movements in ordinary share capital for the year ended 30 June 2020*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2019	30,300		306
Interposition	26 May 2020	24,969,700	\$0.00	-
Shares based payments	26 May 2020	<u>210,000</u>	<u>\$0.20</u>	<u>42,000</u>
Balance	30 June 2020	<u>25,210,000</u>		<u>42,306</u>

The interposition reflects the 100% acquisition of Dynamic Drill & Blast Pty Ltd, Dynamic Drill and Blast Holdings Limited issued shares to the shareholders of Dynamic Drill & Blast Pty Ltd, in proportion to their original shareholding.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

**Note 22. Equity - issued capital (continued)**

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

**Note 23. Equity - retained profits**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Retained profits/(accumulated losses) at the beginning of the financial year	426,657	(1,099,592)
Adjustment for change in accounting policy	(382,919)	-
Retained profits/(accumulated losses) at the beginning of the financial year - restated	43,738	(1,099,592)
Profit after income tax (expense)/benefit for the year	434,882	1,526,249
Retained profits at the end of the financial year	<u>478,620</u>	<u>426,657</u>

**Note 24. Equity - dividends**

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

**Note 25. Financial instruments**

***Financial risk management objectives***

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

***Price risk***

The consolidated entity is not exposed to any significant price risk.

***Interest rate risk***

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk.

**Note 25. Financial instruments (continued)**

As at the reporting date, the consolidated entity had the following borrowings outstanding:

	2020		2019	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
<b>Consolidated</b>				
Bank loans	5.00%	4,551,611	5.00%	268,899
Other borrowings	5.50%	<u>1,691,827</u>	5.50%	<u>1,091,827</u>
Net exposure to fair value interest rate risk		<u>6,243,438</u>		<u>1,360,726</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

For the consolidated entity the bank loans outstanding, totalling \$4,551,611 (2019: \$268,899), are principal and interest payment loans. Monthly cash outlays of approximately \$140,000 (2019: \$9,000) per month are required to service the interest payments.

***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

***Liquidity risk***

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Note 25. Financial instruments (continued)**

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2020</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	2,115,373	-	-	-	2,115,373
Other payables	877,719	-	-	-	877,719
<i>Interest-bearing - fixed rate</i>					
Bank loans	1,736,018	3,002,937	90,803	-	4,829,758
Other loans	1,705,221	-	-	-	1,705,221
Lease liability	422,348	641,421	-	-	1,063,769
Total non-derivatives	6,856,679	3,644,358	90,803	-	10,591,840
<b>Consolidated - 2019</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	2,349,376	-	-	-	2,349,376
Other payables	913,129	-	-	-	913,129
<i>Interest-bearing - fixed rate</i>					
Bank loans	93,448	204,408	-	-	297,856
Other loans	422,000	694,998	-	-	1,116,998
Total non-derivatives	3,777,953	899,406	-	-	4,677,359

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## **Note 26. Key management personnel disclosures**

### *Directors*

The following persons were directors of Dynamic Drill and Blast Holdings Limited during the financial year:

Mark Davis  
Matthew Freeman  
George Garnett  
Garret Dixon

### *Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Short-term employee benefits	370,325	259,599
Post-employment benefits	33,471	23,121
Share-based payments	42,000	-
	<u>445,796</u>	<u>282,720</u>

## **Note 27. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the company:

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
<i>Audit services - BDO Audit (WA) Pty Ltd</i>		
Audit or review of the financial statements	<u>28,000</u>	<u>30,000</u>

## **Note 28. Contingent liabilities**

The consolidated entity has no contingent liabilities.

## **Note 29. Related party transactions**

### *Parent entity*

Dynamic Drill and Blast Holdings Limited is the parent entity.

### *Subsidiaries*

Interests in subsidiaries are set out in note 31.

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

**Note 29. Related party transactions (continued)**

*Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Current borrowings:		
Loan from Ganan Capital Pty Ltd (related party of Matthew Freedman)	845,914	200,000
Loan from JHAC Pty Ltd (related party of George Garnett)	33,333	-
Non-current borrowings:		
Loan from Ganan Capital Pty Ltd (related party of Matthew Freedman)	-	345,914

Ganan Capital Pty Ltd is an entity controlled by a relative of Matthew Freedman.

JHAC Pty Ltd is an entity controlled by George Garnett.

The interest paid in relation to loans with related parties is as follows:

	Interest paid for the year ended 30 June 2020 \$
Ganan Capital Pty Ltd	16,219
JHAC Pty Ltd	404
	<u>16,623</u>

*Terms and conditions*

The interest rate and maturity of the loans are as follows:

	<b>Balance as at 30 June 2020</b>	<b>Interest Rate %</b>	<b>Maturity</b>
Ganan Capital Pty Ltd	345,914	5.50%	May 2021
Ganan Capital Pty Ltd	500,000	5.50%	September 2020
JHAC Pty Ltd	33,333	5.50%	September 2020
	<u>879,247</u>		

Other than as disclosed above, there were no other transactions with related parties.

