ACN 636 677 088

Consolidated Interim Financial Report

For the Half Year Ended 31 December 2021

Contents

Directors' Report

The Directors present their report on DDH1 Limited (the **"Company"**) and its subsidiaries (the **"Group"**) for the half year ended 31 December 2021.

Directors

The names of Directors of the Company at any time during, or since the end of the six month period are:

Name

Diane Smith-Gander AO (Chairperson)
Alan Broome AM
Andrea Sutton
Murray Pollock
Byron Beath
Sy Van Dyk (Managing Director and CEO)

The Directors of the Company have been in office since the start of the financial period to the date of this report unless otherwise stated.

Company Secretaries

Ben MacKinnon
Darryl Edwards

Principal Activities

The principal activities of the Group during the financial period were to provide a range of specialised surface and underground drilling services to mining and exploration clients in Australia. The Group is headquartered in Canning Vale, Western Australia.

No significant change in the nature of these activities occurred during this half year period.

Review of Operations

The Group's financial performance for the half year period has been robust, despite the continued impacts of the Covid-19 pandemic. Whilst our operations have been affected by the various state border closures that occurred during the review period, the Group has managed to deliver a strong result. Demand for the Group's drilling services has remained strong throughout the review period, with rig utilisation and productivity at high levels.

Safety and Training

The Group has invested significant time and costs in safety training programs and initiatives. The result of this investment is that the rolling 12-month total recordable injury frequency rate (TRIFR) at 31 December 2021 was 8.02, which was an improvement on June 2021, when the TRIFR was 9.00.

Capital Expenditure

During the review period, the Group added 5 surface rigs and 1 underground rig into the fleet. These additions underpin the continued investment in the Group's current and future operations.

Directors' Report (continued)

Review of Operations (continued)

Utilisation

At 31 December 2021, the Group's fleet totalled 104 drill rigs. This comprised of 11 underground and 93 surface drill rigs. Utilisation remained strong throughout the 6 month period, with utilisation rates increasing to 79.3% in the current period (1H FY21: 73.9%). Pleasingly the underground division has had a significant increase in utilisation to 76.5% (1H FY21: 33.9%).

Metres Drilled

During the review period, the Group has drilled 1,165,904 metres (1H FY21: 1,090,621).

Financial Results

FINANCIAL RESULTS (NON-IFRS)	1H FY22 $'000	Comparative $'000	% Change
PROFIT & LOSS			
Revenue	168,669	141,490	19.2%
EBITDA	41,156	32,549	26.4%
Operating EBITDA[1]	42,783	33,539	27.6%
EBIT	28,408	21,057	34.9%
Operating EBIT[2]	30,035	22,047	36.2%
NPAT	19,700	13,406	47.0%
CASH FLOW			
Net cash from operating activities	30,419	25,846	17.7%
Net cash from investing activities	(26,450)	(23,607)	12.0%
Operating cash flow before interest and taxes	37,581	38,755	(3.0%)
AT BALANCE DATE			
Cash	10,094	14,591	(30.8%)
Debt (Excluding right of use liabilities)	3,592	4,988	28.0%
Net Cash (cash less debt excluding right of use liabilities)	6,502	9,603	(32.3%)

[1] Operating EBITDA is calculated by adding back IPO and acquisition costs to EBITDA. $990k was included in legal and consultants costs for the IPO of DDH1 Limited in the comparative period. In the current period $1,627k was included in the Statutory EBITDA for costs associated with the Swick transaction.
[2] Operating EBIT is calculated by adding back IPO and acquisition costs to EBIT. $990k was included in legal and consultants costs for the IPO of DDH1 Limited in the comparative. In the current period $1,627k was included in the Statutory EBITDA for costs associated with the Swick transaction.

