Dynamic
DRILL & BLAST

# STRATEGIC ACQUISITION OF ORLANDO DRILLING AND CAPITAL RAISING

MAY 2021

ORLANDO DRILLING
*Safety and Sample Quality is Paramount*

Dynamic Drill and Blast Holdings Ltd ACN 640 888 213

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    - DDB's conditional acquisition of Orlando Drilling Pty Ltd (**Orlando**) (**Acquisition**); and
    - a two tranche conditional placement of new DDB ordinary shares (**New Shares**) to certain professional and sophisticated investors (**Placement**).
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# AGENDA



Dynamic
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# Section 1.
# Transaction Summary

# TRANSACTION HIGHLIGHTS

## Transformative and highly accretive acquisition to position Dynamic for future growth

- Dynamic Drill & Blast (Dynamic) to acquire 100% of Orlando Drilling (Orlando) for an upfront consideration of approximately A$21.4m (comprised of A$4.5m cash and ~A$16.9m in Dynamic scrip to be escrowed until August 2022)
    - Dynamic to take on Orlando's expected net debt of approximately A$3.8m on completion
    - Orlando 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 assuming full earn-out is achieved
- Orlando is a WA based grade control, exploration and resource definition drilling service provider for the mining industry, with a broad base of blue-chip clients
- Orlando is anticipated to generate ~A$30m revenue and A$6-7m EBITDA in FY21
- The acquisition is immediately over 50% earnings accretive[1] to Dynamic shareholders, and transforms the Dynamic business in terms of scale, expanded capability, customer diversification, and adds significant expertise to the Dynamic management team
- Orlando's founders to join the Dynamic Board and executive management team, and continue to deliver exceptional service towards existing client base
- Dynamic to fund the cash component of the consideration and future growth through a strongly supported A$10m two tranche placement
    - Robert Martin (an Orlando shareholder) subscribed for A$2m of the placement (~A$1.75m in Tranche 2 and remainder in Tranche 1)
    - Dynamic major shareholder, Laurence Freedman, subscribed for A$2m of the placement (all in Tranche 2)
    - Dynamic's Chairman, Garret Dixon, subscribed for A$25k of the placement subject to shareholder approval (all in Tranche 2)
- Tranche 2 of the placement, vendor scrip issuance and escrow arrangements are subject to Dynamic shareholder approval targeted in early July 2021, with acquisition completion expected shortly thereafter

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

# KEY TRANSACTION TERMS

**Upfront consideration of approximately A$21.4m, payable A$4.5m in cash and remainder in DDB scrip to be escrowed**

| | |
|---|---|
| **Overview** | • Dynamic Drill & Blast (Dynamic) to acquire 100% of the issued capital of Orlando Drilling (Orlando) |
| **Consideration** | • Total upfront consideration of approximately A$21.4m, comprising:<br>    • A$4.5m in cash; and<br>    • 37.5m Dynamic shares (implies ~A$16.9m based on the capital raising price of A$0.45/share)<br>• Dynamic to take on Orlando's expected net debt of approximately A$3.8m on completion<br>• Upfront consideration implies an acquisition EV multiple of 3.9x FY21 midpoint forecast EBITDA of A$6.5m<br>• Potential earn-out payment of up to A$7.5m in Dynamic shares, subject to Orlando's FY22 EBITDA performance[1] with max earn-out payable if Orlando achieves actual FY22 EBITDA of A$9.8m[1] – representing EV/EBITDA multiple of 3.3x assuming full earn-out is achieved<br>• All Dynamic shares received by the vendors of Orlando, to be escrowed until 5 August 2022 |
| **Conditions precedent** | • Completion of the transaction is subject to:<br>    • Dynamic shareholder approval<br>    • Completion of Dynamic's equity raising to fund the transaction<br>    • Any regulatory approvals required<br>    • No material adverse change<br>    • Other customary closing conditions precedent |
| **Funding** | Dynamic to raise up to A$10.0m via a two tranche placement:<br>1. A Tranche 1 Placement to raise ~$6.2m from the issue of ~13.8m new shares under existing placement capacity<br>2. A Tranche 2 Placement to raise ~$3.8m from the issue of ~8.4m new shares, subject to shareholder approval |
| **Timetable** | • Announcement of transaction and capital raising, Dynamic to resume trading: **Monday, 24 May 2021**<br>• Estimated timing for Dynamic shareholder vote: **early July 2021**<br>• Estimated timing for completion of acquisition: **mid July 2021** |
| **Dynamic advisers** | • Sternship Advisers acted as corporate advisor and HWL Ebsworth acted as legal advisor to Dynamic |

1. A$3.5m of earn-out subject to Orlando achieving FY22 EBITDA of at least A$7m. Up to a maximum of A$4m earn-out 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, 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.. Number of shares to be issued to Orlando vendors to be calculated based on the current capital raising price. Alongside shareholder approval for the Placement and Upfront scrip consideration, Dynamic will seek a waiver from ASX from Listing Rule 7.3.4 to permit the earn-out consideration to be issued.