### **Note 30. Parent entity information**

Set out below is the supplementary information about the parent entity.

#### *Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(32,807)	-
Total comprehensive income	(32,807)	-

#### *Statement of financial position*

	<b>Parent</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Total current assets	573,213	-
Total assets	585,657	-
Total current liabilities	576,158	-
Total liabilities	576,158	-
Equity		
Issued capital	42,306	-
Accumulated losses	(32,807)	-
Total equity	9,499	-

#### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

### **Note 31. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2020</b>	<b>2019</b>
		<b>%</b>	<b>%</b>
Dynamic Drill & Blast Pty Ltd	Australia	100.00%	-

### **Note 32. 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.

Dynamic Drill and Blast Holdings Limited successfully listed on the Australian Stock Exchange (ASX) on 6 August 2020. In accordance with the prospectus, the listing included:

- Issue of 25,000,000 shares at \$0.20 to raise \$5,000,000
- Issue of 750,000 options to the lead manager
- Issue of 4,941,622 shares in satisfaction of the Long-Term Loan Agreements, as disclosed in Note 20.

On 25 September 2020, the Company agreed terms for a new +\$4.5 million finance facility with Commonwealth Bank of Australia ('CBA'). The finance facility will provide additional access to funds to pursue the numerous drill and blast opportunities that are available.

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 objectives underlying the expected use of funds remain intact.

No other matter or circumstance has arisen since 30 June 2020 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 33. Reconciliation of profit after income tax to net cash from/(used in) operating activities**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Profit after income tax (expense)/benefit for the year	434,882	1,526,249
Adjustments for:		
Depreciation and amortisation	1,539,803	191,692
Write off - inventory	475,000	-
Net gain on disposal of non-current assets	(36,522)	(213,588)
Share-based payments	42,000	-
Other	(648)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(2,396,355)	(656,528)
Increase in inventories	(199,206)	-
Decrease/(increase) in prepayments	(638,952)	68,762
Increase in other operating assets	(23,135)	-
Increase in trade and other payables	(25,006)	1,180,698
Increase in provision for income tax	-	34,150
Increase/(decrease) in employee benefits	195,381	(335,235)
Increase in other operating liabilities	-	167,234
Movement in DTA	<u>551</u>	<u>(263,174)</u>
Net cash from/(used in) operating activities	<u>(632,207)</u>	<u>1,700,260</u>

**Note 34. Changes in liabilities arising from financing activities**

<b>Consolidated</b>	<b>Bank loans</b>	<b>Other borrowings</b>	<b>Lease liability</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2018	332,951	691,827	212,444	1,237,222
Net cash from / (used in) financing activities	<u>(64,052)</u>	<u>400,000</u>	<u>(121,259)</u>	<u>214,689</u>
Balance at 30 June 2019	268,899	1,091,827	91,185	1,451,911
Recognised on adoption of AASB 16			1,374,968	1,374,968
Additional leases			1,231,461	1,231,461
Net cash from / (used in) financing activities	<u>4,282,712</u>	<u>602,607</u>	<u>(1,715,814)</u>	<u>3,169,505</u>
Balance at 30 June 2020	<u>4,551,611</u>	<u>1,694,434</u>	<u>981,800</u>	<u>7,227,845</u>

**Note 35. Earnings per share**

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Profit after income tax attributable to the owners of Dynamic Drill and Blast Holdings Limited	<u>434,882</u>	<u>1,526,249</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>25,210,000</u>	<u>25,000,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>25,210,000</u>	<u>25,000,000</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	1.73	6.10
Diluted earnings per share	1.73	6.10

Unlisted options were on issue as at 30 June 2020 with an exercise price of \$0.30. It is considered, given the capital raising price of \$0.20 at the Initial Public Offering, that these unlisted options are anti-dilutive.

Unlisted performance rights were on issue as at 30 June 2020 that are subject to conditions that have not yet been met. It is considered that these performance rights are anti-dilutive.

**Note 36. Share-based payments**

The following shares in Dynamic Drill and Blast Holdings Limited were issued during the year ended 30 June 2020:

- 26 May 2020 - 210,000 shares to George Garnett with a value of \$42,000.

The Company acknowledges unlisted Options and Performance Rights issued to Founder Shareholders on 24 June 2020. These Options and Performance Rights were not issued in relation to employment and are not considered share based payments.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Mark Davis  
Director

30 September 2020

## INDEPENDENT AUDITOR'S REPORT

To the members of Dynamic Drill and Blast Holdings Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Dynamic Drill and Blast Holdings Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue from contracts with customers

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group generates revenue from the provision of drilling and blasting services. The Group is required to record revenue in accordance with accounting standard AASB 15: <i>Revenue from Contracts with Customers</i> ('AASB 15').</p> <p>The Group's disclosures relating to revenue recognition are included in the summary of accounting policies in Note 1 of the financial report.</p> <p>This was considered a key audit matter given the significance of revenue to the financial report.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>Assessing the Group's revenue recognition policy for compliance with Australian Accounting Standards, in particular AASB 15 <i>Revenue From Contracts With Customers</i>;</li> <li>Selecting a sample of sales transactions around year end to ensure that they have been recognised in the correct accounting period;</li> <li>Selecting a sample of sales transactions to ensure that they have been recognised in accordance with AASB 15; and</li> <li>Assessing the adequacy of the related disclosures in Note 1, Note 2 and Note 4 to the financial report.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