Directors' Report (continued)

Review of Operations (continued)

FINANCIAL RESULTS (NON-IFRS)	1H FY22 $'000	Comparative $'000	% Change
RATIOS			
EBITDA Margin %	24.4%	23.0%	1.4%
Operating EBITDA Margin %	25.4%	23.7%	1.7%
EBIT Margin %	16.8%	14.9%	1.9%
Operating EBIT Margin %	17.8%	15.6%	2.2%
Basic EPS – cents per share	5.75	4.60	25.0%

Profit

The Group generated a 47.0% increase in Net Profit After Tax (NPAT) for the six months to 31 December 2021, compared to the prior half year ended 31 December 2020. Revenue increased 19.2% compared to 31 December 2020, due to an increase in rigs and fleet utilisation.

Balance Sheet

Total assets have increased by $7,947k to $289,269k primarily due to the continued investment into our fleet and inventory. $26,517k was invested in CAPEX during the half year ended 31 December 2021.

Total liabilities decreased by $5,241k to $42,394k primarily as a result of lower business activity in December compared to June due to our shut down period. This resulted in a reduction in trade payables of $4,584k with an ending balance of $24,173k.

Cash flow

Operating cash flows for the period ended 31 December 2021 increased by 17.7% to $30,419k (31 December 2020: $25,846k) due to an increase in rigs and fleet utilisation.

Cash outflows from investing activities were 12% higher primarily as a result of increased capital investment, these cash flows underpin the continued investment in the Group's current and future operations.

Financing cash flows for the period resulted in a net outflow of $8,466k (H1 2021: $3,730k), due to the dividend that was paid during the review period.

Significant Changes in the State of Affairs

There was no significant change in the state of affairs of the Group during the reporting period.

Dividends

During the half year period the Group declared a fully franked dividend of $7,466k (H1 2021: nil) at 2.18 cents per share. The Directors have declared an interim fully franked dividend of 2.51 cents per share for the half year. The strong balance sheet position, positive Group cash flows and positive outlook for the drilling market have supported the declaration of this dividend. It is anticipated that this dividend will be paid out on 8 April 2022.

Directors' Report (continued)

Subsequent Events

Other than the below events, there has not been any matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years

Acquistion of Swick Mining Services

During the review period, a Scheme Implementation Agreement ("SIA") was reached for the Company, through its wholly-owned subsidiary DDH1 FinCo Pty Ltd, to acquire all of the shares of Swick Mining Services Limited. Under the SIA, all consideration will be in the form of DDH1 ordinary fully paid shares issued at a ratio of 0.2970 DDH1 shares for each Swick Mining Services Limited share. The SIA contains various conditions precedent, which were not met prior to period end.

The conditions precedent under the SIA were met on 7 February 2022, resulting in the acquisition of Swick Mining Services Limited on this date. Under the terms of the SIA on 16 February 2022, DDH1 issued 83.95 million new ordinary fully paid shares. At the date of acquisition the market price for DDH1 shares was $1.05 per share, resulting in consideration of $88.15 million. Further DDH1 took on the net debt of Swick Mining Services Limited. Given the timing of the acquisition, the Company is in the very early stages of the purchase price allocation process and is therefore currently not in a position to disclose the valuation of identifiable assets acquired and liabilities and contingent liabilities assumed in accordance with Accounting Standards.

Costs incurred during the period relating to the acquisition of Swick Mining Services Limited was $1,627,309, which have been expensed. Expensed amounts do not include any success fees, which only became due and payable when the SIA became effective, being 7 February 2022.

Banking Facilities

On 14 February 2022, the Group amended its 5-year finance agreement with Bankwest, resulting in the credit facility limit increasing to $95 million (previously $60 million).

Rounding off of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191,* dated 24 March 2016, and in accordance with that Corporations Instrument amounts in this directors' report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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 on the following page.

This Directors' Report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

Chairperson and Non-Executive Director
Diane Smith-Gander. AO

Dated this 24th day of February 2022

Deloitte.

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The Board of Directors
DDH1 Limited
21 Baile Road
CANNING VALE WA 6155

24 February 2022

Dear Board Members

DDH1 Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of DDH1 Limited.