# ORLANDO DRILLING OVERVIEW

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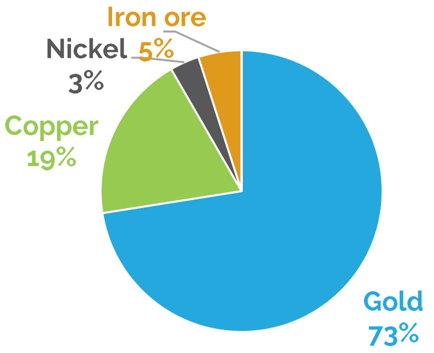
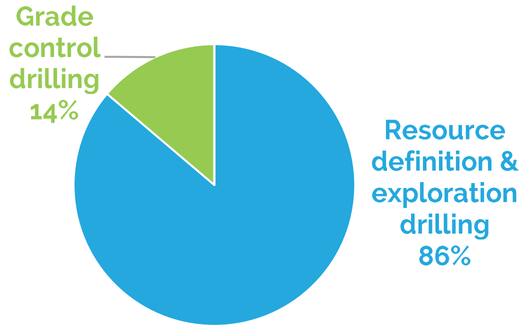
Dynamic DRILL & BLAST

- Founded in 2007, Orlando is a WA based company providing grade control, exploration and resource definition drilling services to the mining industry
- Diversified blue chip client base predominantly in the Pilbara and Goldfields
- 17 drill rigs across AC, RC and DD rigs[1] – well positioned for future growth
- FY21 forecast revenue of ~A$30m and EBITDA of A$6-7m
- Strong cultural alignment with Dynamic

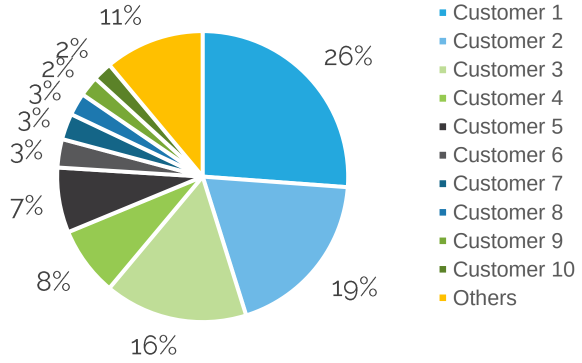
## FY21e Revenue by commodity




## FY21e Revenue by type




## FY21e customer diversification




*Notes:*
1. *Two of the three DD drill rigs in the asset base are on dry hire agreements*

# STRATEGIC RATIONALE

## Highly strategic acquisition transforms Dynamic to a stronger and more diversified platform

| | |
|---|---|
| **Scale** | • The acquisition transforms the scale of the Company into a larger, more diversified and stronger business<br>• Transaction is immediately over 50% EPS accretive[1] to Dynamic shareholders<br>• Expanded asset base with a total of 33 drill rigs[2] |
| **Complementary service offering** | • Adds Orlando's complementary grade control, exploration and resource definition drilling expertise and pipeline, to Dynamic's existing mine production and construction drill and blasting service offering<br>• Expands Dynamic's tender pipeline and growth opportunities |
| **Customer diversification** | • Adds Orlando's broad customer base of blue chip clients to diversify Dynamic's customer/project concentration risk |
| **Synergies** | • Cross-selling opportunities to respective customer bases, and potential for Orlando's grade control and exploration drilling to provide an entry to drill and blast services<br>• Anticipated cost synergies include optimisation of overheads, site personnel (eg sharing of site supervisors) and optimisation of plant & equipment utilisation |
| **Stronger combined team** | • 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 |

1. Based on pro forma YTD to April 2021 unaudited earnings. Including Placement, 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 rigs are on dry hire agreements

# Section 2.

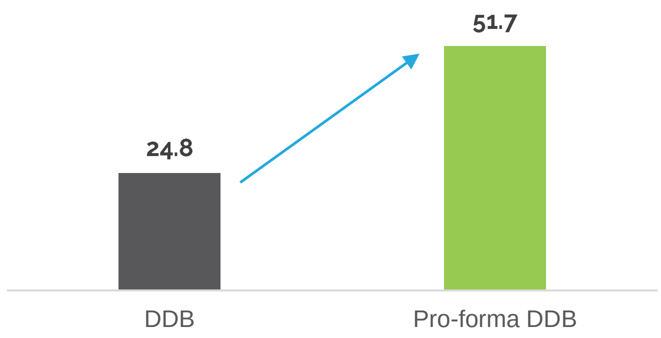
# Strategic Rationale and Future Strategy

# TRANSFORMS DYNAMIC'S SCALE FINANCIALLY

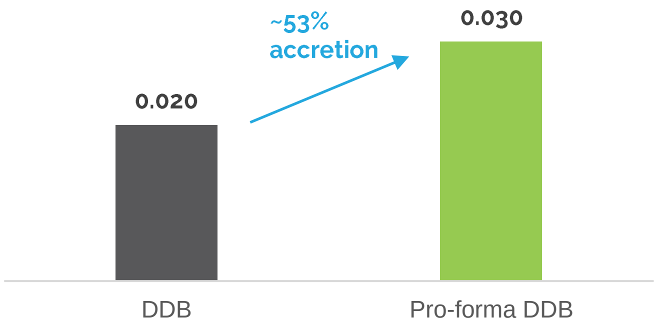
**Immediately highly accretive for Dynamic shareholders**

- Highly EPS accretive for Dynamic shareholders (~53% EPS accretion based on FY21 YTD unaudited results up to April 2021)
- Increases Dynamic's pro-forma market cap (@ raising price) to ~A$52m – creating a more scale and stronger platform for future growth

