

Strategic Acquisition of Orlando Drilling

Highlights

- Dynamic to acquire 100% of Orlando Drilling ('Orlando') for an upfront consideration of approximately A\$21.4m (comprised of A\$4.5m cash and 37.5m fully paid ordinary Dynamic shares)
- Orlando is a WA-based grade control, exploration and resource definition drilling service provider, with a broad base of blue-chip clients
- Orlando is anticipated to generate ~A\$30m revenue and A\$6-7m EBITDA in FY21
 - Dynamic to absorb Orlando's expected net debt of approximately A\$3.8m on completion of acquisition – representing upfront EV/EBITDA of 3.9x based on midpoint of Orlando's FY21 forecast EBITDA
 - Orlando vendors to receive potential earn-out payment of up to A\$7.5m in Dynamic scrip, subject to Orlando's FY22 EBITDA performance, with max earn-out payable if Orlando achieves actual FY22 EBITDA of A\$9.8m - representing EV/EBITDA multiple of 3.3x
- The acquisition is immediately more than 50% earnings accretive¹ to Dynamic shareholders, and transforms the business in terms of scale, capability, customer diversification, and expertise
- Orlando's founders David Kinnersley and Joel Skipworth to join the Dynamic Board and executive management team, and continue to deliver exceptional service towards existing client base
- Dynamic to conduct a capital raising to fund part of the acquisition

Dynamic Drill and Blast Holdings Limited ('Dynamic' or 'The Company') is pleased to announce that it has entered into an agreement to acquire 100% of the equity in Orlando Drilling Pty Ltd. Founded in 2007, Orlando is a privately-owned, WA-based grade control, exploration and resource definition drilling service provider.

Orlando has a diversified blue-chip client base predominantly in the Pilbara and Goldfields. Orlando is expected to generate ~A\$30m of revenue and A\$6-7m of EBITDA for FY21 and its strong asset base of 17² rigs (air core (AC), reverse circulation (RC) and diamond drilling (DD) rigs) will complement Dynamic's drill and blast operations and boost the Company's total fleet to 33.

Dynamic Managing Director Mark Davis said: *"Orlando is an excellent strategic fit for Dynamic and we are very excited to leverage the complementary service offering, asset and customer base, and expertise of the team, to continue to drive growth and shareholder value."*

"This transaction transitions Dynamic into a stronger and more diversified mining services company."

¹ Based on pro forma YTD to April 2021 unaudited earnings. Including assumed capital raising, and excluding options, performance rights, or any shares to be issued under potential earn-out. Excludes the impact of any purchase price allocation

² Two out of the drill rigs are currently under dry hire arrangements

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"Importantly, there is a very strong cultural fit between Dynamic and Orlando, which will play a critical role in successfully integrating the two businesses. I would like to welcome David and Joel to the Dynamic Board and executive team, and truly believe they will add significant value to our customers and ultimately to all Dynamic shareholders."

Orlando Co-Founders David Kinnersley and Joel Skipworth said: *"Orlando has grown rapidly over the past few years however joining forces with Dynamic will really position us for future growth and provides a stronger platform to better service our combined, blue-chip client base. The combination allows us to provide a full end-to-end service for our customers, whilst maintaining excellence in safety, quality and delivery. Furthermore, the larger fleet base allows us greater capacity to meet customer requirements."*

"We are very excited to continue to join the Dynamic team and deliver long-term customer and shareholder value."

Strategic Rationale

The acquisition of Orlando is transformational and highly accretive for Dynamic, providing immediate financial benefits and operational synergies.