As lead audit partner for the review of the financial report of DDH1 Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half year ended 31 December 2021

	Note	31 Dec 2021 $000's	31 Dec 2020 $000's
Revenue	3	168,669	141,490
Other income	3	3,420	2,026
Other gains and losses	3	141	(141)
Administrative expenses	4	(3,349)	(3,087)
Drilling consumables		(17,177)	(17,230)
Hire of plant		(4,985)	(4,215)
Service and repair expenses		(14,060)	(10,974)
Employee and contract labour expenses	4	(74,841)	(63,489)
Fuel and oil expenses		(4,569)	(3,594)
Freight and couriers		(2,836)	(2,133)
Travel expenses		(6,031)	(4,759)
Acquisition expenses	16	(1,627)	-
Other expenses		(1,599)	(1,346)
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")		**41,156**	**32,549**
Depreciation expense		(11,673)	(10,418)
Amortisation expense		(1,075)	(1,074)
Earnings before Interest and Tax ("EBIT")		**28,408**	**21,057**
Interest income		4	-
Finance costs	4	(425)	(1,609)
Profit before tax		**27,987**	**19,448**
Income tax expense		(8,287)	(6,042)
Profit for the period		**19,700**	**13,406**
Other comprehensive income, net of income tax		**-**	**-**
Total comprehensive income for the period		**19,700**	**13,406**
Profit attributable to owners of the parent		**19,700**	**13,406**
Total comprehensive income attributable to owners of the parent		**19,700**	**13,406**
Earnings per share:			
Basic (cents per share)		5.75	4.60
Diluted (cents per share)		5.72	4.39

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
As at 31 December 2021

	Note	31 Dec 2021 $000's	30 June 2021 $000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	10,094	14,591
Trade and other receivables		48,551	55,696
Inventories		32,015	26,098
Current tax assets		11,695	4,279
Other current assets		1,954	1,221
TOTAL CURRENT ASSETS		**104,309**	**101,885**
NON-CURRENT ASSETS			
Financial assets		662	562
Intangible assets		29,429	30,819
Property, plant and equipment		145,042	129,415
Right of use lease assets		4,377	4,228
Deferred tax assets		5,450	14,413
TOTAL NON-CURRENT ASSETS		**184,960**	**179,437**
TOTAL ASSETS		**289,269**	**281,322**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		24,173	28,757
Lease liabilities	6	2,709	3,217
Provisions		9,125	8,433
TOTAL CURRENT LIABILITIES		**36,007**	**40,407**
NON-CURRENT LIABILITIES			
Lease liabilities	6	5,733	6,424
Provisions		654	804
TOTAL NON-CURRENT LIABILITIES		**6,387**	**7,228**
TOTAL LIABILITIES		**42,394**	**47,635**
NET ASSETS		**246,875**	**233,687**
EQUITY			
Issued capital	8	375,886	375,025
Group reorganisation reserve		(266,574)	(266,574)
Share based payment reserve	9	3,723	3,837
Retained earnings		133,840	121,399
TOTAL EQUITY		**246,875**	**233,687**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2021

	Note	Issued Capital $000's	Group Reorganisation Reserve $000's	Share Based Payment Reserve $000's	Retained Earnings $000's	Total Equity $000's
Balance as at 1 July 2020	1	**209,665**	**(140,812)**	**2,194**	**64,213**	**135,260**
Profit for the period		-	-	-	13,406	**13,406**
Other comprehensive income for the period		-	-	-	-	**-**
Total comprehensive income for the period		**-**	**-**	**-**	**13,406**	**13,406**
Share based payment expense	9	-	-	645	-	**645**
As at 31 December 2020[3]		**209,665**	**(140,812)**	**2,839**	**77,619**	**149,311**
Balance as at 1 July 2021	1	**375,025**	**(266,574)**	**3,837**	**121,399**	**233,687**
Profit for the period		-	-	-	19,700	**19,700**
Other comprehensive income for the period		-	-	-	-	**-**
Total comprehensive income for the period		**-**	**-**	**-**	**19,700**	**19,700**
Dividends paid	10	-	-	-	**(7,259)**	**(7,259)**
Proceeds received for treasury shares	8	568	-	-	**-**	**568**
Transfer of share based payment reserve to issued capital	8	293	-	(293)	**-**	**-**
Share based payment expense	9	-	-	179	-	**179**
As at 31 December 2021		**375,886**	**(266,574)**	**3,723**	**133,840**	**246,875**