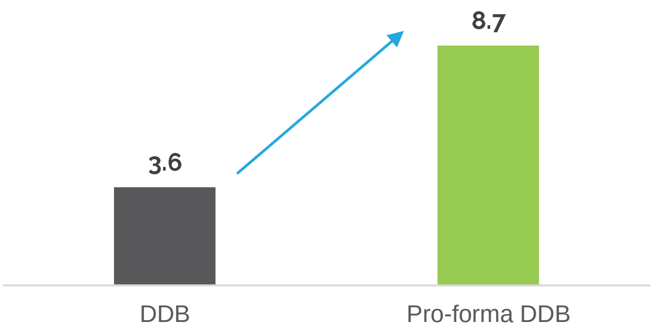
Pro-forma Market Cap (A$m)[1]



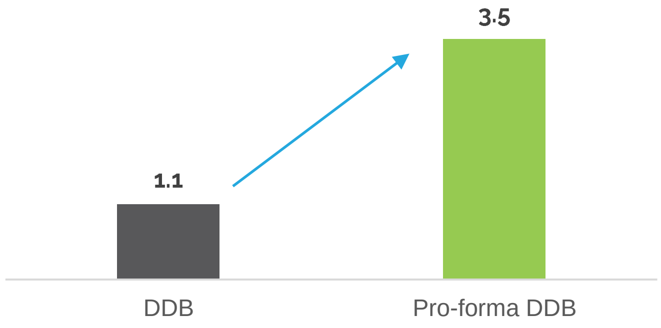

Pro-forma 10m YTD EPS (A$/share)[1,2]




Pro-forma 10m YTD EBITDA (A$m)[2]




Pro-forma 10m YTD NPAT (A$m)[2]




Notes:
1. At Dynamic share price of $0.45/share (the placement price). Including Placement, and excluding options, performance rights, or any shares to be issued under potential earn-out
2. Based on unaudited results for the 10 months period up to end of April 2021. Excludes the impact of any purchase price allocation

# EXPANDS OPERATIONAL CAPABILITIES

**Becomes a larger more diversified platform with high quality client base in a strong financial position to fund growth**

## Capability

- Exploration drilling
- Grade control drilling
- Mine production drill & blast
- Construction drill & blast
- Vibration sensitive drill & blast

## End-client base

- Northern Star Resources Limited
- Sandfire Resources NL
- AngloGold Ashanti
- First Quantum Minerals
- Galaxy
- Gold Road Resources
- GWR

## Asset base

- 15 x Blast Hole Drill Rigs
- 2 x AC Drill Rigs
- 13 x RC Drill Rigs
- 3 x DD Drill Rigs[1]
- ~110 x Support Equipment

## Financial strength

Strong pro-forma balance sheet[2]:

- Cash of A$8m
- Debt of A$10m
- Undrawn facilities of A$5.9m

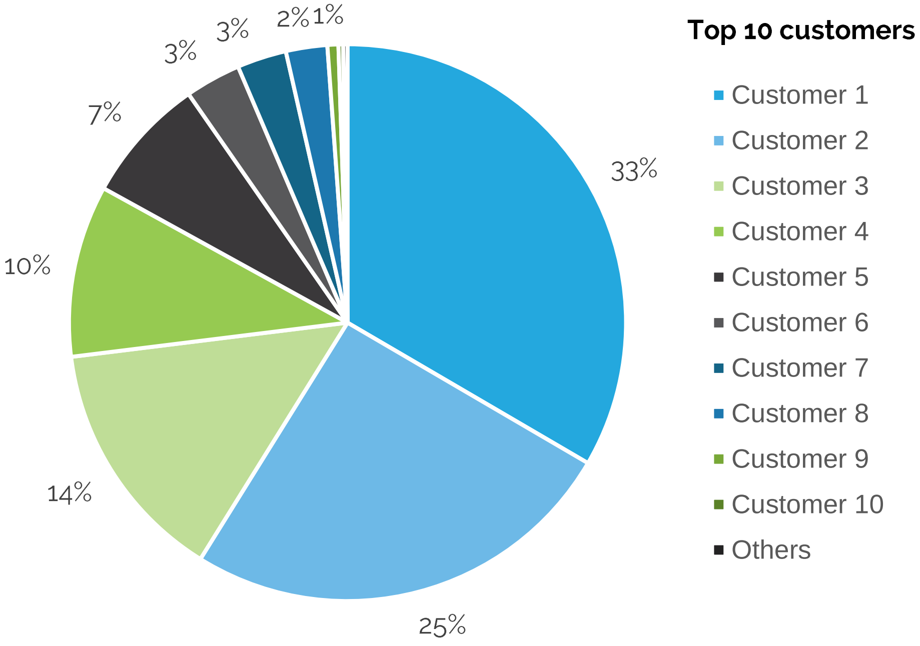
*Notes:*

1. *Two of the three DD drill rigs are on dry hire agreements*
2. *As at 31 Dec 2020. Includes the cash raised from the capital raising*