#### **Report on the Remuneration Report**

##### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Dynamic Drill and Blast Holdings Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

##### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**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, 30 September 2020

The shareholder information set out below was applicable as at 22 September 2020.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

	<b>Total Number of ordinary shares</b>	<b>Number of holders of ordinary shares</b>
1 to 1,000	2,975	12
1,001 to 5,000	379,589	144
5,001 to 10,000	893,663	97
10,001 to 100,000	8,472,966	216
100,001 and over	45,402,429	57
	<u>55,151,622</u>	<u>526</u>
Holding less than a marketable parcel	<u>-</u>	<u>-</u>

## Equity security holders

### *Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total Shares issued
RANGEHILL HOLDINGS PTY LTD CALYPSO FAMILY A/C	8,333,333	15.11
JEZAC PTY LTD THE MJAC SIVD A/C	8,333,333	15.11
VALENTINO HOLDING PTY LTD ENRICA FAMILY A/C	8,254,357	14.97
BAHEN BROS PTY LTD	5,248,864	9.52
GANA CAPITAL PTY LTD	2,470,811	4.48
JHAC PTY LTD	1,388,614	2.52
MR MARK JOHN BAHEN & MRS MARGARET PATRICIA BAHEN SUPERANNUATION ACCOUNT	872,500	1.58
MICKWEND PTY LTD ATF THE TURNER FAMILY TRUST	750,000	1.36
MR ROBERT STEVEN DE MOL ATFT DEMOL SUPERANNUATION FUND & MRS DIANE MARIA DE MOL ATFT DEMOL SUPERANNUATION FUND	500,000	0.91
HAMMERHEAD HOLDINGS PTY LTD HHH S/F A/C	500,000	0.91
KINGSLANE PTY LTD CRANSTON SUPER PENSION A/C	490,000	0.89
OCEAN VIEW WA PTY LTD	393,671	0.71
MR WAYNE ELLIS MALVERN & MRS GAIL MALVERN	375,000	0.68
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	350,000	0.63
PLANTCO MINING PTY LTD	250,000	0.45
BLU BONE PTY LTD	250,000	0.45
NETWEALTH INVESTMENTS LIMITED WRAP SERVICES A/C	250,000	0.45
MR DAVID RAYMOND GRIFFIN & MS LEANNE M GRIFFIN	250,000	0.45
TROCA ENTERPRISES PTY LTD COULSON SUPER A/C	225,000	0.41
AEGEAN CAPITAL PTY LTD THE SPARTACUS A/C	210,000	0.38
	<b>39,695,483</b>	<b>71.97</b>

### *Unquoted equity securities*

	Number on issue
Options Ex \$0.25 ex 6 August 2023 - ESCROWED 24 Months	750,000
Options Ex \$0.30 ex 25 June 2023 - ESCROWED 12 Months	1,054,500
Options Ex \$0.30 ex 25 June 2023 - ESCROWED 24 Months	5,667,600
Performance Rights - Class A	819,475
Performance Rights - Class B	819,475
Performance Rights - Class C	819,475
Performance Rights - Class D	819,475

The following persons hold 20% or more of unquoted equity securities:

Holder	Unlisted Options	Unlisted Performance Rights
JEZAC PTY LTD THE MJAC SIVD A/C	1,882,280	1,281,220
RANGEHILL HOLDINGS PTY LTD	1,882,280	
CALYPSO FAMILY A/C		1,281,220

#### **Substantial holders**

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
Laurence Cowley Freedman, Valentino Holdings Pty Ltd ATF the Enrica Family Trust, Ganan Capital Pty Ltd	10,725,168	19.45
Mark Davis, Jezac Pty Ltd ATF MJAC SIVAD Family Trust	8,333,333	15.11
Matthew Freedman, Rangehill Holdings Pty Ltd ATF the Calypso Family Trust	8,333,333	15.11
Tom Bahen, Hammerhead Holdings Pty Ltd (HHH S/F A/C), Bahen Bros Pty Ltd	5,798,864	10.51
Dan Bahen, Blu Bone Pty Ltd, Bahen Bros Pty Ltd	5,498,864	9.97

#### **Voting rights**

The voting rights attached to ordinary shares are set out below:

##### *Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

#### **On Market Buy Back**

There are no current on market buy backs.

#### **ASX listing Rule 4.10.19**

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.

#### **Unmarketable Parcels**

Holdings of less than a marketable parcel of ordinary shares:

Holders: 268

Units: 1,458,546

**Restricted securities**

<b>Class</b>	<b>Expiry date</b>	<b>Number of shares</b>
Ordinary Shares	6 August 2022	23,173,191
Ordinary Shares	6 August 2021	<u>2,778,053</u>
		<u><u>25,951,244</u></u>