The accompanying notes form part of these financial statements.

[3] Capital restructure on IPO of DDH1 Limited prior to 1 July 2021. Refer to note 1 for further information.

Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2021

	Note	31 Dec 2021 $000's	31 Dec 2020 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		196,032	166,309
Payments to suppliers and employees		(158,451)	(127,554)
Finance costs paid		(425)	(1,609)
Interest received		4	-
Income tax paid		(6,741)	(11,300)
Net cash generated by operating activities		**30,419**	**25,846**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		67	222
Payments for property, plant and equipment		(26,517)	(23,829)
Net cash used in investing activities		**(26,450)**	**(23,607)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from treasury shares	**8**	568	-
Principal payments for lease liabilities		(1,775)	(1,258)
Repayment of borrowings		-	(2,472)
Dividends paid	**10**	(7,259)	-
Net cash used in financing activities		**(8,466)**	**(3,730)**
Net decrease in cash and cash equivalents		(4,497)	(1,491)
Cash and cash equivalents at beginning of the period		14,591	37,581
Cash and cash equivalents at the end of the period	**5**	**10,094**	**36,090**

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

1. General Information

This half year financial report covers DDH1 Limited (the "**Company**") and its subsidiaries (the "**Group**").

DDH1 Limited is a company limited by shares incorporated in Australia. The address of its registered office and principal place of business is 21 Baile Rd Canning Vale, Western Australia.

Summary of significant accounting policies

1.1 Statement of compliance

The half year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting'*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting'*. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual report.

1.2 Basis of preparation

These condensed consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless others noted.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2021, except for the impact of the Standards and Interpretations described below. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Corporate Restructure

On 9 March 2021, as part of the Company listing on the ASX, a restructure of the Group was undertaken whereby the Company, via its wholly-owned subsidiary DDH1 Group Holdings Pty Ltd, acquired 100% of the share capital of DDH1 Holdings Pty Ltd ("DDH1 Holdings"). Under the terms of this restructure, the Company became the ultimate parent of DDH1 Holdings. Consistent with the 30 June 2021 financial statements, for the purposes of accounting, this has been considered a group reorganisation.

Due to the corporate restructure, the consolidated financial statements of DDH1 Limited have been prepared, by an accounting policy choice, as a continuation of the business and operations of DDH1 Holdings except that the issued capital and consolidated statement of changes in equity presented is that of the Company.

Notes to the Condensed Consolidated Financial Statements (continued)

1.2 Basis of preparation (continued)

The implications of the corporate restructure on the condensed consolidated financial statements are as follows:

a) Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
The current financial period results are that of the combined Group. The comparative information is that of DDH1 Holdings and its controlled entities for the period ended 31 December 2020 (referred to as "**DDH1 Holdings Group**"). For calculation of earnings per share, in the current period the share capital reflects the new capital structure put in place on IPO. For the comparative information, the share capital reflects the capital structure of DDH1 Holdings Group as at 31 December 2020.

The consolidated statement of financial position as at 31 December 2021 and the 30 June 2021 comparative represents the combined Group.

b) Condensed Consolidated Statement of Changes in Equity
The consolidated statement of changes in equity as at 31 December 2021 represents the combined Group. The comparative information is that of DDH1 Holdings Group.

c) Condensed Consolidated Statement of Cash Flows
The cash balance at the beginning of the period and the comparative period information is that of Group. The current year cash flows are those of the combined Group. The comparative information is that of DDH1 Holdings Group.