# INCREASED CUSTOMER DIVERSIFICATION

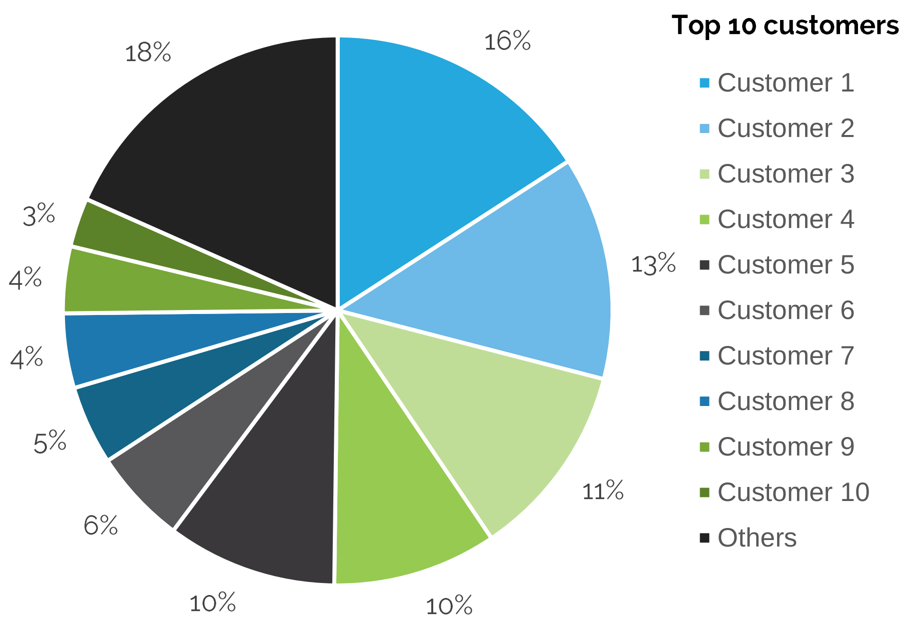
**Complementary client base adding significant counterparty diversification**

## Current customer concentration




Note: based on FY21 YTD as at end of April 2021

## Pro-forma customer concentration




Note: Pro-forma based on Dynamic's FY21 YTD as at end of April 2021 annualized, and Orlando's FY21 full year estimate

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# INTEGRATION STRATEGY

- The two brands will be retained, leveraging the existing strong customer relationships
- Orlando founders David Kinnersley and Joel Skipworth will join the Board as Executive Directors of Dynamic
- Shared services will be consolidated over time to deliver cost synergies
- The Dynamic Board is conscious of the high proportion of Executives on the Board post transaction, and is committed to transitioning the Board composition over time to meet best practice governance

## Board of Directors

| | |
|---|---|
| NON-EXECUTIVE CHAIRMAN<br>Garret Dixon | 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. Until recently, Mr Dixon 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. Garret has a Bachelor of Engineering (Hons) and a Master of Business Administration and is a member of the Australian Institute of Company Directors. |
| MANAGING DIRECTOR-DDB<br>Mark Davis | Mark has been a Director of DD&B since incorporation in 2011. Mr 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. |
| EXECUTIVE DIRECTOR<br>Matt Freedman | Matt joined Dynamic as a General Manager in 2018 and then as a Director in 2019. Matt brings over 13 years of experience in the mining and mining services sector. Mr Freedman's earlier roles include working for Rio Tinto Procurement, WorleyParsons and Emeco. Matt holds a Bachelor of Business Administration. |
| NON-EXECUTIVE DIRECTOR<br>George Garnett | George is an experienced equity capital markets executive, having advised on the formation and execution of numerous transactions in emerging companies. Mr Garnett is currently a Director of Corporate Finance at Canaccord Genuity Australia and holds a Bachelor of Commerce from Curtin University. George was previously a Non-Executive Director of Gunsynd PLC (GUN.LSE). |
| EXECUTIVE DIRECTOR<br>David Kinnersley | David has 25 years drilling industry knowledge starting from drill operator and drill supervisor before co-founding Orlando Drilling. David is responsible for managing Orlando's operational strategy and effective human resources capital management. |
| EXECUTIVE DIRECTOR<br>Joel Skipworth | Joel has 23 years of mechanical engineering experience and is a co-founder of Orlando. He is responsible for securing strong customer and supplier relationships and managing and maintaining all equipment and fleet procurement. |

# FUTURE GROWTH

**The acquisition of Orlando significantly enhances Dynamic's growth strategy**

| Organic Growth | Debt provider relationships | Improve margin | Fleet | Explosive equipment | Proficient personnel and traineeships | Mergers and Acquisitions |
|---|---|---|---|---|---|---|
| Continue to develop a pipeline of project opportunities<br><br>**Drive cross-selling between Dynamic and Orlando's customer bases**<br><br>**Leverage Orlando's exploration/resource definition drilling projects as entry points into drill & blast services** | ASX listing will strengthen balance sheet, to assist negotiations with finance and working capital providers<br><br>**Larger scale of business strengthens debt provider relationships** | Continuing to reduce margin leakage within current operations, i.e. reduced hiring and increased ownership of core fleet<br><br>**Significantly enlarged fleet base to optimise asset utilisation**<br><br>**Sharing of shared services** | Continue to strengthen relationships with our equipment suppliers to ensure access to the core fleet we require to undertake new projects. Lead times are extending as demand increases within the industry<br><br>**Significantly enlarged fleet base to optimise asset utilisation** | Continuing to grow the blasting division's capability and capacity, through the acquisition equipment and technology | Dynamic plans to introduce training initiatives to access qualified personnel, as well as to upskill/multiskilling current workforce<br><br>**Strengthened combined team with strong cultural fit** | Assess strategic M&A opportunities as appropriate<br><br>**Larger and stronger platform to execute future strategic M&A opportunities** |