Scale	<ul style="list-style-type: none"> Transforms the scale of the Company into a larger, more diversified and stronger business Is immediately over 50% EPS accretive¹ to Dynamic shareholders Expanded asset base with a total of 33 drill rigs²
Complementary service offering	<ul style="list-style-type: none"> Orlando's grade control, exploration and resource definition drilling expertise complements Dynamic's existing mine production and construction drill and blast service offering Expands Dynamic's tender pipeline and growth opportunities
Customer diversification	<ul style="list-style-type: none"> Orlando's broad customer base of blue-chip clients helps diversify Dynamic's customer/project concentration risk
Synergies	<ul style="list-style-type: none"> Cross-selling opportunities to customers, with potential for Orlando's grade control and exploration drilling to provide an entry to drill and blast services Anticipated cost synergies include optimisation of overheads, site personnel (eg sharing of site supervisors) and optimisation of plant & equipment utilisation
Stronger combined team	<ul style="list-style-type: none"> Orlando's founders David Kinnersley and Joel Skipworth, who are highly regarded in the industry, to join the Dynamic Board as Executive Directors and continue to deliver exceptional service towards existing client base

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Acquisition Terms

In consideration for the acquisition of 100% of the issued capital of Orlando, Dynamic has agreed to pay an upfront consideration of ~A\$21.4m, payable in:

- \$4.5m cash; and
- 37.5 million fully paid ordinary Dynamic shares

Upfront consideration is on the basis that Orlando's net debt at settlement will be no greater than \$3.8m, equating to an enterprise value of ~A\$25.2m³ and represents an acquisition multiple of 3.9x Orlando's midpoint FY21 forecast EBITDA of A\$6.5m.

All Dynamic shares paid as consideration are to be held in voluntary escrow until 5 August 2022 and customary controlled sell down provisions until 5 February 2023, subject to shareholder approval.

Orlando shareholders will also receive a potential earn-out payment of up to A\$7.5m in Dynamic shares (with the number of Dynamic shares to be issued based on the price of the capital raising currently being conducted), subject to Orlando's FY22 EBITDA performance, with maximum earn-out payable if Orlando achieves actual FY22 EBITDA of A\$9.8m.

- A\$3.5m of the earn-out is subject to Orlando achieving FY22 EBITDA of at least A\$7m
- Up to an additional A\$4m earn-out is subject to Orlando's actual FY22 EBITDA percentage outperformance against a baseline of A\$7m, with the full A\$4m payable on a 40% outperformance (i.e. an EBITDA of A\$9.8m) and pro-rata for anything less.

For the purposes of calculating FY22 EBITDA for the earn-outs, Orlando may add any of its FY21 actual EBITDA above A\$7m.

Conditions Precedent:

The closing of the acquisition under the Share Purchase Agreement (SPA) is subject to certain conditions precedent, including but not limited to those set out below, being satisfied or waived by the Company:

- Dynamic's shareholder approval
- Completion of Dynamic's equity raising
- Receipt of any required regulatory approvals
- Pre-completion divestment of non-core assets to the vendors
- No material adverse change
- Other customary closing conditions precedent

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

³ Subject to adjustments for surplus working capital and other customary adjustments

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Board

Orlando's founders, Mr David Kinnersley and Mr Joel Skipworth will join the Dynamic executive team and Board as Executive Directors. David and Joel bring over 45 years of mining and drilling experience and will be valuable additions to the Dynamic team.

Continuous Discussions

Dynamic and Orlando continues discussions with various parties regarding further projects which are currently within the tender pipeline. The status of these discussions are at various stages and Dynamic will keep the market informed in accordance with its continuous disclosure obligations.

Advisers

For the acquisition, Sternship Advisers acted as corporate adviser and HWL Ebsworth acted as legal adviser to Dynamic.

Trading Halt Pending Capital Raise

Dynamic has today also called a Trading Halt pending a capital raising to fund the acquisition. Further information will be provided in due course.

Canaccord Genuity and JP Equity Partners is acting as Joint Lead Managers to the Placement. Ashanti Capital is acting as Co-Manager to the Placement.

-ENDS-

This announcement has been authorised by the Board of Dynamic Drill & Blast

Company Secretary
James Bahen
Dynamic Drill and Blast Holdings Ltd
info@dynamicdrillandblast.com.au
+61 8 6555 2950

Investor and Media Enquiries
Cameron Gilenko
Citadel-MAGNUS
cgilenko@citadelmagnus.com
+61 8 6160 6100 / +61 466 984 953

About Dynamic Drill & Blast

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

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

DDB is committed to business and quality management systems that provides the framework for its personnel to achieve its customer's measurable objectives, while using continual improvement initiatives to strive for best practice performance.

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

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Forward-Looking Statements

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