1.3 Rounding off of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/*191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

1.4 Standards and Interpretations adopted in the current half year period

In the current half-year, the Group has applied the below amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the Board) that are effective for the Group's annual reporting period that began on 1 July 2021. These standards include:

• AASB 2020-8 *Amendments to Australian Accounting Standards –Interest Rate Benchmark Reform– Phase 2*
• AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021.*

None of the new standards has had a material impact on the financial results of the Group upon adoption.

Notes to the Condensed Consolidated Financial Statements (continued)

2. Segment information

Management has determined the operating segments based on the internal reports reviewed by the Board that are used to make strategic decisions. The Board assesses the performance of the operating segments based on revenue, EBIT, EBITDA and profit or loss before tax. The Group operates primarily within Australia, providing services wholly to a discrete industry segment (provision of drilling services to the mining industry). These geographic and operating segments are considered based on internal management reporting and the allocation of resources by the Group's chief decision makers (Board of Directors). On this basis, the financial results of the reportable operating and geographic segments are equivalent to the financial statements of the Group as a whole and no separate segment reporting is disclosed in these financial statements. Accordingly, there is only one segment. The Group generates revenue from external customers as per Note 3.

Notes to the Condensed Consolidated Financial Statements (continued)

3. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	Note	31 Dec 2021 $000's	31 Dec 2020 $000's
Revenue			
Revenue from the rendering of drilling services over time		168,669	141,490
Total revenue from continuing operations		**168,669**	**141,490**
Other income			
Diesel fuel rebate		721	1,040
Government training incentive		2,531	527
Other income		168	459
		3,420	**2,026**
Other gain and losses			
Net foreign exchange gains / (losses)		(1)	-
Net fair value gains / (losses) on financial assets		100	(42)
Gain / (loss) on disposal of property, plant and equipment		42	(99)
Other gain and losses from continuing operations		**141**	**(141)**

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from its contracts with customers by commodity and drilling type. This appropriately depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. All revenue is generated by services transferred over time.

	Note	31 Dec 2021 $000's	31 Dec 2020 $000's
Commodity			
Gold		58,296	60,592
Gold / Copper		24,618	21,182
Copper		21,990	17,245
Nickel		29,173	8,807
Iron Ore		28,256	26,645
Other		6,336	7,019
		168,669	**141,490**
Drilling type			
Surface drilling		156,059	134,030
Underground drilling		9,734	3,724
Other		2,876	3,736
		168,669	**141,490**

Notes to the Condensed Consolidated Financial Statements (continued)

4. Expenses

Profit before income tax includes the following specific expenses:

	Note	31 Dec 2021 $000's	31 Dec 2020 $000's
Finance costs consists of:			
Interest on syndicated loan		-	(1,350)
Other finance costs		(425)	(259)
Total finance costs		**(425)**	**(1,609)**
Administrative expenses consists of:			
Advertising expenses		(219)	(262)
Insurance expenses		(2,242)	(1,220)
Legal and consultant fees		(544)	(1,302)
Rent		(344)	(303)
Total		**(3,349)**	**(3,087)**
Employee and contract labour expense consists of:			
Salary and wages including bonuses, sick, annual and long service leave		(62,742)	(50,881)
Superannuation expense		(4,646)	(3,666)
Share based payment	9	(179)	(645)
Other	(a)	(7,274)	(8,297)
Total		**(74,841)**	**(63,489)**

(a) Other includes subcontractor, agency labour, recruitment, staff amenities, staff training, entertainment and other items.

5. Cash and cash equivalents

	Note	31 Dec 2021 $000's	30 June 2021 $000's
Petty cash		1	2
Cash at bank		10,093	14,589
Net cash at bank		**10,094**	**14,591**

Cash at bank and in hand earns interest at floating rates based on daily bank rates.