# Section 3.

# Capital Raising Overview

# CAPITAL RAISING DETAILS

Dynamic DRILL & BLAST

**Two tranche placement to raise A$10.0m at an offer price of A$0.45 per share**

| | |
|---|---|
| **Offer structure & size** | Dynamic to raise up to A$10.0m via a two tranche placement:<br>1. A Tranche 1 Placement to raise ~$6.2m from the issue of ~13.8m new shares under existing LR7.1 and LR7.1A placement capacity<br>2. A Tranche 2 Placement to raise ~$3.8m from the issue of ~8.4m new shares, subject to shareholder approval<br><br>Tranche 2 Placement to consist of Robert Martin, Laurence Freedman and Board subscriptions. All other investors will form part of the Tranche 1 Placement |
| **Offer pricing** | Offer price of $0.45 per New Share represents a:<br>• 4.3% discount to the last closing price (on 19 May 2021) of $0.470<br>• 2.0% premium to the 5 trading day VWAP of $0.441<br>• 0% discount to the 30 trading day VWAP of $0.450 |
| **Ranking** | Pari passu with existing fully paid ordinary shares on issue |
| **Use of proceeds** | Proceeds from the Equity Raising will be applied to:<br>• Transaction consideration: $4.5m<br>• Transaction and capital raising costs: $1.2m<br>• Working capital and future growth: $4.3m |
| **Cornerstone and Director participation** | • Robert Martin (an Orlando shareholder) subscribed for A$2m of the placement (majority in Tranche 2)<br>• Dynamic major shareholder, Laurence Freedman, subscribed for A$2m of the placement (all in Tranche 2)<br>• Dynamic's Chairman, Garret Dixon, subscribed for A$25k of the placement (in Tranche 2) |
| **Joint Lead Managers** | • Canaccord Genuity and JP Equity Partners acted as Joint Lead Managers for the Placement<br>• Ashanti Capital acted as Co-Manager for the Placement |

# SOURCES & USES OF FUNDS

**Proceeds from the Placement will be applied to:**

| Sources | Amount ($m) |
|---|---|
| Placement (before costs) | 10.0 |
| | |
| | |
| | |
| **Total sources** | **10.0** |

| Uses | Amount ($m) |
|---|---|
| Cash consideration to Orlando vendors | 4.5 |
| Transaction and capital raising costs | 1.2 |
| Working capital and future growth | 4.3 |
| | |
| **Total uses** | **10.0** |

# PRO-FORMA CAPITAL STRUCTURE

| DDB Capital Structure | Shares[1] | % ownership | Pro-forma Market Cap @ 45c raising price (A$m) |
|---|---|---|---|
| Existing ordinary shares | 55,151,622 | 48.0% | 24.8 |
| Acquisition[2] | 37,500,000 | 32.6% | 16.9 |
| Capital Raising | 22,222,222 | 19.3% | 10.0 |
| **Total** | **114,873,844** | **100.0%** | **51.7** |

Notes:
1. Includes restricted shares. Excludes existing 8,972,100 options and 3,277,900 performance rights on issue
2. Excludes potential to issue up to 16,666,667 shares to the vendors as part of the earn-out consideration subject to Orlando's FY22 performance
3. At completion of the Acquisition and Placement the unrelated vendors of Orlando are expected to hold 41,944,444 shares or 36.5% of shares in Dynamic. Note this excludes any shares which may be issued to the vendors subject to the earn-out consideration

# PRO-FORMA BALANCE SHEET

| A$m (31 Dec 2020) | Dynamic (Reviewed) | Orlando (Not reviewed) | Transaction Adjustments | Pro-forma Dynamic |
|---|---|---|---|---|
| Cash and cash equiv | 3.0 | 3.1 | 2.2[1] | 8.2 |
| Receivables | 4.5 | 6.7 | | 11.2 |
| Inventories | 0.7 | 0.2 | | 1.0 |
| PPE | 6.9 | 8.4 | | 15.3 |
| Intangibles | - | - | 15.8[2] | 15.8 |
| Other assets | 1.5 | 1.4 | | 2.9 |
| **Total assets** | **16.6** | **19.8** | **18.0** | **54.4** |
| | | | | |
| Payables | 2.1 | 6.8 | | 8.9 |
| Borrowings | 5.4 | 4.8 | | 10.2 |
| Lease liabilities | 1.0 | - | | 1.0 |
| Employee provisions | 0.4 | 0.6 | | 1.0 |
| Other liabilities | 0.3 | - | | 0.3 |
| **Total liabilities** | **9.2** | **12.1** | **-** | **21.3** |
| | | | | |
| Issued capital | 5.6 | | 26.9[3] | 32.5 |
| Reserves | 0.1 | | | 0.1 |
| Retained earnings | 1.7 | | (1.2)[4] | 0.5 |
| **Shareholders Equity** | **7.4** | | **25.7** | **33.1** |

Note: The impact of Purchase Price Accounting (PPA) has not yet been completed, and therefore pro forma transaction adjustments are illustrative only subject to change upon finalization of PPA. Pro forma transaction adjustments also subject to actual net debt and net working capital as at the completion date.