Reconciliation of cash

For the purposes of the Condensed Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following

Cash at bank and in hand	10,094	14,591
Net cash at bank	**10,094**	**14,591**

Notes to the Condensed Consolidated Financial Statements (continued)

6. Lease liabilities

	Note	31 Dec 2021 $000's	30 June 2021 $000's
Leases on office premises		4,850	4,653
Hire purchase liabilities		3,592	4,988
Closing balance		**8,442**	**9,641**
Split as follows:			
Current		2,709	3,217
Non-Current		5,733	6,424
Closing balance		**8,442**	**9,641**

The Group does not face a significant liquidity risk with regard to its lease liabilities.

7. Borrowings

	Note	31 Dec 2021 $000's	30 June 2021 $000's
Secured borrowings at amortised cost			
- Bankwest loan		-	-
Total borrowings		**-**	**-**

The Group has a five-year multi-option facility for a maximum of $50,000,000. This facility at 31 December 2021 has $700,000 assigned to a bank guarantee facility and the remaining $49,300,000 assigned to the overdraft facility. At 31 December 2021 the Group has not drawn down on any of the overdraft facility. In addition, the Group has a $10,000,000 asset finance facility in place with Bankwest. This facility has a term of 5 years and expires on 8 March 2026.

Available borrowing facilities

	Note	31 Dec 2021 $000's	30 June 2021 $000's
Available facilities		60,000	60,000
Borrowings used at balance date		-	-
Lease liabilities used at balance date		(3,592)	(4,988)
Bank guarantees used at balance date		(629)	(629)
Unused at balance date		**55,779**	**54,383**

Refer to note 16 for amendment to this facility subsequent to 31 December 2021.

Notes to the Condensed Consolidated Financial Statements (continued)

8. Issued capital

	Note	Number of shares	Share capital $000's
Ordinary Shares			
Issued and fully paid		**330,601,047**	**375,886**
Treasury Shares			
Issued		**12,203,631**	**-**

During the period, there has been movement between treasury shares and ordinary shares. 1,455,999 treasury shares were converted into ordinary shares via the receipt of $567,519. This also incorporates a transfer of share-based payment reserve to issued capital of $292,812 relative to the treatment of treasury shares on IPO of the group as detailed in note 9. There were no other movement in ordinary shares or treasury shares of the company during the current half year.

Ordinary Shares

Ordinary shares participate in voting, carry a right to a dividend and the proceeds on winding up of the Group in proportion to the number of shares held.

Treasury Shares

Treasury shares participate in dividends and the proceeds on winding up of the Group in proportion to the total number of shares held.

There are no externally imposed capital requirements. At any meeting of shareholders, each treasury share is entitled to one vote.

Notes to the Condensed Consolidated Financial Statements (continued)

9. Share based payment reserve

	Note	31 Dec 2021 $000's	30 June 2021 $000's
Opening balance		**3,837**	**2,194**
Share based payment expense for M Class shares		**-**	1,509
Share based payment expense for LTIP		179	134
Transfer of share-based payment reserve to issued capital	8	(293)	-
Closing balance		**3,723**	**3,837**

Management Equity Plan

As disclosed in the most recent annual financial report, M Class shares are accounted for as a share-based payment in the comparative. No new M Class shares were issued during the current half yearly reporting period. In the Group's annual financial report for 30 June 2021, the remaining expense for the M Class shares was recognised. Accordingly, there is no further expense recognised in this interim financial report.

Long Term Incentive Plan ('LTIP')

During this half year period, the Group issued performance rights under the LTIP to certain senior employees of the Group. As a result of the issue of these performance rights resulted in a share-based payment expense of $35,072 (2020: nil) has been recognised. The remaining share-based payment expense recognised for the period was for performance rights issued prior to 30 June 2021.

10. Dividend

During the half year, the Group paid a fully franked dividend of 2.18 cents per share totalling $7,259,156 (2020: nil). On 24 February 2022, the directors declared a fully franked interim dividend of 2.51 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2021, to be paid to shareholders on 8 April 2022. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $10,701,744.