1. A$10m capital raising less estimated A$1.2m transaction and capital raising costs, and less cash consideration, adjusted for target net debt
2. Indicative intangible assets such as customer contracts, goodwill, and any other unrecognized intangibles to be recognized on acquisition
3. A$10m capital raising plus value of upfront 37.5m scrip consideration
4. A$1.2m estimated transaction and capital raising costs

# INDICATIVE TIMETABLE

**DDB shareholders will vote on the 2nd Tranche Placement and issue of the vendor scrip consideration at an EGM planned for early July 2021, with the acquisition expected to complete shortly thereafter**

| Event | Indicative Date[1] |
|---|---|
| Transaction announced and DDB resumes trading on ASX | Monday, 24 May 2021 |
| Settlement of Tranche 1 Placement | Friday, 28 May 2021 |
| Notice of Meeting expected to be sent to DDB shareholders | Friday, 4 June 2021 |
| DDB shareholder meeting | Monday, 5 July 2021 |
| Settlement of Tranche 2 Placement | Friday, 9 July 2021 |
| Completion of acquisition | Wednesday, 14 July 2021 |

**Notes:**
1. The above timetable is indicative only and subject to change without notice.

# Appendices

POSITIONING FOR **GROWTH**

# Key Risks

**Overview**

As DDB and Orlando operate in the same industry, many of the key risks that apply to DDB apply equally to Orlando. These overlapping key risks are set out below under the heading "Key risks relating to DDB and industry risks" and will continue to apply to DDB and Orlando's combined business post-Acquisition (although relative risk weightings may change). The factors below are not necessarily listed in order of importance and are not intended to be an exhaustive list of all the risks and uncertainties not presently known, or that are currently considered to be immaterial or manageable, may adversely affect the businesses of DDB, Orlando or the combined business.

**Key risks relating to the Acquisition**

**(a) Due diligence risk**

DDB has undertaken a due diligence process in respect of the Acquisition. While DDB considers the due diligence process undertaken to be appropriate, DDB is not able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. There is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the Acquisition have been identified and avoided or managed appropriately. Therefore, there is a risk that unforeseen issues and risks may arise, which might also have a material impact on DDB (for example, DDB may later discover defects which were not identified through due diligence or for which there is no protection or recourse for DDB). This might adversely affect the operations, financial performance or position of DDB.

**(b) Integration risk**

The Acquisition involves the integration of Orlando which has previously operated independently to DDB. As a result, there is a risk that the integration of Orlando may be more complex than anticipated, encounter unexpected challenges or issues and take longer than expected, divert management attention or not deliver the expected benefits and this may affect DDB's operating and financial performance. Further, the integration of Orlando's accounting functions may lead to revisions, which may impact on DDB's reported financial results. Whilst DDB does not foresee any issues in integrating Orlando, the integration carries risk, including potential delays or additional costs in implementing necessary changes, difficulties or unexpected costs in integrating systems or operations, and costs relating to alignment of pay rates or retention of key staff.

**(c) Historical liability risk**

If the Acquisition completes, DDB may become directly or indirectly liable for any liabilities that Orlando has incurred in the past as a result of prior acts or omissions, including liabilities which were not identified during DDB's due diligence or which are greater than expected, and for which the various forms of protections negotiated by DDB in its agreement to acquire Orlando (in the form of representations and warranties and indemnities) turn out to be inadequate in the circumstances. Such liability may adversely affect the financial performance or position of DDB.

# Key Risks

**(d) Acquisition accounting**

In accordance with AASB 3, Orlando's identifiable assets, liabilities and contingent liabilities, including intangible assets, must be identified and valued as at the Acquisition date. The purchase price is then allocated across the fair value of these assets, liabilities and contingent liabilities with any residual recognised as goodwill. The valuation of intangible assets is a complex and time-consuming process that may require specialist skills and detailed information about the business, which will become available to DDB following completion of the Acquisition. In addition, each of the identified intangibles acquired may have a limited life and must be amortised over that life in contrast to goodwill, which is subject to annual impairment review. Indefinite life intangibles are not amortised and are reviewed for impairment annually. A detailed identification and valuation process will therefore be undertaken after the Acquisition completes. Under AASB 3, the Company has up to 12 months from the date of Acquisition during which retrospective adjustments can be made to the provisional Acquisition accounting. The Company has not completed an exercise to consider the fair value of the tangible and identifiable intangible assets and the liabilities acquired along with any related deferred tax amounts. No value has been attributed to potential carry forward tax losses or deferred tax liabilities related to intangible assets for the purposes of the pro forma historical statement of financial position. Accordingly, adjustments will impact the recorded amounts of assets and liabilities of the Company and will have an impact on depreciation and amortisation charges in future financial periods and therefore impact EBIT and NPAT.