11. Key management personnel

There have been no changes to the KMP of the Group or compensation arrangements since the most recent annual report.

12. Capital commitments

The Group has capital commitments for purchases of drill rigs assets and their supporting equipment totalling $10,405,944 (30 June 2021: $10,749,322).

Notes to the Condensed Consolidated Financial Statements (continued)

13. Financial instruments

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position for the Group are as follows:

	31 December 2021		30 June 2021	
	Carrying Amount $000's	**Fair Value $000's**	**Carrying Amount $000's**	**Fair Value $000's**
Assets				
Cash at bank	10,094	10,094	14,591	14,591
Trade and other receivables	48,551	48,551	55,696	55,696
Financial assets	662	662	562	562
Liabilities				
Trade and other payables	24,173	24,173	28,757	28,757

Financial assets carried at fair value through the profit and loss related to listed and non-listed investments are reviewed annually with regard to observable data based on the quoted prices of the instruments held. Listed investments are typically measured at Level 1 fair value hierarchy, and there were no transfers between levels during the period. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. At 31 December 2021, listed investments with a carrying value of $508,105 (30 June 2021: $408,105) have been measured at Level 1. For financial assets that are non-listed investments, there are measured accordingly to inputs other than quoted prices within Level 1 that are observable for the assets indirectly. The methodology employed in this valuation related to prices the instrument has traded for in a private sale. These are measured at Level 3. At 31 December 2021, financial assets with a carrying value of $154,000 (30 June 2021: $154,000) have been measured at Level 3.

14. Bank guarantees

The Group has bank guarantees in the amount of $628,970 (30 June 2021: $628,970) in relation to obligations under operating leases and rental premises.

Notes to the Condensed Consolidated Financial Statements (continued)

15. Post-reporting date events

Other than the below events, there has not been any matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years

Acquistion of Swick Mining Services

During the review period, a Scheme Implementation Agreement (SIA) was reached for the Company, through its wholly-owned subsidiary DDH1 FinCo Pty Ltd, to acquire all of the shares of Swick Mining Services Limited. Under the SIA, all consideration will be in the form of DDH1 ordinary fully paid shares issued at a ratio of 0.2970 DDH1 shares for each Swick Mining Services Limited share. The SIA contains various conditions precedent, which were not met prior to period end.

The conditions precedent under the SIA were met on 7 February 2022, resulting in the acquisition of Swick Mining Services Limited on this date. Under the terms of the SIA on 16 February 2022, DDH1 issued 83.95 million new ordinary fully paid shares. At the date of acquisition the market price for DDH1 shares was $1.05 per share, resulting in consideration of $88.15 million. Further DDH1 took on the net debt of Swick Mining Services Limited. Given the timing of the acquisition, the Company is in the very early stages of the purchase price allocation process and is therefore currently not in a position to disclose the valuation of identifiable assets acquired and liabilities and contingent liabilities assumed in accordance with Accounting Standards

Costs incurred during the period relating to the acquisition of Swick Mining Services Limited was $1,627,309, which have been expensed. Expensed amounts do not include any success fees, which only became due and payable when the SIA became effective, being 7 February 2022.

Banking Facilities

On 14 February 2022, the Group amended its 5-year finance agreement with Bankwest, resulting in the credit facility limit increasing to $95 million (previously $60 million).

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed on behalf of the Board of Directors pursuant to s.303(5) of the *Corporations Act 2001*.

Chairperson and Non-Executive Director
Diane Gander-Smith. AO

Dated this 24th day of February 2022

Deloitte.

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Independent Auditor's Review Report to the members of DDH1 Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the half-year financial report of DDH1 Limited ("Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 8 to 22.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DDH1 Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Company*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with 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 annual 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 review report.

Directors' Responsibilities for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants
Perth, 24 February 2022