**(e) Dilution risk**

On completion of the Acquisition and assuming all of the New Shares under the capital raising are issued (and no exercise of options or performance rights on issue), existing DDB shareholders will be diluted. DDB shareholders will retain approximately 48% of the issued share capital of DDB (assuming no participation in capital raising), the vendors will hold approximately 33% of the issued share capital of DDB (assuming no participation in capital raising) and the investors under the capital raising will hold approximately 19% of the issued share capital of DDB (including any shares subscribed for by existing DDB shareholders or Orlando vendors). Subject to receipt of shareholder approval or ASIC relief, 55% of the issued share capital of DDB will be subject to voluntary escrow until 5 August 2020 with and customary controlled sell down provisions until 5 February 2023, subject to shareholder approval. All percentages above exclude any earn-out consideration shares.

**(f) Contractual risk**

DDB has agreed to acquire 100% of the issued capital of Orlando subject to the fulfilment of the conditions precedent. In the event the conditions precedent are not satisfied, DDB will not be able to complete the Acquisition or Tranche 2 of the Placement.

The operations of Orlando also require the involvement of a number of third parties including suppliers, manufacturers and customers. With respect to these third parties and despite applying best practice in terms of pre-contracting due diligence, DDB is unable to completely avoid the risk of: (i) financial failure or default by a participant in any material agreement to which the Orlando is, or may become, a party; and (ii) insolvency, default on performance or delivery by any operators, contractors or service providers; (iii) and counterparties refusing to consent to, or exercising termination rights on, a change of control.

## Key Risks

**Key risks relating to DDB and industry risks**

**(a) Future earnings and capital requirements**

DDB has undertaken financial and business analysis of the Orlando Business in order to determine their attractiveness to DDB and whether to pursue the Acquisition. To the extent that the actual results achieved by the Orlando Business are weaker than those anticipated, or any unforeseen difficulties emerge in integrating the operations of the Orlando Business, there is a risk that the future revenue and earnings of the operations of the Orlando Business may differ (including in a materially adverse way) from the expectations of DDB. Adverse differences may cause DDB to seek further financing from time to time to finance the ongoing operation of the Orlando Business. Similarly, DDB may be required to raise further finances in order to meet capital expenditure upgrades on the Orlando Business in an amount greater than contemplated in the use of funds.

Any additional equity financing may be dilutive to shareholders, may be undertaken at lower prices than the current market price (or may involve restrictive covenants which limit DDB's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities. No assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to DDB or at all.

**(b) Competition risk**

DDB's current and future potential competitors may include companies with greater resources. DDB may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market shares. Such competition could adversely affect DDB's growth prospects, operating results and financial performance. The entry of additional competitors into the drilling and blasting industry could result in reduced operating margins and loss of market share.

**(c) Maintenance of key relationships**

DDB relies on relationships with key business partners to enable it to promote its services. A failure to maintain relationships could result in a withdrawal of support, which in turn could impact DDB's financial position. DDB may lose strategic relationships if third parties with whom DDB has arrangements are acquired by or enter into relationships with a competitor.

**(d) Occupational health and safety risk**

Site safety and occupational health and safety outcomes are a critical element in the reputation of DDB and its ability to retain and be awarded new contracts in the resources industry. While DDB has a strong commitment to achieving a safe performance on site and a strong record in achieving safety performance, a serious site safety incident could impact upon the reputation and financial outcomes for DDB.

**(e) Insurance risk**

DDB faces various risks in conducting its business and may lack adequate insurance coverage or may not have the relevant insurance coverage. Although insurance is maintained in line with industry practice, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims.

**(f) Ability to win new work**

If DDB is unable to establish new customer relationships and win new work this will adversely affect DDB's growth prospects, operational results and financial performance.

# Key Risks

**(g) Environmental risks**

Environmental management and compliance is an important part of the business of DDB's customers. DDB's actions or failures to act may result in the mining customers for which it performs services incurring environmental liability, regulatory penalties, or having licenses suspended, cancelled or subjected to additional conditions. Some of DDB's customer contracts contain indemnities under which it is obliged to compensate the customer for certain losses resulting from environmental incidents for which DDB is responsible. As a result, environmental incidents may result in DDB incurring substantial obligations to compensate its customers which could have a material adverse effect on DDB's operational and financial performance.

**(h) Access to sufficient used and new equipment**

The services provided by DDB are dependent on access to used and new mining equipment. In the event that DDB has difficulty in securing adequate supplies of mining equipment at appropriate prices, or if the quality of the equipment is not acceptable or suitable, its ability to perform or commence new projects may be adversely affected. This may have an adverse impact on the financial performance and/or financial position of DDB.

**(i) Maintenance of equipment risk**

DDB's equipment will require maintenance and replacement over time. Future operating and financial performance could be adversely affected because maintenance and repair costs may be higher than estimated, it must be undertaken earlier than anticipated, or if there is a significant operational failure requiring unplanned maintenance expenditure.

**(j) Quality of work and delivery**

There is no guarantee DDB will always meet its customers' expectations as to the timing and quality of work performed. Any such failures, or perceived failures, may have a materially adverse impact on DDB's reputation and financial performance.

**(k) Reliance on key personnel**

DDB is reliant on a number of key personnel and consultants, including members of the Board. The loss of one or more of these key contributors could have an adverse impact on DDB's operations. Similarly, the Acquisition will mean the Board and management of DDB must divide their time and attention between the Existing Business and the Orlando Business.

**(l) Reliance on Mining Industry**

DDB's financial performance is sensitive to the level of demand within the resources and mining industry. The level of activity in the industry can be cyclical and sensitive to a number of factors beyond the control of DDB (including COVID-19). In addition, DDB may not be able to predict the timing, extent or duration of the activity cycles in the industry. Any reduction in demand from the mining industry, or a reduction in the reliance by the mining industry on contractors, may negatively affect the growth prospects, operating results and financial performance of DDB.

**(m) Reputation**

DDB has developed a good reputation and relies on this to establish and maintain relationships with its customers. There is a risk that any event by which DDB suffers a loss of reputation, may result in damage to DDB's brand and may impact on DDB's ability to retain existing customers and build new customer relationships.

**(n) Disruption to business operations**

DDB and its customers are exposed to a range of operational risks relating to both current and future operations. A disruption in the operations of DDB or its clients may have an adverse impact on the financial performance and/or financial position of DDB.

# Key Risks

**(o) Liability risk**

The provision of products and services by DDB carries with it a risk of liability for losses arising from the provision of defective services, environmental damage, personal injury or property damage and indirect or consequential losses suffered by third parties. DDB's insurance and contractual arrangements may not adequately protect it against such liabilities and any loss falling outside the scope of insurance may adversely affect DDB's financial performance and/or financial position.

**(p) Unforeseen expenses**

DDB's cost estimates and financial forecasts include appropriate provisions for material risks and uncertainties and are considered to be fit for purpose for the proposed activities of DDB. If risks and uncertainties prove to be greater than expected, or if new currently unforeseen material risks and uncertainties arise, the expenditure proposals of DDB are likely to be adversely affected.

**(q) Supply risks and costs**

DDB relies on the availability and provision of consumables from third parties in a cost-effective manner. Any significant interruption or change in availability or costs of key consumables could materially impact the ability of DDB to provide services in a timely manner.

**(r) Litigation risks**

DDB is subject to litigation risks. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which DDB is or may become subject could have a material effect on its financial position, results of operations or DDB's activities.

**(s) Infectious diseases**

The outbreak of the coronavirus disease (COVID-19) has had a material effect on global economic markets. The global economic outlook is facing uncertainty due to the pandemic, which has had and may continue to have a significant impact on capital markets. DDB's share price may be adversely affected by the economic uncertainty caused by COVID-19.

**(t) Climate change risks**

There are a number of climate-related factors that may affect DDB's business which may have an adverse effect on DDB's customer's ability to access and utilise their tenements and therefore DDB's ability to carry out services. Changes in policy, technological innovation and consumer or investor preferences could adversely impact DDB's business strategy, particularly in the event of a transition (which may occur in unpredictable ways) to a lower-carbon economy.

# Key Risks

**Placement and general investment risks**

**(a) Settlement of Trance 2 of the Placement is conditional**

The Placement is structured in two tranches, with Tranche 2 of the placement is subject to Dynamic shareholder approval targeted in early July 2021, with acquisition completion expected shortly thereafter. Tranche 1 of the Placement is unconditional. Investors in Tranche 1 of the Placement should be aware that their commitment to subscribe for New Shares is unconditional and if conditions precedent to the Acquisition are not satisfied, including shareholder approval, the Acquisition will not complete.

**(a) Economic**

Factors such as inflation, currency fluctuations, interest rates, legislative changes, political decisions and industrial disruption have an impact on operating costs. DDB's future income, asset values and share price can be affected by these factors.

**(b) Market price of DDB shares**

The market price of DDB shares may fluctuate over time as a result of a number of factors including the financial performance and prospects of DDB, prevailing market conditions, general investor sentiment, interest rates, commodity prices and the liquidity and volume of shares being bought or sold at any point in time. It should be noted that there can be no guarantee that there will be an active or liquid market in shares traded on the ASX and there is no guarantee that New Shares issued under the capital raising will trade at or above the issue price. The historic price performance of DDB shares does not necessarily provide any guidance as to the future share price performance.

**(c) Government and legal risk**

Any material adverse changes in government policies or legislation of Australia any other country that DDB has economic interests may affect the viability and profitability of DDB.

**(d) Taxation**

Future changes in Australian tax law may affect the taxation treatment of an investment in DDB shares or the holding or disposal of those shares. Further, changes in tax law, or the way tax law is expected to be interpreted may impact the future tax liabilities of DDB.

**(e) Force majeure**

Significant catastrophic force majeure events – such as war, acts of terrorism, pandemics, loss of power, cyber security breaches could disrupt DDB's operations and impair deployment of its solutions by its customers, interrupt critical functions, reduce demand for DDB's products, prevent customers from honouring their contractual obligations to DDB or otherwise harm the business.

# DEFINITIONS

| | |
|---|---|
| EBITDA | Earnings before interest, tax, depreciation and amortisation. |
| EBITDA Margin | EBITDA divided by total revenue expressed as a percentage. |
| EBIT | Earnings before interest and tax |
| NPBT | Net profit before tax. |
| NPAT | Net profit after tax. |
| Leverage | Net debt divided by EBITDA for the preceding 12 months |
| Gross Debt | Total balances outstanding on all bank loans, equipment finance and working capital facilities. |
| Net Debt | Gross Debt less cash and cash equivalents. |
| 10m YTD | Period 1 July 2020 to 30 April 2021. |
| FY21e | Full year estimate for period 1 July 2020 to 30 June 2021 |

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